2011 Quiñenco Annual Report

2011 ANNUAL REPORT

QUIÑENCO S.A.

CONTENTS

COMPANY IDENTIFICATION

Quiñenco is an open stock company created under the name of Forestal Quiñenco S.A. in a public deed dated January 28, 1957 and amended by public deed on April 15, 1957, both at the Notary Office of Mr. Carlos Calderón Cousiño in Valparaiso. The existence of the company was authorized and its statutes approved by Finance Ministry Decree No. 5,981, dated July 3, 1957, which was registered on pages 624 of Commercial Registry No. 430 of 1957 of the Valparaiso Property Conservator and printed in Diario Oficial No. 23,806, dated July 27, 1957. The company moved its domicile to Santiago in a statutory reform registered in a public document dated March 25, 1966 and signed in the Valparaiso Notary Office of Mr. Rafael Luis Barahona Stahr, amended on April 13, 1966 in a public document issued by the Public Notary Mr. Eduardo González Abbott in Santiago. An extract of the reform was registered on pages 3,787, number 1,952 of the 1966 Santiago Commercial Record and published in the Official Gazette on June 11, 1966. The company changed its name to Quiñenco S.A. and agreed to a new summarized text of its statutes via a reform registered in a public deed dated October 11, 1996 and issued by the Santiago Public Notary Mr. René Benavente Cash. An extract of this reform was registered in pages 26,437, number 20,473 of the 1996 Santiago Commercial Registry and published in the Official Gazette on October 29, 1996. The most recent modification was registered in a public deed dated October 14, 2011, recorded by the Santiago Notary Office of Mr. René Benavente Cash. An extract of this reform was registered on pages 61,557, number 45,264 of the 2011 Santiago Commercial Record and published in Diario Oficial No.40,089, dated October 19, 2011.

Quiñenco S.A.

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Investor Relations

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Investor Relations Manager
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Exchanges (Quinenco):

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

External Auditors

Ernst & Young Ltda.
Presidente Riesco 5435, 4th Floor
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Telephone: (56-2) 676 1000

5 YEAR FINANCIAL HIGHLIGHTS

		2011	2010	2009	2008	2007*
CONSOLIDATED RESULTS						
Industrial Sector						
Revenues from regular activities	Millions Ch$	1,055,401	304,632	254,128	264,380	700,767
Gross profit		166,587	85,229	73,264	58,610	99,947
Consolidated (loss) profit industrial sector		(15,416)	181,264	74,066	170,267	105,241
Banking sector						
Total net operating revenues		1,101,373	957,589	803,109	949,178	-
Operational result		487,271	412,164	296,583	375,983	-
Consolidated net income banking sector		349,612	302,561	213,060	233,712	-
Consolidated net income		334,196	483,825	287,126	403,979	-
Net income attributable to non-controlling interests		246,230	192,219	131,726	151,977	16,787
Net income attributable to the owners of the controller		87,966	291,606	155,401	252,002	105,241
Earnings per share (attributable to controller)	Ch$	76.85	254.77	135.77	220.17	91.95
FINANCIAL POSITION						
Assets industrial sector	Millions Ch$	2,509,797	2,224,654	1,862,740	2,024,774	1,808,430
Assets banking services		21,740,945	18,200,363	17,457,601	18,585,569	-
Total assets		24,250,742	20,425,018	19,320,341	20,610,343	1,808,430
Liabilities industrial sector		911,916	575,559	546,942	648,808	619,313
Liabilities banking services		20,284,941	17,123,683	16,499,779	17,751,185	-
Total liabilities		21,196,857	17,699,242	17,046,721	18,399,994	619,313
Equity attributable to the controller's owners		1,559,940	1,520,552	1,268,964	1,212,365	995,787
Non-controlling participations		1,493,945	1,205,223	1,004,655	997,985	193,330
Total equity		3,053,885	2,725,775	2,273,620	2,210,350	1,189,117
Current ratio (current assets/ current liabilities) (1)	Times	2.10	3.11	1.90	1.61	2.55
Leverage (Total liabilities/Equity) (1)	Times	0.58	0.38	0.43	0.54	0.62
EBITDA (2)	Millions Ch$	38,104	12,539	11,941	22,411	73,520

* Historical data prepared under Chilean GAAP, which are therefore not entirely comparable to 2008, 2009, 2010 and 2011, which were prepared according to IFRS.
(1) Excludes assets and liabilities of the banking sector.
(2) On an industrial sector level

OTHER INFORMATION

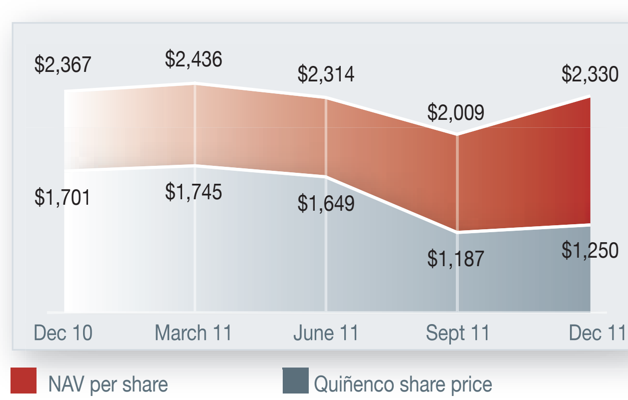
Number of shareholders	1,362	1,382	1,429	1,507	1,613
Number of shares outstanding	1,144,665,020	1,144,577,775	1,144,577,775	1,144,577,775	1,144,577,775

MUS$ 5,137

The net value of Quiñenco's assets as of December 31, 2011.

Nav/Share Price Evolution

as of December 31, 2011
NAV MUS$5,137
Market Cap MUS$2,756
Share price in Ch$



Synergy

Mobilizing wills of a highly specialized team leading to development and progress. This is how Quiñenco consolidates all of its potential to achieve the goals it has defined.

LETTER FROM THE CHAIRMAN

DEAR SHAREHOLDERS:

It is my pleasure to share with you the results obtained by the Quiñenco group during 2011.

The year 2011 marked Quiñenco's incursion into three new industries: energy, transport, and port services, diversifying our horizons and presenting new challenges and growth opportunities that we approach with enthusiasm and hard work. Thus, Quiñenco fulfilled its search for new investment opportunities and has consolidated its position as one of the most important and diversified conglomerates in the country, with excellent performance of the group's subsidiaries, which have continually contributed to the growth and positive results obtained in the year, which totaled a net profit of Ch$87,966 million. Complementing its strong liquidity position, Quiñenco successfully issued US$ 530 million in bonds and increased its capital by US$ 500 million, transactions that were completed in early 2012, thus balancing its sources of financing and laying the foundations to face the future with solidity.

On May 31, 2011 the purchase of Shell's assets in Chile was completed for US$ 633 million, thus marking our arrival in the energy sector under the new name "Enex." Today, with a network of close to 300 service stations and 64 convenience stores, in addition to a licensing agreement with the Shell brand, Enex is dedicated to repositioning the brand's image and the quality of service in its network of service stations. In the operational area, Enex is expanding the retail market with new service stations throughout the entire country. In the industrial sector an operational restructuring is being implemented and innovation projects are being developed to improve the service that is offered.

Quiñenco started its expansion into the transport sector in March 2011 with the purchase of 10% of Compañía Sud Americana de Vapores (CSAV), Latin America's largest shipping company. This stake increased over the course of the year reaching 20.6% at the end of 2011, and a control agreement was also signed through a shareholders' agreement with Marinsa. A capital increase in the company of US$ 1.2 billion was approved so a profound restructuring could be undertaken in order to improve significantly its financial and competitive position. This process was successfully concluded in February 2012, with which Quiñenco's stake in CSAV increased to 37.44% becoming the controller, with a total investment of around US$ 920 million. The aforementioned shareholders' agreement was terminated as a consequence of this. At the same time, an Extraordinary Shareholders' Meeting of CSAV approved its division, consequently creating the new company Sociedad Matriz-SAAM, with Sudamericana Agencias Aéreas y Marítimas (SAAM) left as a subsidiary of the former, in which Quiñenco also holds 37.44% of the shares.

We are confident that the redesign of CSAV's strategic plan, which has already been translated into significant growth in the joint operations with some of the main shipping companies in the world, a major expansion in its own fleet, and a profound organizational restructuring, will allow the company to revert its results in 2013.

I would now like to refer to Quiñenco's other permanent investments. Along these lines, I would first like to note that in 2011 Banco de Chile reached first place in the Chilean financial system, with a 19.8% share in total placements. Excellent performance and profitable growth also allowed Banco de Chile to be the most profitable bank in the country, with a return on equity of 24.7%. On an international level in 2011 the magazines Euromoney and Latin Finance also recognized it as the best bank in the country. In 2011, Banco de Chile successfully increased its capital, collecting funds for US$ 440 million. This process granted greater depth and liquidity to the Bank's shares, significantly increasing the volumes traded, which was acknowledged in mid-November with the inclusion of Banco de Chile's shares in the MSCI Emerging Markets international exchange indicator, which is an important international reference for emerging market shares.

Likewise, Banco de Chile obtained net profits of Ch$ 428,805 million, a 13.3% increase over 2010. This positive result reflects a significant increase in the Bank's commercial activities, a lower level of credit risk in a more favorable economic environment, the positive effect of a higher inflation rate on the Bank's asset position in UFs, and increased fee income. The loan portfolio grew by 21%, mitigating lower credit margins. Operational expenses, in turn, increased along with the Bank's higher level of activity and also from non-recurring expenses, mainly including an extraordinary staff bonus as part of the collective bargaining process carried out during the period.

CCU had to deal with an unfavorable scenario at the beginning of the year in terms of costs and expenses, due to the fact that the prices of raw materials, oil and electricity rose at an accelerated pace. However, by implementing contingency plans on prices, expenses, investments, innovations and new projects, the company was able to mitigate the adverse effects and also grow in a profitable way, setting a new sales record with 18.4 million hectoliters sold. It should be highlighted that this growth included the subsidiary Compañía Pisquera de

Chile's (CPCh) expansion into other liquors, after signing a distribution contract in July with Pernod Ricard for its brands Rum Havana Club, Ballantines, Vodka Absolut, 100 Pipers and Chivas Regal. In this way, not only did CPCh strengthen its position as the undisputed leader in the pisco market, but it also became a leading Chilean company in the liquor segment with a 38.4% share in the total volume. Viña San Pedro Tarapacá received important acknowledgements in 2011, among which its distinction as the "New World Winery of the Year" by the specialized magazine Wine Enthusiast is worth noting.

CCU obtained net profits of Ch$ 122,752 million in 2011, an increase of 10.9% over 2010, driven by the positive operational results obtained based on growth in the sales volume of all business segments, along with higher average prices, thus obtaining a 17.7% increase, despite the pressure that higher costs put on margins. In addition, in early 2011 a non-recurring gain was registered from the settlement of insurance policies associated with the 2010 earthquake. Administrative and sales expenses remained constant as a percentage of sales. In non-operational terms, CCU registered profits associated with exchange rate coverage on taxes and lower financial costs, reflecting a reduction in liabilities. However, a higher inflation rate generated higher losses per readjustment units than the year before, due to their effect on financial liabilities denominated in Unidades de Fomento (UF).

Madeco signed an agreement with Nexans in 2011 to significantly increase its presence in the French multinational company. As of year end Madeco held a 19.86% stake in Nexans, with three board members, and recently, in 2012, it added a member of the Compensation and Appointment Committee. Thus Madeco strengthened its participation in a company that is a world leader in the cable industry. Among its other business areas, the investment in a new flexible packaging plant in Peru should be highlighted, which uses state-of-the-art technology in its processes, strengthening future growth and optimizing production flows. In addition, in 2011 Madeco divested the traditional coin blank business, concentrating its efforts on optimizing the operational efficiency of copper piping. The profile unit has made progress toward its goal of providing customers an integral service, boosting its own sales channel and brand development.

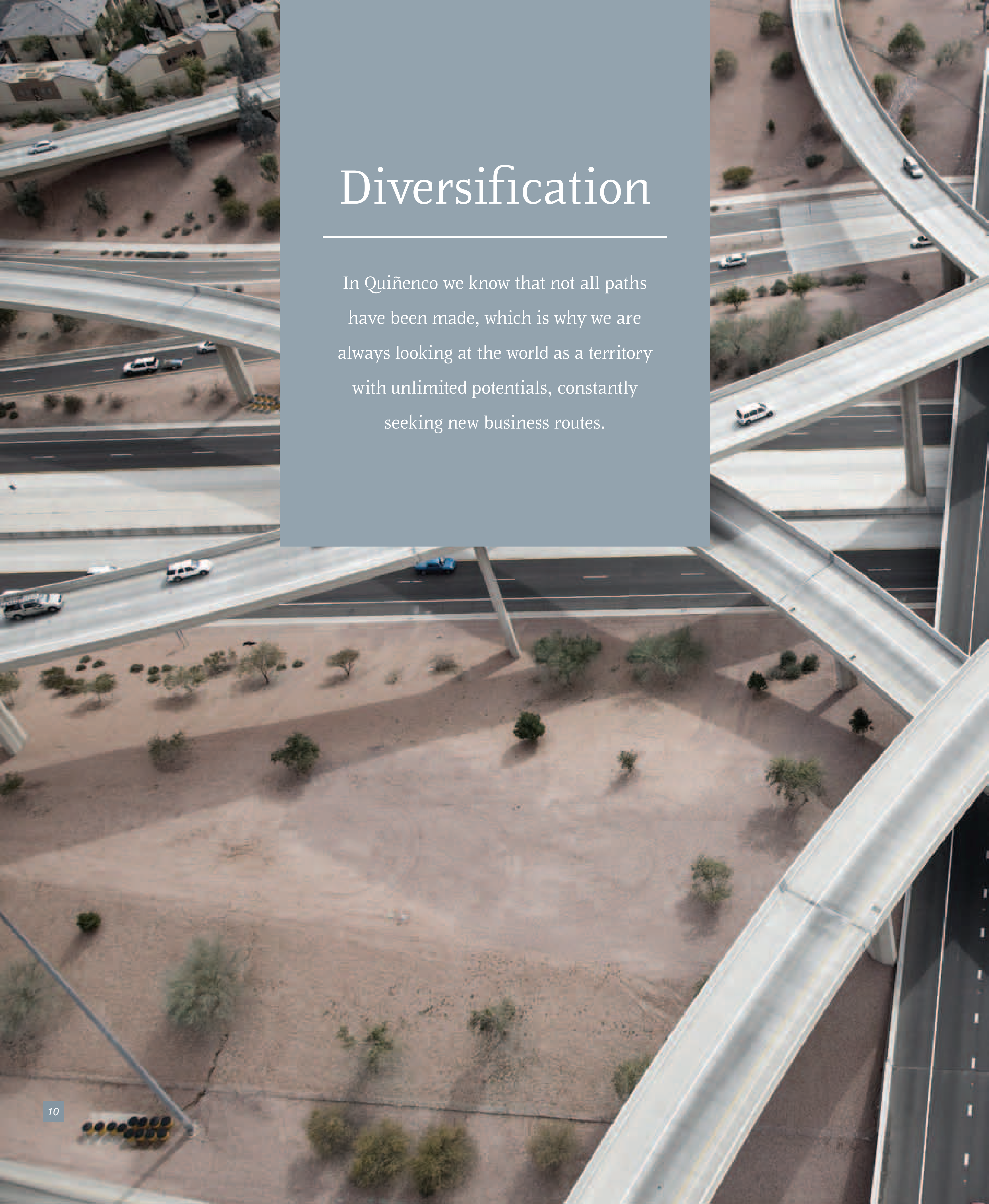
Madeco obtained net profits of Ch$ 9,329 million, reversing the loss posted in 2010. The operational result showed significant growth of 37.9%, mainly due to the results of the brass mills and profile units. The packaging unit's operational result was lower, despite its growth in revenues, mainly due to the depreciation and expenses associated with the startup of the new plant belonging to its affiliated company in Peru. A 9.5% increase in the dividend received from Nexans also contributed to the better operational result that was obtained.

Madeco also improved its non-operational result, which in 2011 includes profits from the sale of Nexans Colombia shares, while in the previous year it included an adjustment for the lower sales price of the cable unit to Nexans, in addition to the impairment of assets due to the lamination unit's closure.

As a corporate center Quiñenco has benefited from the positive results of its existing investments and it has significantly diversified its portfolio by entering three important new sectors of the economy in 2011. By the end of the year Quiñenco showed a solid financial position with a healthy level of liquidity and a low level of debt, which is consistent with its conservative financing policy. For their part, the group's companies have overall shown excellent performance, guaranteeing a sustained flow of dividends to the parent company. In this way, we are currently in an excellent position to continue along a path of profitable growth, successfully overcoming the challenges that are inherent to business and the environment, allowing us to continue ahead with the policy of continually searching for new investments.

I wish to express my sincere appreciation to our shareholders for the trust they have deposited in us and to all members of Quiñenco's team, whose dedication and commitment have once again made a fundamental contribution to achieving the goals we have set out for ourselves, making Quiñenco the great conglomerate it is today.

Guillermo Luksic Craig
Chairman



Diversification

In Quiñenco we know that not all paths have been made, which is why we are always looking at the world as a territory with unlimited potentials, constantly seeking new business routes.

BOARD OF DIRECTORS

Guillermo Luksic Craig
CHAIRMAN
Rut: 6.578.597-8
Company Board Member

Andrónico Luksic Craig
VICE CHAIRMAN
Rut: 6.062.786-K
Company Board Member

Jean - Paul Luksic Fontbona
DIRECTOR
Rut: 6.372.368-1
Company Board Member
B.Sc. Management and Science, London School of Economics, England

CORPORATE GOVERNANCE

Quiñenco's corporate governance practice is implemented by the Board of Directors, the Directors' Committee, and the General Administration. Quiñenco's board is comprised of seven members who are chosen for three years. The current Board was elected at the 2010 Annual Shareholders' Meeting.

Fernando Cañas Berkowitz
DIRECTOR
Rut: 5.853.136-7
Commercial Engineer,
Universidad de Chile

Gonzalo Menéndez Duque*
DIRECTOR
Rut: 5.569.043-K
Commercial Engineer,
Universidad de Chile

Hernán Büchi Buc*
DIRECTOR
Rut: 5.718.666-6
Civil Mining Engineer,
Universidad de Chile

Matko Koljatic Maroevic*
DIRECTOR
Rut: 5.165.005-0
Commercial Engineer,
Universidad Católica de Chile
ICAME Certificate in Marketing Management, Stanford University, U.S.A.

* Member of the Directors' Committee as of December 31, 2011

Quiñenco has a 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.

Solidity

In Quiñenco we value the role played by each part of our team. Together we are able to put a solid and synchronized organization in movement, which acts like an engine of development for the country and our shareholders.

QUIÑENCO'S PROFILE

QUIÑENCO S.A. has consolidated a solid position as one of Chile's most important and diversified conglomerates, with investments in diverse areas of the economy throughout its trajectory. It manages assets worth approximately US$ 48.9 billion at the close of 2011, which correspond to its participation in leading companies from the financial, beverage and food, manufacturing, transport and energy sectors.

Quiñenco creates value for its shareholders and for society through the sustainable development of the companies it invests in. Its investment criteria 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, knowhow 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.

Consistent with this strategy, in 2011 the holding company expanded the scope of its businesses with its participation in Compañía Sud Americana de Vapores and with the acquisition of Shell's fuel distribution assets in Chile.

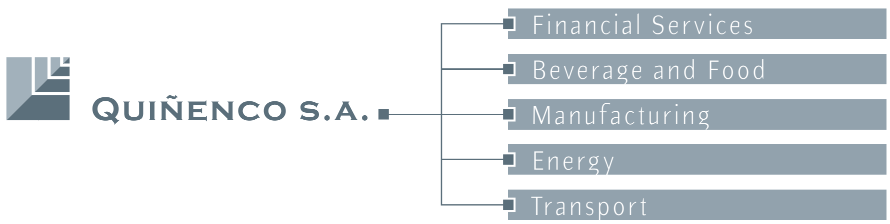
At the close of 2011, Quiñenco participates in the financial sector via LQ Inversiones Financieras (LQIF), in which it holds an equal stake with its partner Citigroup. LQIF controls 59.3% of the voting rights in Banco de Chile, an institution that led the market in profitability and loan volume in 2011.

US$ **48.9** billion

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

16,985

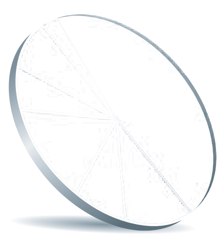
People are part of the Group's companies in Chile and abroad.



Investments by Sector

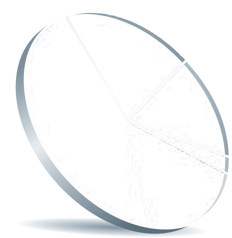
Ch$ 1,485,983 million as of 12.31.2011

(Book value at corporate level)



Financial Services	*47%*
Beverage and Food	*12%*
Manufacturing	*8%*
Energy	*14%*
Transport	*7%*
Cash	*9%*
Others	*3%*

Aggregate Revenues by Sector



Financial Services	*20%*
Beverage and Food	*15%*
Manufacturing	*3%*
Energy	*19%*
Transport	*43%*

In the industrial sector, Quiñenco controls 54.4% of Madeco, a leading manufacturing group in the cable, flexible packaging, aluminum and PVC profile, and brass mills industries.

Quiñenco participates in the beverage and food industry through its control of CCU via IRSA, a company in which it holds an equal stake with Heineken. IRSA owns 66.1% of CCU, one of the main producers of alcoholic and non-alcoholic beverages and sweet snacks in Chile and Argentina.

The holding company has since May 2011 owned Empresa Nacional de Energía, Enex S.A., the name Shell Chile Sociedad Anónima Comercial e Industrial took after Quiñenco bought the Anglo-Dutch group Shell's assets in Chile in an operation involving an investment of US$ 633 million.

At the close of 2011 Quiñenco registered a 20.6% stake in Compañía Sud Americana de Vapores, the largest maritime shipping company in the Americas and one of the largest in the world. It increased this stake to 37.44% through the subscription of a capital increase.

As the head office, Quiñenco works together with its companies' administration to define long-term strategies, supervising operational and financial management and structuring significant mergers and acquisitions. In this way it bolsters the management and growth capacity of each of the Group's companies, generating synergies and attaining high levels of efficiency.

Quiñenco's business model is based on increasing the value of each of the companies it invests in, so as to increment its value and returns in the form of dividends and eventual divestments. The results have been very positive, with revenues of around US$ 4.4 billion from divestments in the last 14 years. In addition, the dividends earned on a corporate level in 2011 totaled US$ 92 million. The generation of these resources is fundamental to financing new acquisitions and to supporting subsidiaries in their development.

US$ **12.1** billion

Aggregate revenues of the Group's companies.

US$ **425** million

Corporate level debt as of December 31, 2011.

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

- Purchase of Forestal Colcura S.A.
- Expansion into food business with the purchase of Empresas Lucchetti S.A.

1970's

- Diversification into services with the purchase of Hoteles Carrera S.A.

1980's

- Entry into the financial sector through the purchase of shares in Banco O'Higgins and Banco Santiago.
- Expansion of industrial business through the control of Madeco.
- Acquisition of control over Compañía de Cervecerías Unidas S.A., CCU, in alliance with the German Schörghuber group.
- Incursion into telecommunications with the purchase of a majority stake in VTR S.A.

1993

- Creation of OHCH in alliance with Banco Central Hispanoamericano.

1995

- Quiñenco enters into a strategic alliance with SBC Communications Inc. to boost VTR in the telecommunications sector.
- OHCH takes control of Banco Santiago.

1996

- Quiñenco is established as the financial and industrial head office and Antofagasta Holdings as the center of mining and railway investments.

1997

- Quiñenco makes a Public Share Offering on the New York and Santiago Stock Exchanges, where it raised US$ 279 million.
- VTR sells 100% of Startel S.A., a mobile telephony company, to CTC.

1998

- VTR.S.A. divests VTR Larga Distancia S.A.
- Entry into the real estate sector with the creation of Habitaria S.A. in alliance with the Spanish construction firm Ferrovial Inmobiliaria.

1999

- Sale of share in the banking sector holding company OHCH, followed by the purchase of 51.2% of Banco de A. Edwards and 8% of Banco de Chile.
- Sale of stake in VTR Cable to UIH Latin America.
- Acquisition of 14.3% stake in Entel S.A.

2000

- Creation of LQ Inversiones Financieras S.A. (LQIF) as a Quiñenco subsidiary to strengthen the group's financial services activities.

2001

- Acquisition of 52.7% of the voting rights in Banco de Chile, thus becoming its controller.
- Sale of 8% of shares in Entel S.A.
- Sale of 39.4% stake in Plava Laguna d.d., a tourist resort on the Croatian coast.

2002

- The merger of Banco de Chile and Banco de A. Edwards creates the largest financial institution in the country at the time.

2003

- Partnership with Heineken, which acquires 50% of IRSA, the company that controls CCU.
- Sale of Hotel Carrera in Santiago.

2004

- Sale of Lucchetti Chile S.A.
- Purchase of Calaf in a joint venture with CCU.
- Acquisition of 11.4% of Almacenes París.

2005

- Sale of stake in Almacenes París, transaction that produced significant profits.

2006

- The process of delisting Quiñenco's shares from the NYSE begins, ending its ADR program. This process was completed in early 2007.

2007

- Alliance with Citigroup in the financial sector.
- Quiñenco increases its capital by Ch$ 65,000 million.
- Sale of 2.8% stake in Entel.

2008

- Banco de Chile and Citibank Chile merge.
- Sale of Madeco's cable unit to Nexans, a French company in which Madeco acquired an 8.9% stake, thus becoming its largest individual shareholder.

2009

- Sale of remaining Entel shares, equivalent to 2.9% of the property.

2010

- Sale of 100% of Telsur to GTD Manquehue for Ch$ 57,000 million.
- Citigroup increases its stake in LQIF, the company that controls Banco de Chile, to 50% by exercising two purchase options for a total sum of US$1 billion.

2011

- Acquisition of Shell's assets in Chile, with which Quiñenco enters the energy sector.
- Madeco increases its stake in the multinational cable company Nexans from 9.0% to 19.86%.
- Acquisition of 20.6% of the shares in Compañía Sud Americana de Vapores S.A., which marked Quiñenco's diversification into the transport industry.

ORGANIZATION

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Attorney,
Universidad de Chile

GENERAL ACCOUNTANT
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Master's degree in Tax Management and Administration,
Universidad Adolfo Ibáñez

- Board
  - Chief Executive Officer
    - Strategy and Performance Control
    - Legal Counsel
    - Administration, Finances and Human Resources
    - Business Development
  - Internal Auditing

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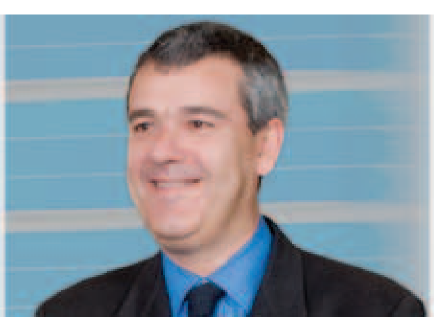

PERFORMANCE CONTROL MANAGER AND INTERNAL AUDITOR
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U.S.A.

2011 RESULTS

QUIÑENCO presents its financial statements in compliance with IFRS. To better understand Quiñenco's results, the financial statements separate the results of banking activities from those of non-banking ones (industrial sector). In addition, in keeping with IFRS requirements, four business segments have been defined: Manufacturing, Financial, Energy and Others.

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, among them the operating companies Banco de Chile, Madeco and Enex, the profits and losses of other investments that are significant to Quiñenco in terms of their size and impact on its financial results during any given period, such as for example CCU and CSAV, are not consolidated with the company. In these cases, Quiñenco's proportional share in the profits or losses is included in the non-operational results.

Quiñenco earned a net profit of Ch$ 87,966 million in 2011, 69.8% less than the year before. This drop is mainly due to the non-recurring profit obtained on a corporate level in 2010, after the sale of a stake in LQIF to Citigroup for Ch$ 169,513 million and the sale of Telsur to GTD for Ch$ 8,725 million. The incorporation of CSAV's results in 2011 contributed a loss of Ch$ 70,181 million, thus explaining part of the lower result. This was partially compensated by increased financial revenues mainly obtained by Quiñenco on a corporate level and improved results in Madeco, Banco de Chile, Banchile Seguros de Vida and CCU, in addition to the incorporation of Enex's results.

Quiñenco reported consolidated revenues in the industrial sector of Ch$ 1,055,401 million in 2011, significantly higher than the previous period, thanks to the incorporation of the energy sector as of May 31, 2011. Enex's revenues totaled Ch$ 731,728 million in the seven-month period. Banchile Seguros de Vida's revenues were also up 23.0%, to Ch$ 112,006 million in 2011. For their part, Madeco's revenues were down slightly, by 0.9%, due mostly to a lower sales volume in the brass mills unit after the closure of the lamination unit in late 2010 and the sale of the coin blanks operation in the second quarter of 2011. This lower volume was partially

Contribution to Profits by Sector and Segment

	Quiñenco's ownership(1)	2011 MCh$	2010 MCh$
Industrial Sector			
Manufacturing Segment			
Madeco	54.4%	12,146	(2,824)
Financial Segment			
LQIF Holding	50.0%	(16,005)	(19,455)
Energy Segment			
Enex(2)	100.0%	3,028	-
Segment Others			
CCU(3)	33.1%	39,921	35,979
CSAV		(70,181)	-
Quiñenco and others (4)	-	15,674	167,564
Sub-total Others		(14,586)	203,543
Consolidated Net Income Industrial Sector		(15,416)	181,264
Banking Sector			
Financial Segment			
Banco de Chile	19.8%(5)	428,806	378,530
Subordinated Debt	-	(81,295)	(72,979)
Others	-	(2,101)	(2,990)
Consolidated Net Income Banking Sector		349,612	302,561
Consolidated Net Income		334,196	483,825
Net income attributable to non-controlling interests		246,230	192,219
Net income attributable to the Controller's Owners		87,966	291,606
Net income attributable to the Controller's Owners by Segment			
Manufacturing		4,656	(2,329)
Financial		96,187	94,962
Energy		3,028	-
Others		(15,904)	198,973
Net income attributable to the Controller's Owners		87,966	291,606

(1) Direct and/or indirect
(2) Enex refers to Inversiones Río Aurum S.A. and subsidiaries, which includes Enex S.A., Inversiones Enex S.A., Enex Trading S.A. and Inversiones Río Cobre Ltda.
(3) Corresponds to Quiñenco's equity participation in CCU's results, according to the equity method.
(4) Includes Banchile Seguros de Vida and Quiñenco, as well as intermediate companies.
(5) Corresponds to Quiñenco's economic rights as of December 31, 2011. As of December 2010 Quiñenco had economic rights of 20.4% in Banco de Chile.

mitigated by higher average prices. The drop in revenues from brass mills was compensated by higher income in the packaging and profile units. The revenues of the flexible packaging unit increased based on growth in Chile, Peru and Argentina. The profile unit in turn registered growth in its sales volumes, thus reflecting the increased levels of activity in the construction sector.

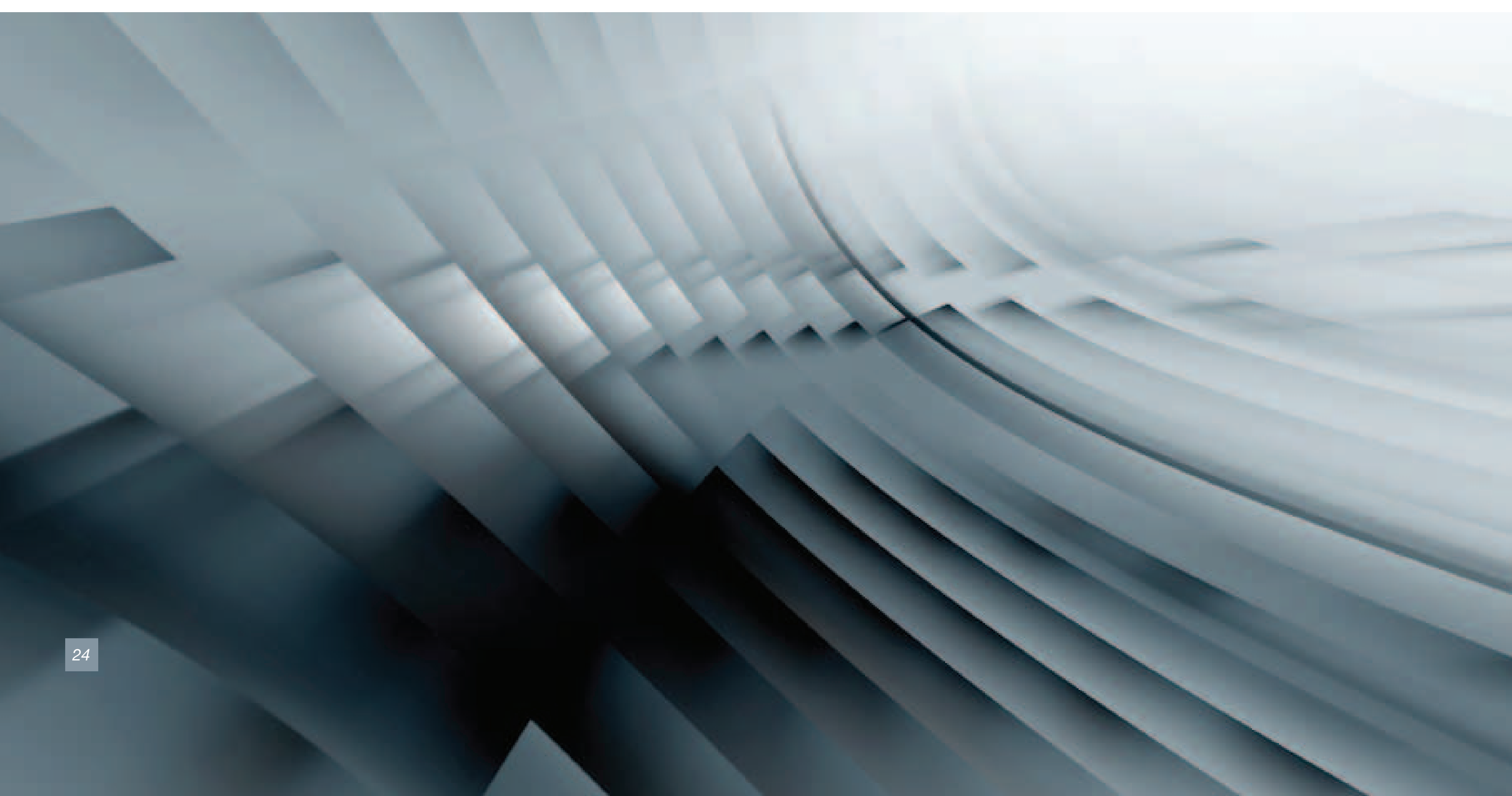
The operational result of the industrial sector improved from a loss of Ch$ 3,354 million in 2010 to a profit of Ch$ 16,748 million in 2011, mostly reflecting the contribution made by Enex, followed by Madeco and Banchile Seguros de Vida. Enex's operational result was Ch$ 7,280 million, fundamentally based on revenues from fuel sales, in addition to Ch$ 2,127 million in dividends received from Sonacol. Madeco's operational results were up by 37.9%, fueled by the strong performance in terms of margins of the brass mills and profile units. The packaging unit was affected by higher costs and expenditures associated with the start-up of a new plant in Peru. A larger dividend from Nexans, profits from the sale of a property, and the recovery of taxes also contributed to the operational result. Finally, the operational result of Banchile Seguros de Vida was up 58.3% due to an increase in revenues.

CCU's contribution was up by 11.0%, to Ch$ 39,921 million, due to better results in all business segments, along with the recognition of a gain from the settlement of insurance policies for damage caused by the 2010 earthquake.

CSAV contributed a loss of Ch$ 70,181 million due to the operational losses explained by a drop in shipping rates to historically low levels, along with growing costs caused by rising fuel prices and the growth in the volume shipped. However, a restructuring plan started to be implemented in mid-2011, which entailed closing services, reducing the volumes transported during the fourth quarter, and increasing joint operations with other shipping companies, thus managing to reduce the company's losses in the last quarter of the year.

The results of the industrial sector consisted in a loss of Ch$ 15,416 million in 2011, versus a profit of Ch$ 181,264 million the year before, due mainly to the earnings obtained on a corporate level in 2010 with the sale of a minority stake in LQIF to Citigroup and, to a lesser degree, the profit generated with the sale of Telsur. In addition, the 2011 result was affected by the loss contributed by CSAV. Meanwhile, in 2011 higher financial revenues were registered on a corporate level, as were increased results in CCU, Madeco, Banchile Seguros de Vida and the incorporation of Enex's results.

The banking sector obtained Ch$ 349,612 million in profits in 2011, a 15.6% increase over the year before, thus reflecting the positive result obtained by Banco de Chile during the period thanks to a significant increase in activity among its commercial units and a lower credit risk in a more favorable economic environment, implying a significant reduction in risk provisions and a growth in the loan portfolio, which allowed it to attain market leadership. This was partially



compensated by the higher interests accrued on 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$ 47,598 million, which represents a 68.8% drop compared to the preceding period. In 2011, Banco de Chile reduced the payment of dividends from 100% of net profits to 70%. The sustained flow of dividends and the funds obtained from the sale of investments has allowed Quiñenco to maintain a low level of debt and a solid financial position, with an industrial sector debt that totals Ch$ 548,983 million.

Composition of the Industrial Sector's Debt

Industrial Sector	2011 MCh$	2010 MCh$
Corporate level (1)	211,458	62,314
Madeco	84,552	38,052
LQIF holding	177,850	163,332
Enex (2)	75,122	-
Total Debt Industrial Sector	548,983	263,699

(1) Does not include the company IRSA's debt of Ch$ 14,066 million in 2011 (Ch$ 20,625 million in 2010), which Quiñenco owns 50% of.
(2) Includes Inv. Río Aurum debt of Ch$ 71,856 million, guaranteed by Quiñenco.

MCh$ **1,055,401**

Quiñenco's total consolidated revenues in 2011, more than three times those of the preceding year and reflecting the incorporation of the energy sector.

Dividends Received
MCh$ 47,598 (on a corporate level)

DEFINITIONS

Net income
Refers to the net income attributable to the controller's owners.

Consolidated net income
Includes net income attributable to the controller's owners and the net income attributable to non-controlling interests.

Operational Result
This is calculated by subtracting net operational expenditures (Other revenues by function, Distribution costs, Administrative costs, and Others expenses by function) and sales costs from revenues from regular activities.

Non-operational result
This is obtained by adding the accounts, Financial costs, Share in profits (losses) of equity method investments, Exchange rate differences, Results by readjustment units, Financial income and Other gains (losses).

SOCIAL RESPONSIBLITY

SOCIAL RESPONSIBILITY is an essential part of Quiñenco's business strategy and that of each of its companies. They all share the mission of fostering the progress of all human groups that they have relations with, under the understanding that by making and distributing solutions that are valuable for their customers they generate wealth for their shareholders, space for their workers to grow and community wellbeing, thus promoting a better quality of life for people.

Each of Quiñenco's subsidiaries engages in Corporate Social Responsibility activities aimed at the community that are structured and consistent, with an emphasis on relevant aspects in the area of their own business activities and the country's needs.

Quality of life

In addition to developing programs to improve the quality of life for workers and their families, the Quiñenco Group's companies have actively participated in major initiatives like the national campaigns "Elige Vivir Sano" (Choose to Live Healthy), promoted by the government, "Cuida tu Vida, Cruza con Responsabilidad" (Protect your Life, Cross Responsibly) of Carabineros de Chile (national uniformed police) and "Aliméntate Sano" (Eat Healthy) of the Catholic University of Chile.

Among the Group's contributions to these objectives in 2011, the financing of four sports centers in different municipalities around the country - including the Honorino Landa Sports Center, which benefits over 250,000 people in the municipality of Peñalolén - and the sponsorship of sports events on a professional as well as amateur level stand out. Quiñenco's subsidiaries allocate a significant part of their marketing budget to sponsoring players and clubs via their commercial brands. These include the National Football Team in the Copa America and in the Brazil 2014 World Cup Qualifiers, professional football teams and Olympic athletes who are in the ADO Program.

Certain companies in the Group have been proactive in implementing their own programs on Responsible Alcohol Consumption. A new boost was given to this area in 2011 with the implementation, in alliance with schools in the Metropolitan Region, of premature consumption prevention workshops and also talks for inmates and officials at prison and preventive detention centers, in addition to over 300 members of Carabineros in Santiago and Concepción.

Entrepreneurship

In the financial sector the Group supports people in the development of their own businesses. Over the last year seminars, meetings and workshops were held for around 10,000 small and medium sized entrepreneurs throughout the entire country to provide them with information and financial tools to deal with an increasingly competitive and globalized market.

Environmental protection

Parallel to the actions that are taken to minimize the impacts of their activities, Quiñenco's subsidiaries promote corporate volunteer activities to contribute to the protection of the environment. In an alliance with the RPA Cultiva Foundation, the group's collaborators participated in the reforestation of 14,500 square meters of the Lampa Municipal Park with

different species of native trees. Likewise, they promoted taking care of highways by handing out ecological trash cans and with education campaigns in the mass media.

Solidarity

One of the Group's most traditional activities in its relationship with the community is its participation in solidarity campaigns. This includes the Teletón, which it has participated in for 33 years, making its infrastructure and human teams available for the collection of donations and a series of initiatives during the year to provide direct support for the rehabilitation of the children that the foundation attends to.

Workers and executives in the Group continually cooperate with foundations such as Hogar de Cristo, María Ayuda, Coanil and the Garrahan Foundation, in addition to institutions like the Clínica San Juan de Dios Home and the National Children's Health Institute.

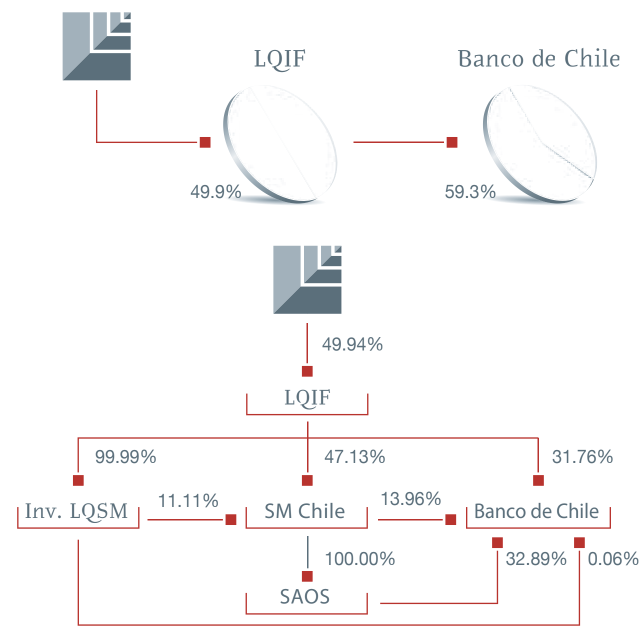
Culture

In the cultural area, the Group has continually generated spaces for contemporary artistic expression. Five curatorial exhibits and five shows with a social focus were held in 2011, which close to 7,000 people were able to appreciate. With this same goal in mind, the first version of an Art Scholarship was launched, which includes a residency at the International Studio & Curatorial Program and an exhibit at the Y Gallery, both in New York. This scholarship was created in Alliance with the Foreign Ministry, the National Council for Culture and the Arts and the newspaper El Mercurio.

A financial engine of the Chilean economy

Banco de Chile

LQIF
LQ INVERSIONES FINANCIERAS



LQ INVERSIONES FINANCIERAS S.A. is the company through which Quiñenco channels its investments in the financial sector. It is a closed stock company created in 2000 as a subsidiary of Quiñenco. Since 2001 LQIF's main asset has been its stake in Banco de Chile, which at the close of 2011 corresponded to 59.3% of the voting rights and 39.5% of the financial institution's economic rights.

Citigroup became a partner in LQIF in 2008 as part of a strategic alliance, with a 32.96% stake that it acquired by contributing its assets in Chile. The merger between Banco de Chile and Citibank Chile went into effect on January 1, 2008. In April 2010, Citigroup increased its share to 50% after exercising two options for 8.52% of LQIF's shares each, in keeping with the Shareholder's Agreement that it signed with Quiñenco for the partnership.

Banco de Chile engaged in a capital increase of US$ 445 million in 2011. LQIF's Board of Directors agreed to renounce its preferential subscription rights during the regular period of Banco de Chile's share offering, which were auctioned on the Stock Exchange. It also placed its corresponding subscriptions for its participation in SAOS on the Stock Exchange. Thus, LQIF's share in Banco de Chile was diluted to 59.3% of voting rights as of December 31, 2011.

The Quiñenco group has vast and successful experience in the Chilean financial sector, where the following are worth mentioning: 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 Bando Edwards in 1999 and Banco de Chile in 2001, and lastly the merger with Citibank Chile in 2008, thus creating the largest bank in the country controlled by Chilean capitals.

LQIF participation in Banco de Chile

As of December 31	2011
Voting rights	59.3%
Economic rights	39.5%

Property	
SM Chile	58.2%
Banco de Chile	31.8%

2011 Results

LQIF obtained net profits of Ch$ 192,373 million in 2011, 11.4% more than the result obtained the year before. This increase is mainly due to the 13.3% increase in Banco de Chile's results during the period, driven by increased activity in its commercial units, attaining market leadership and a lower level of credit risk. Meanwhile, nominal interest rates on SM-Chile's Subordinated Debt increased compared to the previous period, resulting from higher inflation in 2011. During 2011 LQIF Holding registered an extraordinary profit of Ch$ 3,438 million from the sale of SAOS's subscription option rights in Banco de Chile's capital increase. In addition, LQIF Holding received higher financial revenues during the period due to an increased availability of funds for investment, mainly generated by dividends, and lower financial costs, reflecting lower financial obligations due to the amortizations made. However, a higher inflation rate in 2011 compared to the year before caused a higher loss by readjustment units, reflecting the effect that inflation has on financial obligations expressed in Unidades de Fomento.

Banco de Chile

In 2011 BANCO DE CHILE was acknowledged by the British magazines Euromoney and Latin Finance as the best bank in the country, and as the most solid financial institution in Latin America by the US magazine Global Finance. Its successful performance positioned it at year end, as the most profitable and largest bank in the country, according to its placement volume.

The Bank offers a wide range of financial products and services to all market segments via its brands Banco de Chile, Edwards-Citi, Credichile and Banchile. It owns assets worth US$ 42 billion, has 1.7 million customers, 8 subsidiary companies, and an international risk rating of "A" from S&P and "Aa3" from Moody's.

Banco de Chile shares are listed on the local stock exchanges and on the world's main stock markets. The Bank has an ADS (American Depositary Shares) program in the New York Stock Exchange (NYSE), in addition to trading its shares on the Madrid and London Stock Exchanges.

The company has shown one of the highest levels of market capitalization among Chilean companies, with a value equivalent to US$ 11.8 billion as of December 31, 2011.

At the close of 2011, Banco de Chile had a network of 441 branches, 1,987 automatic teller machines throughout the country, close to 600 correspondent banks around the world, and representation offices in Beijing and Sao Paulo, which allows it to offer a wide range of financial products and services to its national and international customers in all market segments.

2011 Performance

Banco de Chile engaged in a capital increase process between January and July 2011 that allowed it to raise Ch$210,115 million and in that way increase its capital base by 17% as of December 31, 2011.

Likewise, the process gave the Bank's listed securities greater depth and liquidity, increasing the share floatation from

12.1% in 2010 to 15.5% in 2011, which along with the excellent financial results obtained has allowed interest in the share to be increased, which is reflected in a significant rise in the volumes traded. This effort was recognized in mid-November with the inclusion of Banco de Chile shares on the MSCI Emerging Markets international stock market indicator, which includes over 2,700 shares from 21 countries and has been the global benchmark for shares from emerging countries since 1988.

In 2011 the Bank also undertook a successful bond placement for US$ 110 million on the Mexican market, an event that marked a milestone in its policy of diversifying sources of financing and in the participation of Chilean companies in this type of transactions in Mexico. This placement is part of a line for US$ 720 million registered in that market.

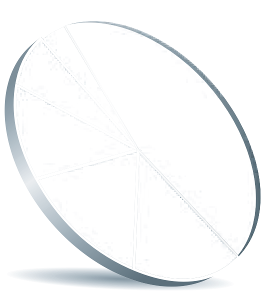
In terms of its recent performance the Bank grew more than the financial system in consumer loans and mortgages. In the retail market, attended by its Commercial Bank, the Bank achieved 21.7% growth in its portfolio of loans to individuals in 2011 and expanded the volume of business in commercial loans for small and medium enterprises by 19.9%. At the same time, favorable interest rates, a good range of products and availability on the real estate market allowed it to increase its market share in housing loans to 16.5% in 2011, an increase of approximately 150 basis points over 2010.

2011 Results

Banco de Chile reported net profits of Ch$428,805 million in 2011, 13.3% more than in 2010, reflecting a significant increase in the activity of its commercial units, a lower level of credit

*Contribution to Profits by Business Area**

MCh$ 488,394 as of 12.31.2011



Commercial Bank	45%
Large Companies	16%
Corporate and Inv.	15%
Subsidiaries	12%
Banco Credichile	8%
Treasury	4%

* Before taxes

19.8%

Banco de Chile led the Chilean financial system in 2011, with a 19.8% share of total loans and average profitability on equity of 24.7%.

risk in a more favorable economic environment, increased revenues from its asset position in UF due to a higher inflation rate and growth in fee income.

Operational revenues, which include net financial revenues, fee income and other operational revenues, increased by 4.7%, to Ch$1,223,782 million in 2011. This increase in operational revenues is explained by a 4.4% increase in net financial revenues and by 5.6% growth in fee income.

Net financial revenues totaled Ch$890,274 million, due mainly to significant growth of 21% in the placement portfolio, the favorable effect of inflation on the Bank's net asset position in UFs and the leadership in liabilities that do not accrue interest (mainly checking accounts and demand deposits), allowing more expensive sources of financing to be replaced. This was partially compensated by a 77.2% drop in the gain on financial and exchange operations, by lower sales of fixed-income instruments and a Ch$42,500 million loss from the sale of a portfolio. Net financial revenues represented 72.7% of operational revenues in 2011.

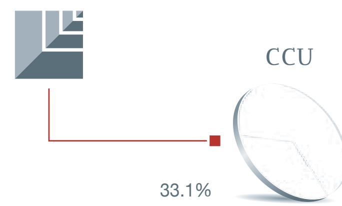
Fee income was up 5.6%, to Ch$308,773 million, due mainly to increased activity in insurance brokerage, in addition to credit and debit cards, in line with the Bank's initiatives to increase the use of these forms of payment.

Provisions for credit risk totaled Ch$124,840 million, compared to the Ch$208,590 million reported in 2010. However, this drop includes some non-recurring effects, such as: the sale of a portfolio of corporate placements, which led to approximately Ch$45,000 million in provisions being released, countercyclical provisions established in 2011 for close to Ch$24,000 million compared to contingent and countercyclical provisions for Ch$22,000 million and Ch$20,000 million, respectively, in 2010. Discounting these non-recurring effects, provisions for credit risk fell by 11.9% due to an improved economic situation with lower unemployment and higher real salaries, which fueled consumption and the level of commercial activity, in addition to continued improvements to the Bank's credit processes.

Operational expenses increased by 12.6% compared to 2010, to Ch$613,848 million, due mainly to the Bank's increased level of commercial activity, as well as non-recurring expenses. The growth in commercial activity required increased use of external sales forces, a distribution network with 25 new branches, increased transactional costs and higher marketing expenses. Staff expenditures also increased, mainly due to a Ch$28,000 million bonus for workers as part of the collective bargaining process that was undertaken during the period.

We move 1,840 million liters of beverages per year


CCU
Un mundo de sabores
CRISTAL
CERVEZA
CRISTAL
CERVEZA



COMPAÑÍA CERVECERÍAS UNIDAS S.A. is a company that produces alcoholic and non-alcoholic beverages and sweet snacks. It is the market leader in the Chilean beer market, with an 80.2% share, and is a significant actor in Argentina, where it is the second largest producer with a market share of 22.9% in beer. It is also the country's second-largest wine producer, second in soft drinks, the largest producer of pisco, and the country's main bottler of mineral water and nectars.

The company operates through a structure comprised of Strategic Business Units supported by Strategic Service Units. The latter includes the companies that supply plastic containers, logistical services, transport, and the commercialization of finished products. The parent company provides shared administrative services to all of the companies in the group, as achieving synergy is a priority objective of the corporate strategy.

CCU obtained very satisfactory results in 2011, despite facing an unfavorable scenario in terms of costs and expenses from the beginning of the year, with the costs of raw materials, oil, and electricity increasing at an accelerated pace. Given this scenario CCU implemented diverse initiatives considered in its Contingency Plan in terms of prices, expenditures, investments, innovations and new projects, which allowed it to mitigate the adverse effects and to grow profitably.

Beer in Chile

According to CCU's internal estimates, per capita beer consumption in Chile was 39.1 liters/year in 2011. This is 2.6 liters per capita more than in 2010, growth that responds to the company's efforts to boost this indicator (which was 25.5 liters per capita per year a decade ago), while at the same time promoting responsible alcohol consumption.

Notwithstanding a 2.6-point drop in its market share, the volume of the company's beer sales grew by 4.6%, to a total of 5.4 million hectoliters in 2011. Cristal and Escudo are its main brands, with 44.9% and 33.2% of the company's beer sales volume in Chile, respectively.

Beer in Argentina

CCU's share of the Argentine beer market grew to 22.9%, driven by the quality of its brands and its direct distribution network, developed with the idea of replicating the Chilean multi-category model in that country. In 2011 the direct distribution network represented 47% of sales, compared to 12% a decade ago. The increased share of the beer market, in addition to growth in per capita consumption to 44 liters, allowed CCU in Argentina to achieve sales volumes of 4.3 million hectoliters of beer, registering organic growth of 4.9% compared to the levels achieved in 2010.

Non-alcoholic beverages

The subsidiary Embotelladoras Chilenas Unidas (ECUSA) showed strong performance in 2011, with volumes up 6.1% to 7 million hectoliters and an average price that was 4.8% higher. All of this boosted its revenues by 11.2%.

Wine

Along with the rest of the industry, the San Pedro Tarapacá Group (or VSPT Group) faced the double challenge of managing its export business with an appreciated Chilean currency and higher prices of raw materials. The group managed to compensate this to a great degree with price increases both in the domestic as well as export markets, in addition a better sales mix.

Viña San Pedro was chosen the 2011 "New World Winery of the Year" by the specialized magazine Wine Enthusiast at the 12th version of the Wine Star Awards. In addition, the Group's different wines obtained over 30 Gold Medals at the main local and international wine competitions and received around 20 honorable mentions in the main specialized publications around the world.

The Group's market share of bottled wine exports from Chile is estimated at 12.1% and the share of the domestic Chilean market at 24.1%. The Argentine subsidiary Finca La Celia, in turn, attained an estimated market share of 2.3% of exports.

At the end of the year Viña Valles de Chile was separated into its two main components: Tabalí and Leyda, with the latter of these remaining as VSPT property.

CCU managed to experience profitable growth in 2011 through the application of contingency plans in an unfavorable context in terms of costs.

Spirits

In 2011 the subsidiary Compañía Pisquera de Chile (CPCh) strengthened per capita pisco consumption, which stabilized at 2.1 liters per capita per year, and it achieved an undisputed leadership in the pisco market by signing a license contract with the Bauzá brand in Chile, in addition to acquiring 49% of the company that owns it. In addition, there was growth in other liquors after a distribution contract was signed with Pernod Ricard for the brands Rum Havana Club, Vodka Absolut, 100 Pipers and Chivas Regal. Thus CPCh became Chile's leading company in the spirits macro-category, with a market share of 38.4% by volume.

2011 Results

CCU obtained good results in 2011, despite facing adverse conditions with regard to raw materials and rising fuel prices. However, the contingency plan that was implemented allowed the pressure on margins to be mitigated and growth in all segments to be obtained. Consolidated revenues were up by 15.7%, to Ch$969,551 million, thanks to a 6.4% increase in the volumes sold, setting a new record of 18.4 million hectoliters sold and a 9.0% increase in average prices. All business segments showed growth in their sales volumes, which were led by spirits and non-alcoholic beverages, followed by beer in Argentina, beer in Chile and wines.

Market Share

As of December 31	2011
Beer in Chile	80.2%
Beer in Argentina	22.9%
Soft Drinks	24.8%
Mineral waters (1)	58.2%
Nectars (2)	55.5%
Pisco	48.9%
Domestic wine	24.6%
Wine exports	12.1%

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

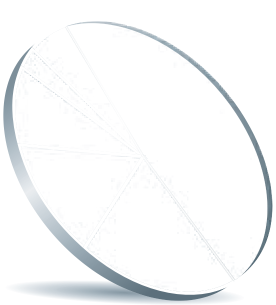
The operational result grew by 17.7%, to Ch$190,760 million in 2011, which can mainly be explained by the increase in sales, in addition to the positive effect of insurance policy settlements for Ch$13,289 million associated with the 2010 earthquake. For its part, 2010 had included a non-recurring profit of Ch$6,791 million from the sale of a property in Peru. Costs grew at a rate that was slightly higher than sales, reducing the gross margin from 54.2% in 2010 to 53.5% in 2011. Administrative and sales expenses, however, increased in line with growth in sales. EBITDA totaled Ch$238,542 million, a 15.1% increase over 2010.

CCU registered a loss of Ch$11,068million in non-operational terms, 23.4% less than the loss reported in 2010, due mainly to profits related to exchange risk coverage on taxes. A higher inflation rate in 2011 generated higher losses per readjustment units due to their effect on financial liabilities denominated in Unidades de Fomento. Meanwhile, financial costs were down, reflecting a lower level of liabilities.

CCU's net profits in totaled Ch$122,752 million in 2011, a 10.9% increase over the year before, thanks mainly to the positive variation in the operational result obtained during the period, in addition to an improved non-operational result - explained above - that was partially compensated by increased income tax.

EBITDA by Segment*

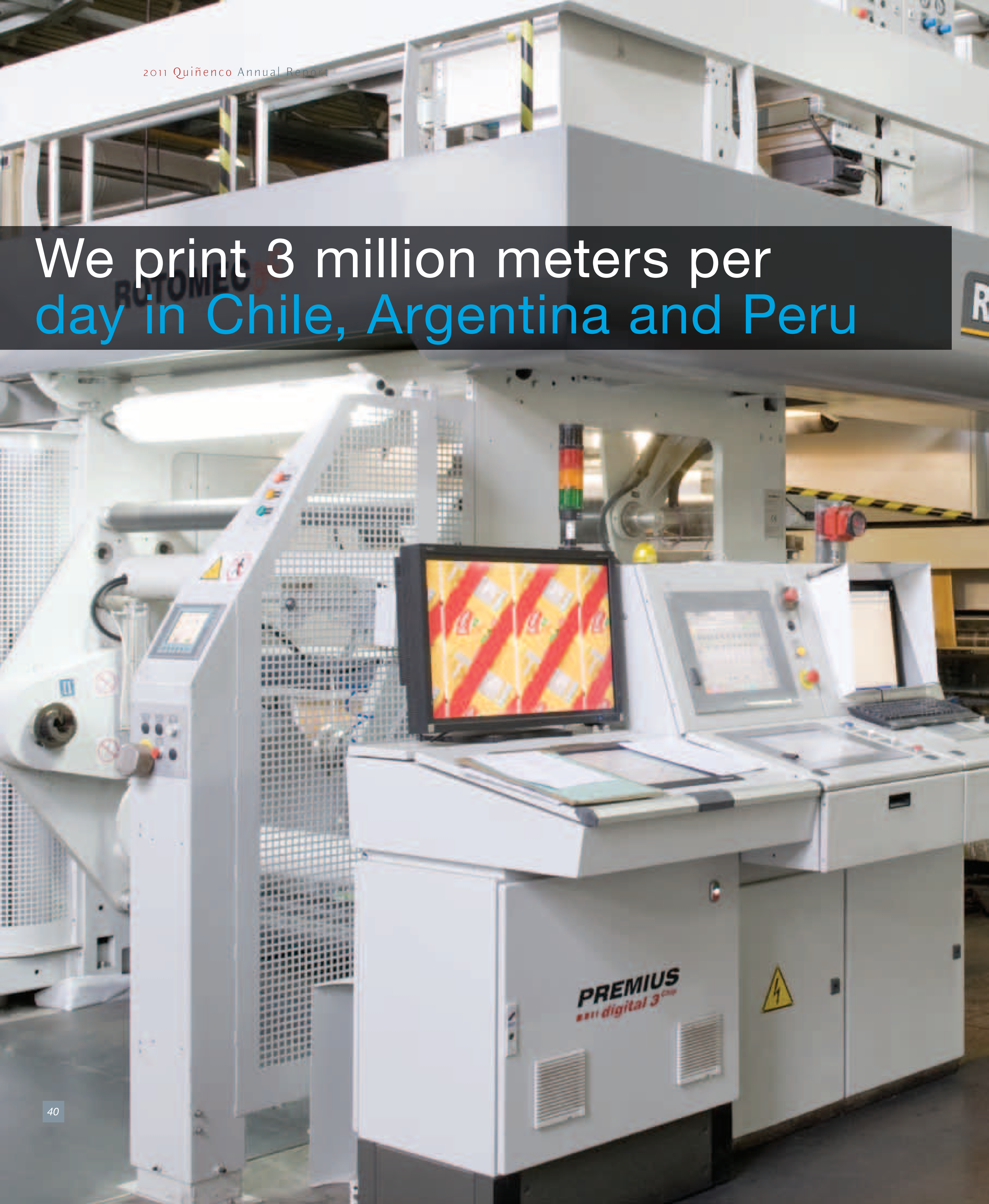
MCh$ 238,542 as of 12.31.2011



18.4

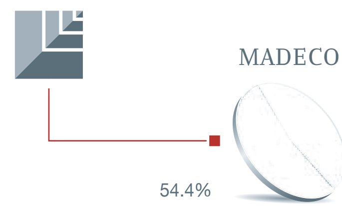
CCU set a new sales record with a total volume of 18.4 million hectoliters.

We print 3 million meters per day in Chile, Argentina and Peru



MADECO

MADECO



MADECO is an industrial group that has attained a position of leadership and operational excellence after over six decades of trajectory. It operates internationally through four business units: Cables, Flexible Packaging, Profiles, and Brass Mills.

In 2011 Madeco signed an agreement with Nexans that would allow it to increase its stake in the French multinational company to 20%, modify the company's statutes, and appoint three board members. Madeco gained significant influence in one of the world's main companies in the cable industry as of January 2012, with 19.86% of Nexans shares, and three board members, one of which participates on the Compensation and Appointment Committee.

19.86%

Madeco strengthened its position in Nexans in 2011 by reaching a 19.86% stake in this French multinational company, a global actor in the cable industry.

Cables

Since 2008 Madeco has been participating in the cable business through Nexans, the company it sold its Chilean assets in the area to and in which it acquired a 9% stake as part of the operation.

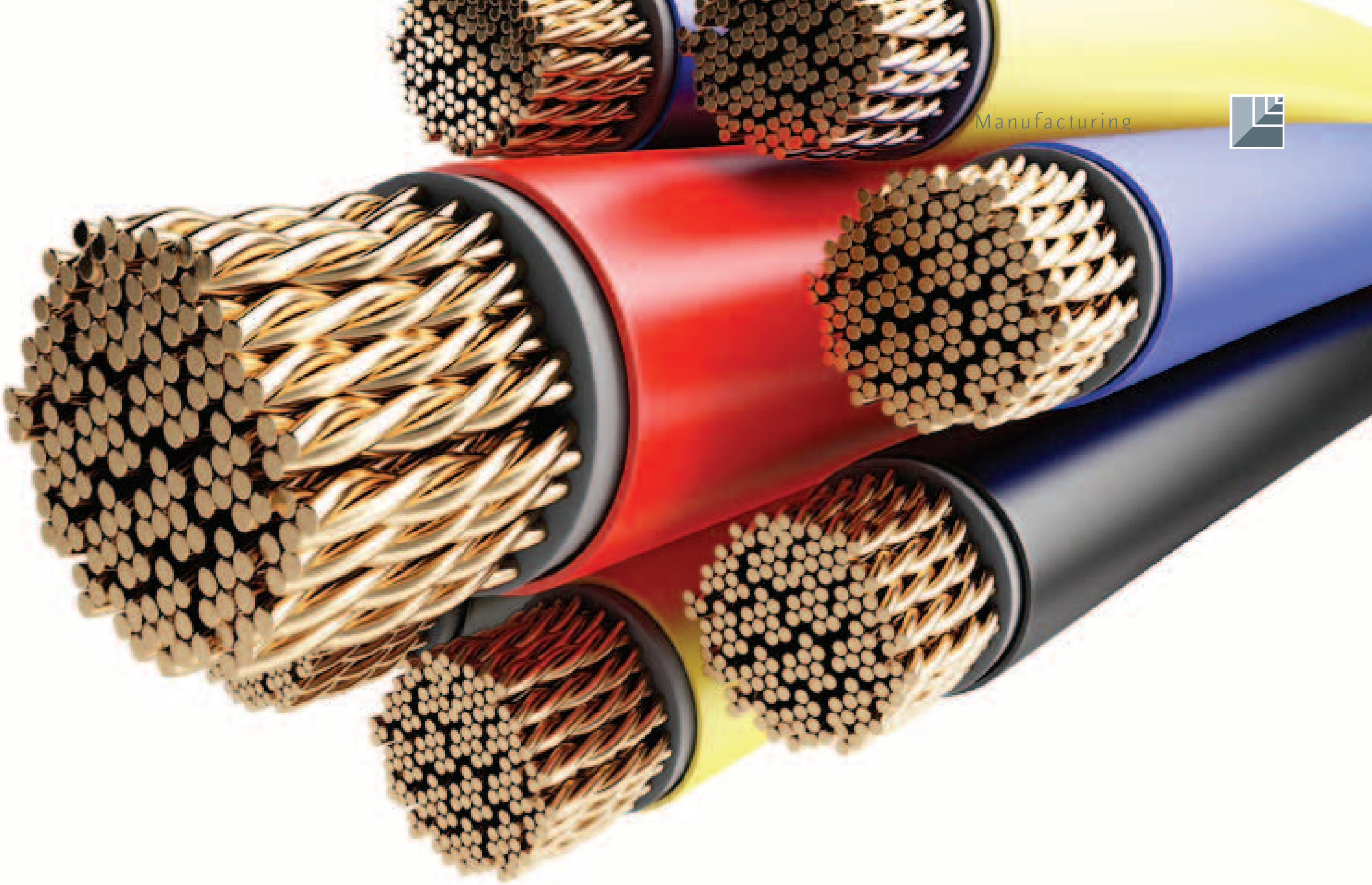
Nexans is a global leader in the infrastructure, industry, construction and local area network (LAN) markets. As one of the leaders of the world cable industry it provides a wide range of cables and cabling systems aimed at increasing industrial productivity, security, quality of life, and to ensure the network's long term reliability.

With an industrial presence in 40 countries and commercial activities throughout the entire world, Nexans employs 24,500 people. Its consolidated sales in 2011 were equivalent to € 6.920[1] billion.

Flexible packaging

The mission of Madeco's flexible packaging unit is to create and to promote the best flexible packaging solutions for the main companies in the region, providing innovative and superior quality products. To fulfill this goal it has regional coverage through highly efficient plants in Chile, Argentina and Peru[2], with a total productive capacity of 55,200 tons

1. At current metal prices.
2. In March 2012, Alusa announced the acquisition of a Colombian flexible packaging company.



annually, a high technological standard, and international quality standards.

A new production plant began operating in Lima, Peru, in 2011. With a designed capacity of 30,000 tons of flexible packaging per year, this new unit optimizes the productive flow by integrating two plants that used to be separated, in addition to boosting future growth with the incorporation of the most advanced technology in its processes.

Profiles

In the profile industry, Madeco is characterized by the creation of enclosure solutions with high added value and the maintenance of a close relationship with all of the components in the commercial chain (real estate developers, architects, builders and distributors). It is currently leader in the Chilean aluminum profile market, where it has a capacity of 18,200 tons per year. It has also been producing PVC profiles since 2006, a product for which it has a plant with a capacity of 1,000 tons/year.

In 2011 this business unit made progress toward its goal of providing integral service that is closer to customers in the institutional and housing construction sector. It has strengthened its own channel (Alumco) and brand development for this purpose.

Brass mills

Madeco stands out in the copper piping industry for the development of products of well-known quality in the region at its productive plants in Chile and Argentina. Given the high price of its main raw material, the group has centered its efforts on focusing its products and optimizing its operational efficiency. In this context, it sold its traditional coin blank business in 2011.

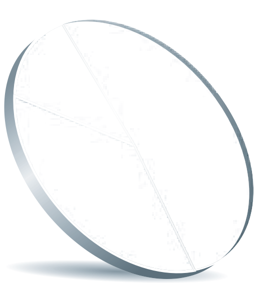
2011 Results[3]

Madeco's revenues were down slightly, by 0.9%, compared to 2010, due to a 5.8% lower consolidated sales volume, which was practically compensated by higher average prices. The drop in volume is explained by lower sales of brass mills due to the closure of the lamination unit in late 2010 and the sale of the coin blanks operation in the second quarter of 2011. However, a higher average price for brass mills sales partially compensated that lower volume. The packaging unit's revenues increased based on growth in Chile, Peru and Argentina. The profile unit also registered an increase in its revenues thanks to a rising sales volume, which reflected increased activity in the construction sector and the consolidation of the change in commercial strategy that started in 2010.

The operational result obtained was Ch$14,255 million, or 37.9% more than the year before, mainly thanks to the brass mills and profile units. The gross margin of the brass mills unit increased despite its drop in revenues, thanks to improved performance in Chile. Administrative and distributive expenses fell with the sale of the coin blanks unit. Thus, the operational result of this unit showed significant growth. The profile unit also achieved important growth in operational results, mainly based on an improved gross margin due to growth in sales volume and lower costs as a percentage of sales. The flexible

Composition of Revenues

MCh$ 210,878 as of 12.31.2011



37.9%

The operational result was up 37.9% in 2011, reaching Ch$ 14,255 million.

3. 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 accounting item classifications, is different from Quiñenco's.

packaging unit's operational result, however, was lower despite growth in revenues, mainly due to an increase in costs after the start-up of the new plant in Peru and increases in capacity in Chile and Argentina. Lastly, an increase in other revenues also contributed to the operational result, reflecting a larger dividend from Nexans (Ch$1,777 million in 2010, versus Ch$1,946 million in 2011), profits from the sale of a property, and the recovery of taxes from the absorption of tax profits.

In non-operational terms Madeco's result improved from a loss of Ch$11,078 million in 2010 to a loss of Ch$2,224 million in 2011. This variation is mostly explained by an adjustment of Ch$7,210 million for a lower sales price of the cable unit, resulting from the agreement that put an end to the arbitration process with Nexans, reported in 2010. In addition, the closure of the lamination unit entailed a charge of Ch$2,101 million for the impairment of assets, also in 2010. This was partially compensated by a profit of Ch$2,324 million from the sale of shares of Nexans Colombia in 2011, which was part of the agreement reached with Nexans.

Madeco earned a net profit of Ch$3,329 million in 2011, mainly due to an improved non-operational result that reflected lower non-recurring expenses, in addition to an improved operational result, principally at the brass mills and profile units. In addition, Madeco registered lower taxes because of a company restructuring that generated a deferred tax asset in 2011.

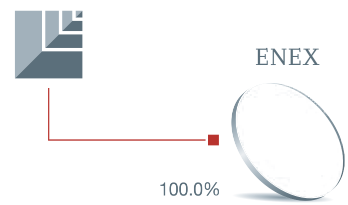
Market Share

As of December 31, 2011

	Flexible Packaging	Brass Mills	Profiles
Chile	31%	63%	-
Argentina	5%	8%	-
Peru	55%	-	-
Chile (Aluminum)	-	-	42%
Chile (PVC)	-	-	20%

We move Chile from Arica to Magallanes

ENEX
MOVEMOS CHILE



EMPRESA NACIONAL DE ENERGÍA, ENEX S.A., is the name that Shell Chile Sociedad Anónima Comercial e Industrial took after Quiñenco acquired the Chilean assets of the Anglo-Dutch group Shell, an operation that was completed on May 31, 2011 for a total of US$633 million.

The purchase included existing service stations, industrial fuels, bitumen, and chemical businesses, in addition to the infrastructure related to the supply and distribution of products in the country. The network of 292 service stations and 64 convenience stores continues to use the Shell brand under a five-year renewable brand licensing agreement. In addition, Enex remains the exclusive distributor of Shell lubricants in Chile under a Macro Distribution contract.

With a share of 13% in the fuel market and 17.3% in the service stations segment, Enex ranks second in the Chilean industry. In gasoline Enex has an 18.7% share, and in diesel a 15.5% share, according to information supplied by the Superintendency of Electricity and Fuels.

Quiñenco diversified its investments in the energy sector with the acquisition of Shell's assets in Chile in May 2011.

In the lubricants business, Enex ranks first in brand preference with a market share of 27% in 2011.

In addition to fuels and lubricants, the company commercializes conventional and special asphalts and bulk liquid solvents. It also participates in other companies related to its business activities with: 50% of Asfaltos Conosur, owner of the asphalt import terminal located in Greda Alta, in the Valparaíso Region; 33% of SIAV, company that stores fuels for aviation at Santiago's international airport; 14.94% of Sonacol, an oil pipeline company; and 19.26% of Sonamar, a shipping transport company. Also, together with other industry operators, Enex participates in the property of 12 fuel storage plants.

The Chilean fuel market is comparable to that of developed countries such as Germany and Holland. The industry is highly competitive in services and there is a high perception of quality and level of satisfaction among customers. This market grew by 3.9% in 2011 compared to the year before, with the most significant growth coming from fuel oil and diesel. For its part, the lubricant market grew by 16%.

Enex business lines

	Fuels For retail customers	Fuels For industrial customers	Lubricants	Asphalts	Chemicals
Customers	• Vehicle owners, taxi drivers, cargo and passenger transport.	• Companies from the mining, industrial, land, sea and air transport industries, the forestry industry and electricity generation, among other end consumers.	• Retail customers. • Industrial segment customers. • SMEs and lube centers.	• Construction firms.	• Companies in the adhesive, paint and mining industries.
Products	• Among the main products: gasoline in its different grades, diesel fuel and kerosene. • Additional services (vehicle washing and lubrication).	• The main product is diesel fuel and, to a lesser degree, fuel oil and gasoline.	• Lubricants for light vehicles (Shell Helix brand). • Lubricants for heavy vehicles (Shell Rimula brand).	• Pavement solutions for highways, rural roads and airports.	• Wholesale liquid solvents, including ShellSol 2046 AR, which is used in the copper extraction process.
Channels	• 292 Shell service stations in the country, complemented by 64 Select or Express convenience stores.	• Direct supplies to customer facilities. • 120 points in service station network for haulers to acquire diesel fuel using their ShellCard. • Independent distributors and peddlers in service stations for markets like agriculture, residential and heating, small and medium sized mining operations, hospitals and services.	• Network of Shell service stations in the country. • Direct sales to industrial customers. • Authorized distributors for the SME segment.	• Direct sale.	• Direct sale.

Volumes were impacted by unusual factors, such as weather problems in the southern part of the country, lower demand associated with generation of electricity, and the halting of work at mining operations. Likewise, the industry's high level of competitiveness and rising international fuel prices put pressure on margins.

2011 Performance

The main challenge in 2011 was to transfer control from Shell to Quiñenco. The most important goal was to ensure a smooth transition from a company that was inserted in a global organization with services and areas integrated into the parent company, to a local and totally independent company. The implementation of local IT solutions was needed to achieve said objective, in addition to rearranging the organizational structure and replacing services that Shell headquarters used to provide. In addition, another strategic objective was to start repositioning the brand's image and the quality of attention at service stations.

In the retail market, the company started building and acquiring new service stations and began renewing the image and assets at the existing network of service stations, which will fulfill high health, safety, and environmental standards. Seven service stations were under construction as of the end of 2011: two in the Metropolitan Region and five in regions.

In the market of industrial and lubricant sales, Enex underwent an operational and cost restructuring that allowed

MCh$ **731,728**

Enex's sales totaled MCh$ 731,728, with a volume of 1,164 cubic meters of fuel delivered.

it to improve services to the mining sector. Likewise, it implemented innovation programs in the transport sector, both in terms of products as well as technology, in addition to a strategic plan by line of business.

2011 Results

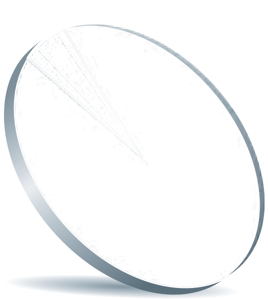
Enex's results[1] correspond to the seven-month period between June and December 2011, given that the acquisition was completed on May 31. Revenues during that period totaled Ch$731,728 million, mainly from fuel sales income, followed by lubricants, asphalts, chemical products and services. The total volume of fuel delivered was 1,164 cubic meters. The volumes during that period were affected by weather problems in the southern part of the country, reduced volumes associated with power generation and stoppages in certain mining operations where Enex's participation is significant.

The operational result totaled Ch$7,280 million, fundamentally due to fuel sales revenues, in addition to Ch$2,127 million in dividends from Sonacol. In addition, this result was affected by non-recurring administrative and sales expenses associated with the transfer of operations from Shell.

The non-operational result was a loss of Ch$3,986 million, which mostly corresponded to the financial costs associated with the bank debt that was required to finance Enex's acquisition. The net profit for the period was Ch$3,028 million.

1. Enex's results described correspond to Inversiones Río Aurum and subsidiaries, which include Enex S.A., Inversiones Enex S.A, Enex Trading S.A. and Inversiones Río Cobre Ltda.

Composition of Sales Volume



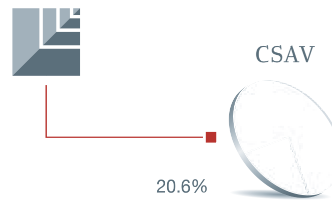
Fuels	93%
Lubricants	2%
Asphalt	4%
Other Products	1%

292

Enex has a network of 292 service stations and 64 convenience stores throughout the country.

A Company in constant movement around the world


CSAV
SudAmericana de Vapores
PUCON
PUCON



Quiñenco expanded into the transport sector in March 2011 with the acquisition of the equivalent of 10% of the capital of Compañía Sud Americana de Vapores S.A. (CSAV), Latin America's most important shipping company and one of the most important in the world. It continued to increase its stake over the months that followed, until attaining 20.63% as of the close of the year.

CSAV began undergoing a profound restructuring process in May to significantly improve its competitive and financial position so as to be prepared to face future challenges. This plan considered the redesign of the shipping services portfolio; a significant increase in joint operations with some of the world's main shipping companies, such as the Mediterranean Shipping Company (MSC) and CMA-CGM, the second and third most important actors in the sector on a global level, respectively; increasing the proportion of the company's own fleet, until reaching 30% by mid 2012, and undertaking a profound organizational restructuring.

On September 12, 2011 Quiñenco and Marítima de Inversiones S.A. (Marinsa) signed a shareholder's agreement that remained in force through February 15, 2012. As part of this process, a US$ 1.2 billion capital increase for CSAV and the company's division creating a new company called Sociedad Matriz SAAM, was approved. The shares that CSAV held in Sudamericana, Agencias Aéreas y Marítimas S.A. (SAAM), representative of 99.99% of its capital, were contributed to the new company. The division was only to be materialized with the subscription of at least US$ 1.1 billion of the capital increase, as was established at the Extraordinary Shareholders Meeting that was held on October 5, 2011.

The capital increase concluded on February 15, 2012 with the subscription and payment of the total sum of US$ 1.2 billion. In this way the conditions for dividing the firm into CSAV and SM-SAAM were fulfilled. As a consequence of the process, Quiñenco's stake in both companies rose to 37.44%.

CSAV

Compañía Sud Americana de Vapores is a global company based in Chile and it is positioned as the most important shipping company in Latin America and one of the 20 largest in the world in terms of capacity. Founded in 1872, it is a public stock company whose shares have been traded since 1893. It mainly specializes in container shipping, though it also offers other types of special services such as refrigerated cargo, bulk products and automobiles.

CSAV operates 24 line services (in addition to Feeder lines) on the five continents with approximately 2.9

and 3.1 million TEUs transported in 2010 and 2011, respectively. As of December 31, 2011 CSAV operated a fleet of 76 container ships. The company operates through a commercial network present in 117 cities in 28 countries and approximately 80% of total revenues originate in its own agencies.

SAAM

SAAM is a company that provides integrated service to shipping companies, exporters and importers throughout the entire cargo movement process. With a presence in 11 countries and 58 ports, it has managed to maintain sustained growth in profits, which totaled US$ 60 million in 2011, a 15% increase over 2010. The same trend has been repeated with its consolidated revenues, which totaled US$ 426 million in 2011, an 18% increase over the previous year.

Currently the company - which has 10 port terminals, 125 tugboats and a logistics division - is the main tugboat operator in Latin America and fourth in the world.

It has a portfolio of potential projects for US$ 2.9 billion in its different business areas for the next five years and has the resources to finance its growth plan.

US$ **1.2** billion

Compañía Sud Americana de Vapores has begun a profound restructuring process and raised US$1.2 billion in a capital increase.

2011 Results

CSAV's results in 2011 suffered negative impacts from the continuing deterioration in the global economy and by the reigning market uncertainty and volatility. However, it is worth highlighting that the restructuring plan has begun to reverse the losses in the last quarter of the year, in an environment in which the rest of the industry as a whole has seen its results worsen.

Consolidated revenues in 2011 totaled US$5.152 billion, 1.2% less than in 2010. This variation is explained by an increase in the volumes transported, which was counteracted by a drop in shipping rates, which have fallen to historically low levels. The volume transported in 2011 was 3,127,650 TEUs of cargo, representing 7.5% growth over the previous year. However, the volume fell 23% in the last quarter compared to the previous quarter and 28% with regard to the fourth quarter of 2010, because of the restructuring plan.

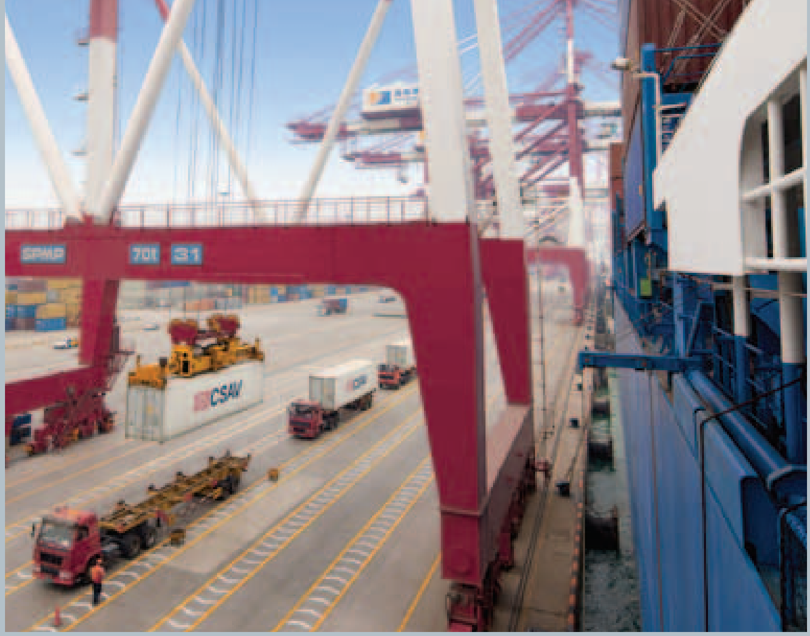
The operational result was a loss of US$1,040 million in 2011 compared to a profit of US$207 million in 2010. This drop is essentially due to the increased cost of sales and

Geographical Mix of 2011 Revenues

CSAV Maritime Transport

80%

As of the close of 2011 joint operations accounted for approximately 80% of routes, compared to 28% in December 2010.

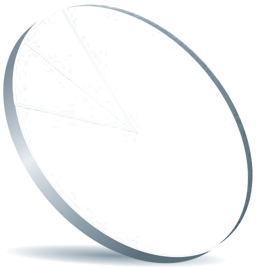


mainly reflects the increase in fuel costs, in addition to the costs associated with the larger transport capacity that the company operated. Administrative expenses also increased by 18.8% due to the growth in the organizational structure between late 2010 and mid-2011, the company's increased levels of activity, and the higher inflation in the main markets where it operates. However, the administrative structure was downsized in the second half of 2011 after staff was cut by close to 12%.

The non-operational result was a profit of US$39,000 thousand, considerably less than the US$11.4 million profit earned in 2010. The main reason for the variation is the US$10.3 million loss recognized in the sale of the ship Maule in 2011 and a US$2.3 million profit in 2010 from the sale of CCNI shares, in addition to registering goodwill of US$6.8 million.

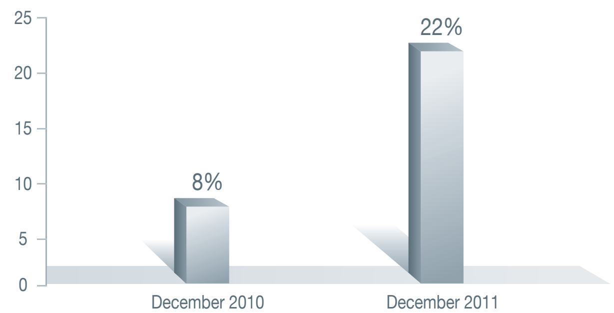
The final result for 2011 was a loss of US$1,250 million, due to reduced performance on an operational level and lower non-operational profits. In addition, a non-recurring loss of US$280 million (after taxes) for discontinued operations was registered as a result of the measures contained in the restructuring plan implemented by the company.

Composition of Consolidated Revenues



Container Transportation	83%
Special Services	9%
Cargo and Ship Services	8%

Evolution of Own Fleet



CORPORATE AFFAIRS

Dividend Policy

Quiñenco's Board of Directors will inform the Annual Shareholders' Meeting that will be held on April 26, 2012 that it has agreed 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	Date	Dividend per share*	Total dividend*	Corresponding to year
N° 25 and 26	05-11-10	$95.03972	ThCh$108,780,351	2009
N° 27 and 28	05-09-11	$127.38586	ThCh$145,803,024	2010

* Historical figures

Shareholders

As of the close of 2011, subscribed and paid-in capital was divided into 1,144,665,020 shares. The 12 largest shareholders as of December 31, 2011 are:

Corporate ID	Shareholder	N° 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.	85,759,095	7.49
96.871.750-2	Inversiones Salta S.A.*	19,121,268	1.67
96.684.990-8	Moneda S.A.	16,148,280	1.41
98.000.400-7	A.F.P. Provida S.A.	10,115,700	0.88
98.000.100-8	A.F.P. Habitat S.A.	9,091,605	0.79
76.884.110-1	Inversiones Río Claro Ltda.*	8,934,508	0.78
98.001.000-7	A.F.P. Cuprum S.A.	7,486,064	0.65
96.571.220-8	Banchile Corredora de Bolsa S.A.	5,214,850	0.64
	Total	1,086,422,626	94.91

* Companies related to the Luksic group

Other information as of 12.31.2011

N° of shares subscribed and paid-in	1,144,665,020
N° of shareholders	1,362

The shares issued and paid-in by Quiñenco S.A. are 83.3%[1] 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 the social rights over Ruana Copper A.G. Agencia Chile and 99.76% of the shares in Inversiones Orengo S.A.

Andrónico Luksic Craig and family control 100% of the shares in Inversiones Consolidadas 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.

(1) On February 2, 2012 the placement of 200 million new Quiñenco shares was completed, corresponding to the capital increase approved by the Extraordinary Shareholders' Meeting that was held on October 6, 2011. As of February 2, 2012 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. owned 81.3% of subscribed and paid-in shares of Quiñenco S.A.

Transactions by the Company's Majority Shareholders

The majority shareholders did not engage in any share transactions in 2011.

Year: 2010	Type of Transaction	No Shares	Total amount traded(*) ThCh$	Unit Price (*) (**) Ch$
Inmobiliaria e Inversiones Río Claro S.A.	Purchase	1,840,000	2,355,200	1,280

(*) Historical figures
(**) Average Price

Transactions by the Company's Managers and Main Executives

The company's managers and main executives did not engage in any share transactions in 2011 or 2010.

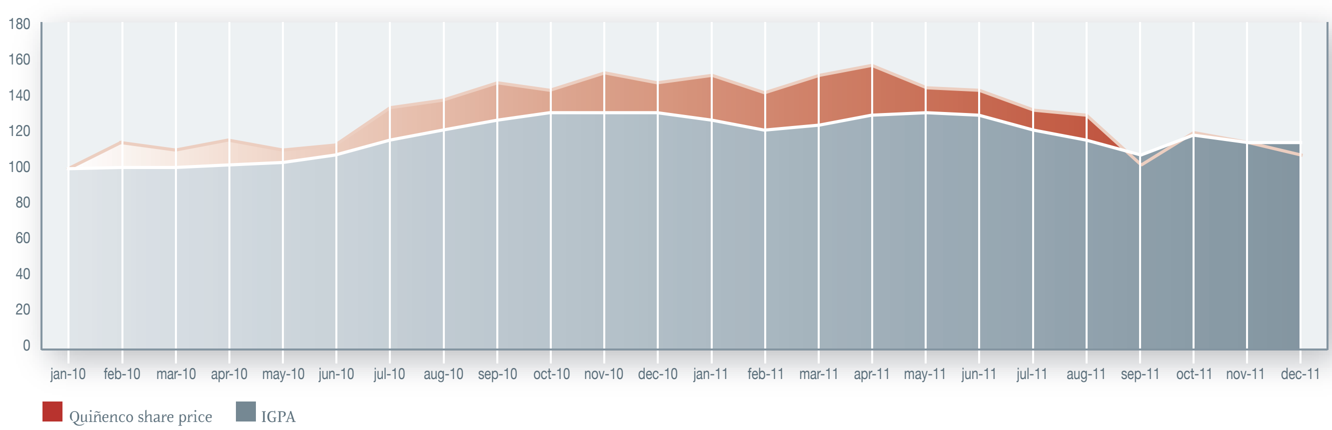
Stock Market Information

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

Period	Number of shares traded	Total amount traded (*) ThCh$	Average price (*) Ch$
2011			
1st Quarter	8,537,726	14,362,840	1,682.28
2nd Quarter	17,222,879	29,821,771	1,731.52
3rd Quarter	10,434,497	14,979,257	1,435.55
4th Quarter	16,843,316	21,201,647	1,258.76
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

(*) Historical figures

Share Price Trend Quiñenco vs. IGPA



Source: Monthly closing prices, Santiago Stock Exchange
IGPA: General share price index of the Santiago Stock Exchange

Property

The Quiñenco group's central offices are located in Santiago's El Golf sector on the street Enrique Foster Sur No. 20, Las Condes, where it owns and operates in approximately 2,500 m2 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 knowhow, 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 bonds 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 those it participates in 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 is estimated to have grown by 6.3% in 2011. 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 areas, 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 the companies it has a participation in 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 those it participates in. The impossibility of raising capital would hinder Quiñenco's capacity to expand its existing businesses and to undertake additional business ventures, and it could have a significant adverse effect on the Company's financial position and results.

In its condition as a holding company, Quiñenco's profits and its capacity to fulfill obligations to service debt and pay dividends mainly depend on the reception of dividends and distributions from its subsidiary companies, its equity investments and related companies. The payment of dividends on the part of these branches 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 the companies it participates in, 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 of Quiñenco's investments could be affected by drops in the Chilean and other countries' securities markets, such as the New York Stock Exchange, where CCU and Banco de Chile shares are traded. In addition, Quiñenco and its businesses

Personnel Quiñenco and Subsidiaries

as of December 31, 2011

Company	Executives	Professionals and technical staff	Other workers	Total
Quiñenco	11	15	13	39
Banco de Chile	507	5,838	7,784	14,129
Madeco	44	588	1,681	2,313
Enex	8	312	99	419
Other Subsidiaries	13	52	20	85
Total	583	6,805	9,597	16,985

Affiliates	Total employees
CCU	5,758
CSAV	11,769

could experience low transaction volumes, which could have a negative effect on the price and the liquidity of the 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 or 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 related to the controller.

Mr. Matko Koljatic Maroevic presides over the Committee, which met eight times during 2011.

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 2011 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. In Session No. 98 on March 29, 2011, the Committee was presented with the external auditors' report corresponding to fiscal year ended December 31, 2010, the balance and the remaining financial statements as of that date, by management, which had already pronounced itself favorably toward

them, prior to being presented to shareholders for their approval. Likewise, in session No. 101, held on September 6, 2011, the Committee received the Limited Review Report on Quiñenco S.A. and Subsidiaries' Intermediate Consolidated Financial Statement as of June 30, 2011. In addition, in Session No. 103, on December 1, 2011, the Committee received the Internal Control Report that the independent auditors send to management.

2. In Session No. 98 on March 29, 2011 it proposed the auditors Ernst & Young Limitada to the Board so they could examine the company's accounting, inventory, balance and other financial statements corresponding to fiscal year 2011 and give their professional and independent opinion on them. Likewise, in the event that an agreement cannot be reached with said company or it cannot provide its services, the company Deloitte Chile was proposed. At the same session the Committee also proposed hiring the following risk rating companies: (a) on a domestic level, Feller-Rate Clasificadora de Riesgo Limitada and Fitch Chile Clasificadora de Riesgo Limitada, and (b) on an international level, the company Standard & Poor's.

3. In Session No. 103 on December 1, 2011, it examined the remuneration system and compensation plans for managers and main executives.

4. It gave the Board a favorable report on the hiring of the external auditing firm Ernst & Young Limitada to provide the following professional services:
   a) in Session No. 97 on March 3, 2011, to undertake the second stage of the due diligence to acquire Shell's assets in Chile (today Enex S.A.) and to provide tax consulting services on the same business deal;
   b) in Session No. 99 on April 29, 2011, to provide consulting and financial, tax and labor due diligence services in the companies Petróleos Transandinos S.A. and Operaciones y Servicios Terpel Limitada (together, "Terpel Chile"), for use as a basis to present a purchase offer for said companies; and
   c) in Session No. 102 on October 6, 2011, to review Enex S.A.'s balance as of May 31, 2011 for the purpose of proceeding to make the price adjustment agreed to in the sales contract for Shell's assets in Chile.

   The aforementioned services are not part of the external audit that Ernst & Young Limitada was commissioned to do on Fiscal Year 2011 and they are not forbidden. After analyzing them, in each case the Committee resolved that said consulting work did not entail the risk of a loss of independence.

5. In Session No. 103 on December 1, 2011, the Committee received the report on the execution of the internal audit plan for 2011.

6. In Session No. 96 on January 6, 2011, it learned of the status of a regular lawsuit against its affiliate company Compañía Cervecerías Unidas S.A. ("CCU") on the part of one of its shareholders due to the administration of CCU's shareholders record on the part of Inmobiliaria Norte Verde S.A., a subsidiary of Quiñenco S.A., and which could result in an obligation for Inmobiliaria Norte Verde S.A to pay half of the costs and eventual compensations that the courts might determine in favor of the plaintiff, for which a provision of Ch$510 million has been made.

7. In Session No. 99 on April 29, 2011, it examined the background information on providing a loan to its related company Compañía Sud Americana de Vapores S.A. for up to Ch$46,500 million in non-readjustable domestic currency at an annual interest rate of 7.1% per year based on a 360-day year, with partial or total withdrawals and payable within 31 days and renewable for another 30 without commission or guarantees, documented with the signing of a promissory note. On the one hand, the Committee noted that the aforementioned conditions corresponded to the prevailing market conditions at the time of its approval and on the other, it took into consideration the fact that it was a transitory loan payable with the funds from the capital increase for Compañía Sud

Americana de Vapores S.A., approved by its Extraordinary Shareholders' Meeting on April 8, 2011 and which was in process.

8. In Session No. 99 on April 29, 2011 the Committee examined the background information on the hiring of the related company Banchile Asesorías Financieras S.A. as one of the placement agents along with BBVA Asesorías Financieras S.A. (not related) for the bond issuances for lines of debt securities, registered in the Securities Record of the Superintendence for Securities and Insurance under numbers 595 and 596. After analyzing the information the Committee resolved that said operation would contribute to the social interest and that it was in line with the prevailing market conditions at the time of approval.

9. In Session No. 100 on September 1, 2011 the Committee examined the background information on providing a credit line to the related company Compañía Sud Americana de Vapores S.A., for a maximum sum of US$250 million under the following conditions:
   a) Annual interest rate: Libor plus 3%, calculated based on a 360-day year and payable on the same date as the expiration of the capital;
   b) Availability: until December 31, 2011. Up to US$100 million could be disbursed in the period between the signature of the credit contract and the approval of the capital increase at the extraordinary shareholders meeting called for October 5, 2011. Up to US$150 million could be disbursed after the capital increase was approved by the aforementioned meeting and through December 31, 2011.
   c) Withdrawals: multiple with seven-day prior warning;
   d) Expiration: maximum 360 days from the respective withdrawal, in the following format: 180 consecutive days from the date of the respective disbursement, extendable for an additional 180 consecutive days at the debtors request;
   e) Obligatory prepayment if the afore mentioned capital increase is subscribed and paid;
   f) Guarantees: 35% of shares of Sudamericana, Agencias Aéreas y Marítimas S.A. (SAAM) as collateral.

   After analyzing the information the Committee resolved that said operation was in line with the prevailing market conditions at the time of its approval. In addition, it considered it a contribution to the social interest, given that it was convenient for Quiñenco S.A., as a major shareholder in Compañía Sud Americana de Vapores S.A., to provide the loan to contribute to the success of its financial reinforcement plan, in addition to having considered that the collateral guarantee provided adequate coverage for the loan and a prepayment obligation was established for when the respective capital increase was subscribed and paid.

10. Session No. 100 on September 1, 2011 examined the background information on the sale of a vehicle Toyota Land Cruiser 2008 property of the company to its general manager for Ch$13,416,900, payable in cash. After analyzing the information, the Committee resolved that said price was within the range of the market transactions for this type of vehicle, excluding the sales commission of an intermediary as this was a direct sale, and it recommended its approval.

11. In Session No. 102 of October 6, 2011, the Committee examined the background information on the hiring of the related company Banchile Corredores de Bolsa S.A. as one of the placement agents along with BBVA Asesorías Financieras S.A. (not related) for the bond issuances for lines of debt securities, registered in the Securities Record of the Superintendence for Securities and Insurance under numbers 426 and 427. After analyzing the information the Committee resolved that said operation contributed to the social interest and was in line with the prevailing market conditions at the time of approval.

The Committee did not incur in any expenses during 2011 and did not consider it necessary to make any sort of recommendations to the company's shareholders.

Board Remunerations

In keeping with what was agreed at the Company's Annual Shareholders' Meeting, the amounts paid to the Directors in 2011 for per diem, profit sharing and other remunerations, respectively, were as follows:

Guillermo Luksic Craig ThCh$4,209, ThCh$319,309 and ThCh$684,963; Andrónico Luksic Craig ThCh$936, ThCh$319,309 and ThCh$553,155; Jean-Paul Luksic Fontbona ThCh$2,574, ThCh$319,309 and ThCh$0; Hernán Büchi Buc ThCh$3,743, ThCh$420,330 and ThCh$0; Juan Andrés Fontaine Talavera ThCh$0, ThCh$53,218 and ThCh$0; Gonzalo Menéndez Duque ThCh$3,977, ThCh$420,330 and ThCh$0; Matko Koljatic Maroevic ThCh$3,977, ThCh$420,330 and ThCh$0; and Fernando Cañas Berkowitz ThCh$3,977, ThCh$212,872 and ThCh$0. In addition, the board members Hernán Büchi Buc, Gonzalo Menéndez Duque, and Matko Koljatic Maroevic received remunerations to compensate their service on the Committee of directors in 2011 for a total ThCh$7,230, ThCh$7,230 and ThCh$7,230, respectively.

Expenses for Consulting Services to the Board of Directors

The Board's expenditure on consulting services totaled ThCh$ 45,029 in 2011.

Remuneration of Managers and Main Executives

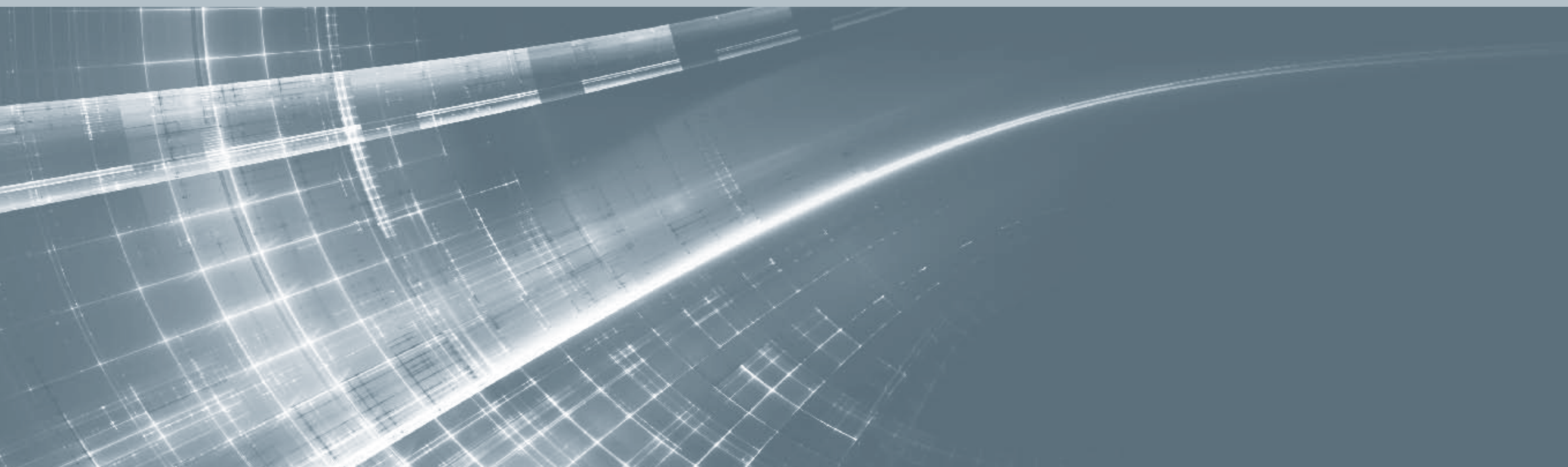
The remunerations paid to the company's managers and principal executives during 2011 for salaries and performance bonuses totaled ThCh$4,107,687.

Incentive Plan

As of December 31, 2011 there was no long-term incentive plan for the Company's executives.

Severance Compensation for Years of Service

In 2011 severance compensation for years of service paid to the Company's main executives totaled ThCh$ 150,561.



Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

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

Contents

ERNST & YOUNG

REPORT OF INDEPENDENT AUDITORS

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

To the Shareholders and Directors of
Quiñenco S.A.:

1. We have audited the accompanying consolidated financial statements of Quiñenco S.A. and subsidiaries ("the Company") as of December 31, 2011 and 2010 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. as of December 31. 2011 and 2010, and Compañía Sud Americana de Vapores S.A., Asfaltos Cono Sur S.A. and Sociedad Inversiones Aviación SIAV Limitada as of Desember 31, 2011. This investment which represent an investment in the financial statements under the equity method and collectively represent total assets of ThCh$270,827,223 and ThCh$180,387,543 as of December 31, 2011 and 2010, respectively, and net income of ThCh$25.028.173 (loss) and ThCh$39.283.877 (income) 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, 2011and 2010 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, 2011 and 2010 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, 2011 and 2010, 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.

March 27th, 2012

ERNST & YOUNG LTDA.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

Assets	Note	2011 ThCh$	2010 ThCh$
Non-banking businesses			
Current assets			
Cash & cash equivalents	3	85,610,881	328,292,503
Other current financial assets	4	41,354,900	319,799,612
Other current non-financial assets	5	17,731,660	19,462,396
Trade debtors & other receivables	6	137,856,723	59,103,557
Receivables from related entities, current	7	134,353,204	280,255
Inventory	8	99,344,835	36,758,768
Current tax assets		13,888,291	7,068,408
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		530,140,494	770,765,499
Non-current assets other than assets or groups of assets for disposal classified as held for sale	9	2,184,897	2,106,045
Non-current assets or groups of assets for disposal classified as held for sale or as held for distribution to the owners		2,184,897	2,106,045
Total current assets		532,325,391	772,871,544
Non-current assets			
Other financial assets, non-current	10	275,968,851	173,969,826
Other non-financial assets, non-current	11	12,789,829	11,639,630
Collection rights, non-current		1,096,103	991,140
Receivables from related entities	7	571,226	549,742
Investments recorded using the equity method	12	342,141,199	191,657,023
Intangible assets other than goodwill	13	212,674,854	220,425,525
Goodwill	14	860,968,749	730,705,024
Property, plant & equipment	17	198,595,783	89,588,043
Investment properties	18	8,855,395	7,326,289
Deferred tax assets	19	63,809,990	24,930,413
Total non-current assets		1,977,471,979	1,451,782,655
Total non-banking businesses assets		2,509,797,370	2,224,654,199
Banking services assets			
Cash & bank deposits	39.5	881,147,190	772,329,810
Operations pending settlement	39.5	373,640,526	429,752,889
Trading instruments	39.6	336,821,351	308,552,711
Repurchase agreements	39.7	47,980,881	82,787,482
Financial derivative contracts	39.8	385,687,175	489,581,680
Due by banks	39.9	648,424,886	349,587,799
Customer loans & receivables	39.10	16,993,301,484	13,953,834,884
Investment instruments available for sale	39.11	1,468,897,597	1,154,882,963
Investments in companies	39.12	15,417,686	13,293,070
Intangible assets	39.13	35,516,296	36,371,780
Property, plant & equipment	39.14	207,887,384	206,513,479
Current taxes	39.15	1,407,209	5,653,508
Deferred taxes	39.15	116,282,214	111,200,669
Other assets	39.16	228,532,629	286,020,692
Total banking services assets		21,740,944,508	18,200,363,416
Total assets		24,250,741,878	20,425,017,615

The accompanying Notes 1 to 40 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	2011 ThCh$	2010 ThCh$
Non-banking businesses			
Current liabilities			
Other financial liabilities, current	20	71,573,486	61,756,612
Trade creditors & other payables	21	120,037,510	37,450,683
Payables to related entities, current	7	258,425	1,471
Other current provisions	22	13,353,452	9,757,370
Current tax liabilities		5,120,295	45,373,649
Provisions for employee benefits, current	23	9,695,551	3,619,174
Other non-financial liabilities, current	24	33,654,305	90,236,908
Total current liabilities other than liabilities included in groups of assets for disposal classified as held for sale		**253,693,024**	**248,195,867**
Total current liabilities		**253,693,024**	**248,195,867**
Non-current liabilities			
Other financial liabilities, non-current	20	478,367,051	206,868,434
Other non-current provisions	22	16,277,525	9,789,669
Deferred tax liabilities	19	83,538,502	59,987,794
Provisions for employee benefits, non-current	23	21,236,705	4,060,795
Other non-financial liabilities, non-current	25	58,803,247	46,656,284
Total non-current liabilities		**658,223,030**	**327,362,976**
Total non-banking business liabilities		**911,916,054**	**575,558,843**
Banking services liabilities			
Current accounts and other demand deposits	39.17	4,830,588,620	4,338,631,079
Operations pending settlement	39.5	155,424,373	208,750,621
Repurchase agreements	39.7	223,201,947	81,754,465
Time deposits & other loans	39.18	9,280,608,020	7,696,652,471
Financial derivative contracts	39.8	429,913,404	528,444,169
Due to banks	39.19	1,690,937,343	1,281,372,736
Debt instruments issued	39.20	2,388,342,033	1,764,164,725
Subordinated obligation with Banco Central de Chile		533,860,872	580,708,139
Other financial obligations	39.21	182,869,597	177,192,187
Current taxes	39.15	4,532,775	2,299,977
Deferred taxes	39.15	23,213,378	26,332,913
Provisions	39.22	274,608,827	225,536,998
Other liabilities	39.23	266,839,902	211,842,948
Total banking services liabilities		**20,284,941,091**	**17,123,683,428**
Total liabilities		**21,196,857,145**	**17,699,242,271**
Equity			
Issued capital	27	655,423,658	642,057,300
Accumulated earnings		756,776,025	753,521,138
Share premium	27	21,811	13,279,113
Other reserves	27	147,718,716	111,694,917
Equity attributable to owners of the controller		1,559,940,210	1,520,552,468
Non-controlling interests		1,493,944,523	1,205,222,876
Total equity		3,053,884,733	2,725,775,344
Total equity & liabilities		**24,250,741,878**	**20,425,017,615**

The accompanying Notes 1 to 40 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

Statement of income	Note	01-01-2011 12-31-2011 ThCh$	01-01-2010 12-31-2010 ThCh$
Non-banking businesses			
Income from ordinary activities	28 a)	1,055,401,400	304,632,414
Cost of sales		(888,814,051)	(219,403,850)
Gross margin		166,587,349	85,228,564
Other income by segment		15,119,861	2,168,695
Distribution costs		(5,636,081)	(4,648,440)
Administrative expenses		(149,298,249)	(74,368,778)
Other expenses by segment	28 b)	(10,024,592)	(11,734,075)
Other gains (losses)	28 c)	972,724	163,995,122
Financial income		22,617,599	14,526,918
Financial costs	28 d)	(19,966,352)	(13,849,250)
Participation in earnings of associates & joint ventures recorded using the equity method	12 b)	(29,573,876)	35,312,226
Exchange differences		3,755,712	(133,741)
Result of indexation adjustments		(10,981,328)	(6,451,174)
Net income (loss) before taxes		(16,427,233)	190,046,067
Charge for income taxes	19	1,010,844	(8,782,300)
Net income (loss) from on-going operations		(15,416,389)	181,263,767
Net income (loss) from discontinued operations	9	-	-
Net income (loss) from non-banking businesses		**(15,416,389)**	**181,263,767**
Banking services			
Interest & indexation income	39.25	1,494,766,173	1,093,355,542
Interest & indexation expense	39.25	(621,013,696)	(326,107,219)
Net interest & indexation income		873,752,477	767,248,323
Fee income	39.26	367,966,700	342,218,734
Fee expense	39.26	(59,192,902)	(49,956,744)
Net fee income		308,773,798	292,261,990
Net gain (loss) from financial operations	39.27	26,926,383	19,324,070
Net exchange gain (loss)	39.28	(7,973,679)	63,761,359
Other operating income	39.33	24,735,103	23,583,579
Allowance for credit risk	39.29	(124,840,856)	(208,589,857)
Total net operating income		1,101,373,226	957,589,464
Staff remuneration & expenses	39.30	(317,180,025)	(273,026,421)
Administrative expenses	39.31	(229,917,665)	(197,670,072)
Depreciation & amortization	39.32	(30,711,281)	(30,544,766)
Impairment	39.32	(631,266)	(1,044,439)
Other operating expenses	39.34	(35,662,178)	(43,139,770)
Total operating expenses		(614,102,415)	(545,425,468)
Operating income		487,270,811	412,163,996
Result of investments in companies	39.12	3,300,409	1,926,246
Interest on subordinated debt with Banco Central de Chile		(81,295,137)	(72,978,711)
Net income before income tax		409,276,083	341,111,531
Income tax	39.15	(59,663,975)	(38,550,612)
Result of continuing operations		349,612,108	302,560,919
Banking services net income		**349,612,108**	**302,560,919**
Consolidated net income		**334,195,719**	**483,824,686**
Net income attributable to owners of the controller		**87,965,846**	**291,606,050**
Net income attributable to non-controlling interests		246,229,873	192,218,636
Consolidated net income		**334,195,719**	**483,824,686**

The accompanying Notes 1 to 40 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

	Note	01-01-2011 12-31-2011 ThCh$	01-01-2010 12-31-2010 ThCh$
Earnings per share			
Basic earnings per share			
Basic earnings per share from continuing operations		0.076854337	0.254771721
Basic earnings per share from discontinued operations		-	-
Basic earnings per share	**30**	**0.076854337**	**0.254771721**
Diluted earnings per share			
Diluted earnings per share from continuing operations		0.076854337	0.254771721
Diluted earnings per share from discontinued operations		-	-
Diluted earnings per share	**30**	**0.076854337**	**0.254771721**

Statement of comprehensive income	01-01-2011 12-31-2011 ThCh$	01-01-2010 12-31-2010 ThCh$
Earnings	334,195,719	483,824,686
Components of other comprehensive income, before taxes		
Translation differences		
Gains (losses) from currency translation differences, before taxes	19,550,143	(14,726,577)
Other comprehensive income (loss), before taxes, currency translation differences	19,550,143	(14,726,577)
Financial assets available for sale		
Gains (losses) for new measurements of financial assets available for sale, before taxes	(40,561,295)	2,775,086
Other comprehensive income (loss), before taxes, currency translation differences	(40,561,295)	2,775,086
Cash flow hedges		
Gains (losses) from cash flow hedges, before taxes	898,859	(1,038,448)
Other comprehensive income (loss), before taxes, cash flow hedges	898,859	(1,038,448)
Other comprehensive loss, before taxes, revaluation gains	-	(3,273,237)
Participation in other comprehensive result of associates & joint ventures recorded using the equity method	-	113,206
Other components of other comprehensive losses, before taxes	(20,112,293)	(16,149,970)
Income taxes related to components of other comprehensive income		
Income tax related to currency translation differences of other comprehensive income	1,303,866	572,195
Income tax related to financial assets available for sale of other comprehensive income	6,608,048	(393,166)
Income tax related to cash flow hedges of other comprehensive income	(192,189)	187,269
Sum of income taxes related to components of other comprehensive income	7,719,725	366,298
Other comprehensive loss	(12,392,568)	(15,783,672)
Total comprehensive income	**321,803,151**	**468,041,014**
Comprehensive result attributable to:		
Owners of the controller	75,573,278	275,822,378
Non-controlling interests	246,229,873	192,218,636
Total comprehensive income	**321,803,151**	**468,041,014**

The accompanying Notes 1 to 40 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)

Statement of cash flows	01-01-2011 12-31-2011 ThCh$	01-01-2010 12-31-2010 ThCh$
Cash flow provided by (used in) operating activities		
Non-banking services		
Classes of collections from operating activities		
Proceeds of sales of assets & provision of services	1,127,136,799	295,176,620
Proceeds of royalties, quotas, commissions & other ordinary income	9,903	-
Classes of payments		
Payments to suppliers of goods & services	(1,080,286,271)	(269,447,006)
Payments to & on behalf of employees	(39,972,938)	(32,231,264)
Income taxes refunded (paid)	(43,428,060)	(2,954,611)
Other cash inflows (outflows)	(705,295)	6,770,075
Net cash flow (used in) non-banking services operating activities	(37,245,862)	(2,686,186)
Banking services		
Consolidated earnings for the year	428,445,261	377,369,722
Charges (credits) to results not involving cash movement:		
Depreciation & amortization	31,342,547	31,589,205
Allowances for credit risk	147,129,119	219,674,651
Adjustment to market value of trading instruments	(1,241,515)	(2,432,791)
Net income from investment in companies with significant influence	(3,054,404)	(1,608,857)
Net income from sales of assets received in lieu of payment	(5,918,319)	(6,440,046)
Gain on sale of property, plant & equipment	(1,312,446)	(752,866)
Write-offs of assets received in payment	3,494,884	4,427,317
Other charges (credits) not involving cash movement	(62,890,353)	(151,719,248)
Net change in accrued interest, indexation & fees on assets & liabilities	(27,475,935)	(158,704,565)
Changes in assets & liabilities that affect operating cash flows:		
Net (increase) decrease in due from banks	(298,022,819)	99,182,710
(Increase) decrease in customer loans & receivables	(3,009,692,415)	(1,185,421,117)
Net (increase) decrease in trading instruments	(25,847,763)	242,826,674
Increase (decrease) in current account and other demand deposits	447,626,042	727,681,193
Increase (decrease) in repurchase agreements & loans of securities	196,821,128	(221,744,635)
Increase (decrease) in time deposits & other loans	1,524,206,990	253,863,555
Increase (decrease) in due to banks	14,843,773	(175,649,338)
Increase (decrease) in other financial obligations	11,491,317	(18,182,272)
Loans from Banco Central de Chile (long term)	91,302	99,989
Loans repaid to Banco Central de Chile (long term)	(105,831)	(150,500)
Foreign non-current loans received	805,594,111	811,520,307
Repayment of non-current foreign loans	(446,447,987)	(633,836,109)
Other non-current loans drawn	3,894,244	26,797,375
Repayments of other non-current loans	(9,811,109)	(5,655,957)
Other	(8,201,080)	(15,949,435)
Subtotal net cash flow provided by (used in) banking services operating activities	(285,041,258)	216,784,962
Total net cash flow provided by (used in) operating activities	(322,287,120)	214,098,776

The accompanying Notes 1 to 40 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	01-01-2011 12-31-2011 ThCh$	01-01-2010 12-31-2010 ThCh$
Cash flows from (used in) investment activities			
Non-banking services			
Proceeds of loss of control of subsidiaries or other businesses		12,605,147	57,612,166
Cash flows used to take over subsidiaries & other businesses		(485,432,335)	(80,840)
Cash flows used in the purchase of non-controller participations		(119,661,388)	-
Other proceeds from sale of equity or debt instruments of other entities		722,838,621	115,772,322
Other payments to acquire equity or debt instruments of other entities		(397,340,978)	(542,504,092)
Loans to related entities		(123,976,300)	-
Proceeds of sale of property, plant & equipment		18,974,780	473,677
Purchases of property, plant & equipment		(15,343,821)	(10,832,222)
Purchases of intangible assets		(579,947)	(496,650)
Dividends received		22,215,227	17,125,591
Interest received		17,745,416	12,535,328
Income taxes refunded (paid)		(288,756)	1,114,121
Other cash inflows (outflows)	3 e)	33,095,448	541,919,016
Net cash flow provided by (used in) non-banking investment activities		**(315,148,886)**	**192,638,417**
Banking services			
Net (increase) decrease in investment instruments available for sale		(460,773,043)	197,168,595
Purchases of property, plant & equipment		(22,072,909)	(22,326,663)
Sales of property, plant & equipment		1,710,642	3,130,441
Investments in companies		-	(4,114)
Dividends received from investments in companies		760,526	984,478
Sale of assets received in lieu of payment		10,220,668	9,652,080
Net (increase) decrease in other assets & liabilities		166,464,268	(57,565,623)
Other		(9,596,875)	(15,326,033)
Subtotal net cash flow provided by (used in) banking services investment activities		**(313,286,723)**	**115,713,161**
Total net cash flow provided by (used in) investment activities		**(628,435,609)**	**308,351,578**

The accompanying Notes 1 to 40 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	01-01-2011 12-31-2011 ThCh$	01-01-2010 12-31-2010 ThCh$
Cash flows provided by (used in) non-banking services financing activities			
Proceeds of share issues		10,838,937	-
Proceeds of non-current loans		256,296,123	55,783,510
Proceeds of current loans		351,360,285	-
Total loan proceeds		607,656,408	55,783,510
Loans from related entities		(514,407)	-
Loan repayments		(359,660,885)	(24,911,086)
Payments of financial lease obligations		(1,724,630)	(968,131)
Dividends paid		(176,367,533)	(180,104,699)
Interest paid		(15,165,553)	(11,362,050)
Other cash inflows (outflows)		(665,693)	(280,603)
Net cash flow provided by (used in) non-banking services financing activities		**64,396,644**	**(161,843,059)**
Banking services			
Redemption of mortgage-funding notes		(38,432,674)	(53,206,479)
Bonds issued		749,585,787	592,371,042
Bonds repaid		(109,624,023)	(322,786,097)
Payment of subordinated obligation with Banco Central de Chile		(122,377,393)	(101,972,014)
Issue of shares		210,114,824	-
Dividends paid		(57,794,141)	(68,796,295)
Subtotal net cash flow provided by banking services financing activities		**631,472,380**	**45,610,157**
Total net cash flow provided by (used in) financing activities		**695,869,024**	**(116,232,902)**
Net increase (decrease) in cash & cash equivalents, before the effect of changes in the exchange rate		(287,416,489)	406,217,452
Effects of variation in the exchange rate on cash & cash equivalents			
Effects of variation in the exchange rate on cash & cash equivalents		**(2,367,353)**	**(436,579)**
Net increase (decrease) in cash & cash equivalents		(289,783,843)	405,780,873
Cash & cash equivalents at start of the year		1,772,739,502	1,366,958,629
Cash & cash equivalents at end of the year	3 c)	**1,515,518,444**	**1,772,739,502**

The accompanying Notes 1 to 40 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$	Reserves for exchange differences on translation ThCh$	Reserves for cash flow hedges ThCh$	Reserves for gains or losses on re-measurement of financial assets available for sale ThCh$	Other miscellaneous reserves ThCh$	Total Other Reserves ThCh$	Accumulated earnings (losses) ThCh$	Equity attributable to owners of the controller ThCh$	Non-controlling interests ThCh$	Total equity ThCh$
Initial balance current period 01/01/11	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
Restated initial balance	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
Changes in equity												
Comprehensive income												
Earnings (loss)	-	-	-	-	-	-	-	-	87,965,846	87,965,846	246,229,873	334,195,719
Other comprehensive income	-	-	-	20,854,009	706,670	(33,953,247)	-	(12,392,568)	-	(12,392,568)	-	(12,392,568)
Comprehensive income	-	-	-	20,854,009	706,670	(33,953,247)	-	(12,392,568)	87,965,846	75,573,278	246,229,873	321,803,151
Issue of equity	87,245	21,811	-	-	-	-	-	-	-	109,056	-	109,056
Dividends	-	-	-	-	-	-	-	-	(84,710,959)	(84,710,959)	-	(84,710,959)
Increase (decrease) for changes in participation in subsidiaries that do not imply a loss of control	-	-	-	-	-	-	47,630,313	47,630,313	-	47,630,313	(47,630,313)	-
Increase (decrease) for transfers & other changes	13,279,113	(13,279,113)	-	-	-	-	786,054	786,054	-	786,054	90,122,087	90,908,141
Total changes in equity	13,366,358	(13,257,302)	-	20,854,009	706,670	(33,953,247)	48,416,367	36,023,799	3,254,887	39,387,742	288,721,647	328,109,389
Closing balance current period 12/31/11	655,423,658	21,811	384,026	(21,174,547)	(285,716)	(19,905,229)	188,700,182	147,718,716	756,776,025	1,559,940,210	1,493,944,523	3,053,884,733
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	-	-	(3,273,237)	(14,154,382)	(851,179)	2,381,920	113,206	(15,783,672)	291,606,050	275,822,378	192,218,636	468,041,014
Dividends	-	-	-	-	-	-	-	-	(149,642,016)	(149,642,016)	-	(149,642,016)
Increase (decrease) for changes in participation in subsidiaries that do not imply a loss of control	-	-	-	-	-	-	131,642,239	131,642,239	-	131,642,239	(131,642,239)	-
Increase (decrease) for transfers & other changes	-	-	7,242,054	187,342	-	112	(13,664,067)	(6,234,559)	-	(6,234,559)	139,991,151	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

The accompanying Notes 1 to 40 form an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

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

NOTE 1 – Corporate information

(a) Information on the entity

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

These consolidated financial statements have been approved by the Board of the Company at its meeting held on March 27, 2012.

(b) Description of operations and principal activities

The Company primarily has investments in the industrial and financial services sectors in 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 beverages through the associate company Compañía Cervecerías Unidas S.A. (hereinafter "CCU"), an investment recorded under the equity value method through Inversiones y Rentas S.A.; manufactures copper and aluminum products and flexible packaging through the subsidiary Madeco S.A. (hereinafter "Madeco"); participates in the distribution and sale of products and services in the areas of fuels and lubricants, through the subsidiary Enex S.A.; and has a participation in the shipping business through Compañía Sud Americana de Vapores S.A. (CSAV), an investment recorded under the equity method.

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

Financial services: Quiñenco has an indirect shareholding in the Bank through the holding of 50.00% of the share capital, as of December 31, 2011 and 2010 of the subsidiary 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, 2011 and 2010 LQIF is the holder of 31.76% and 32.70% respectively of Banco de Chile. As of December 31, 2011 and 2010, LQIF is the holder of 58.24% of the holding company Sociedad Matriz del Banco de Chile S.A. (hereinafter "SM Chile") which holds 13.96% directly and 32.89% indirectly through its subsidiary Sociedad Administradora de la Obligación Subordinada SAOS S.A. (hereinafter "SAOS"). In all, LQIF has a direct and indirect participation in Banco de Chile of 59.32% and 61.71% as of December 31, 2011 and 2010 respectively.

As of December 31, 2011 and 2010, LQIF holds 39.51% and 40.84% respectively of the dividend rights in the Bank.

Beverages and Food: 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.

Manufacturing: Madeco is a regional manufacturer of copper and aluminum based products like pipes 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, 2011 and 2010, Quiñenco is the holder of 54.44% and 47.65% respectively of Madeco.

Fuels and Lubricants: Effective May 2011 Quiñenco has an indirect participation in the subsidiaries Enex S.A.C. e I., Inversiones Enex S.A. and Enex Trading Chile S.A., whose main activity is the distribution and sale of products and services in the areas of fuels and lubricants for motor vehicles, industry, aviation and shipping, asphalts (Bitumen) and chemicals.

Transport: Effective March 2011, and following successive purchases, Quiñenco has a 20.63% participation in the associate Compañía Sud Americana de Vapores S.A. (CSAV), a company that is mainly involved in shipping and ship and cargo services.

(c) Employees

The following table shows the number of employees of Quiñenco and its subsidiaries:

December 31, 2011	No. of employees
Quiñenco	39
Banco de Chile	14,129
Madeco	2,313
Enex	419
Other subsidiaries	85
Total employees	**16,985**

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

NOTE 2 – Principal Accounting Criteria Applied

(a) Period covered

These consolidated financial statements cover the following periods:

- Statements of financial position: as of December 31, 2011 and 2010.
- Statements of comprehensive income; for the years ended December 31, 2011 and 2010.

(b) Preparation

The information contained in these consolidated financial statements is the responsibility of the Company's board of directors, which expressly states that the principles and criteria have all been fully applied as included in International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"), 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 accounting principles generally accepted in Chile and the standards and regulations of the SBIF to IFRS. These banking subsidiaries have therefore only partially adopted the IFRS through the application of the Compendium of Accounting Standards ("Compendium of Standards") issued by the SBIF, thus generating the following deviations:

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

- Impaired loans: The present SBIF treatment states that interest income can no longer accrue to results. Under IFRS, the financial asset is not written off, an allowance is made for impairment, and interest is generated based on the interest rate used for discounting the cash flows, not considering therefore the suspension of booking of income.

- 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 the assets is not considered while they have an economic value.

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

- 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 its 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 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 specific provisions for corporations contained in Law 18,046 and its regulations have also been considered.

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 2012. The financial statements as of December 31, 2011 and 2010 of this indirect subsidiary included in the consolidated financial statements of Quiñenco have therefore been prepared using generally accepted accounting principles in Chile ("Chile GAAP") and the specific regulations issued by the SVS.

Certain accounting practices applied by the Company that conform to Chile GAAP may not conform to generally accepted accounting principles in the United States ("US GAAP") or IFRS.

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

For comparison purposes, the Company and its subsidiaries have made minor reclassifications to the financial statements as of December 31, 2010 that do not affect their interpretation.

(c) IFRS standards and Interpretations of the IFRS Interpretations Committee

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

	New standards	Obligatory application
IFRS 7	Financial instruments: Disclosures	January 1 , 2013
IFRS 9	Financial instruments: Classification & measurement	January 1 , 2013
IFRS 10	Consolidated financial statements	January 1 , 2013
IFRS 11	Joint agreements	January 1 , 2013
IFRS 12	Disclosures of participation in other entities	January 1 , 2013
IFRS 13	Measurement of fair value	January 1 , 2013

	Improvements and Modifications	Obligatory aplication
IAS 12	Income taxes	January 1 , 2012
IAS 1	Presentation of financial statements	January 1 , 2012
IAS 19	Employee benefits	January 1 , 2013
IAS 27	Separate financial statements	January 1 , 2013
IAS 28	Investments in associates & joint ventures	January 1 , 2013
IAS 32	Financial instruments: presentation	January 1 , 2014

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

(d) Consolidation

These consolidated financial statements include the assets, liabilities, results and cash flows of the Company and its subsidiaries. The effects of significant transactions with the subsidiary companies have been eliminated and the participation of the non-controlling 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 the following:

Tax ID	Subsidiary	Country of origin	Functional currency	Percentage participation			
				12-31-2011			12-31-2010
				Direct	Indirect	Total	Total
-	Excelsa Establishment	Liechtenstein	USD	99.9900	0.0100	100.0000	100.0000
96.611.550-5	VTR S.A.	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	97.5359
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	50.0000
91.021.000-9	Madeco S.A. & Subsidiaries	Chile	USD	34.8229	19.6207	54.4436	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
76.136.898-2	Inversiones Río Argenta S.A. & Subsidiaries	Chile	CLP	99.9999	0.0001	100.0000	-

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

During July 2011, Quiñenco and its subsidiaries Río Grande, Norte Verde and Río Azul participated in the capital increase of Madeco, subscribing 1,258,231,180 shares. As a result, Quiñenco increased its participation from 47.6512% to 54.4436%.

The subsidiary Banchile Seguros de Vida S.A., included in the consolidated financial statements of Quiñenco S.A., is 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 subsidiaries Enex, Inversiones Enex and Enex Trading are included in the consolidated financial statements of Inversiones Río Argenta S.A. and subsidiaries.

(e) 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, income, 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 and residual values of property, plant and equipment and intangible assets other than goodwill.
- The assumptions used for the calculation of fair value of financial instruments.

- The assumptions used for calculating estimates of the recoverability of trade debtors and receivables from customers.
- The assumptions used for calculating estimates of inventory obsolescence.
- The probability of occurrence and the amount of liabilities of uncertain amount or that are contingent.
- The recoverability of deferred tax assets based on estimates of future results. This recoverability depends in the last instance on the Company's capacity to generate taxable income throughout the year in which the deferred tax assets are deductable. In the analysis, the year is taken into account of the reversal of deferred tax liabilities, and the estimates of taxable benefits, on the basis of internal projections that are updated to reflect the most recent trends. The determination of the suitable classification of taxable items depends on various factors, including the estimate of the time and realization of the deferred tax assets and the expected moment of the tax payments. The actual flows of receipts and payments of income tax may differ from the estimates made by the Company as a consequence of changes in fiscal legislation or unforeseen future transactions that might affect the tax balances.

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.

(f) 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 position as follows:

(f1) Quiñenco, its non-banking subsidiaries and principal associates operate in the businesses of food and beverages, manufacturing and fuels and lubricants in which there is a similar operating cycle between them. They have therefore chosen a presentation format based on present value (classified).

(f2) 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 show their classified statements of results by function. However, considering that the industrial sector shows differences in the classification of their operations with the business of the banking sector, the Company has opted to show the businesses of the industrial sector as a group, and of the banking entities separately.

Statements of Cash Flows

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

(g) Functional currency and foreign currency translation

These consolidated financial statements are shown in Chilean pesos, 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, Banco de Chile and Enex is the Chilean peso.

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

Transactions in a currency other than the functional currency are considered to be in foreign currency, and are initially recorded at the exchange rate of the functional currency on the date of the transaction. Assets and liabilities in foreign currency are translated at the exchange rate of the functional currency on the date of the statement of financial position. All 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 results for taxes and credits attributable to these operations are shown as a charge or credit to equity until the disposal of the investment.

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

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

(h) Inventory

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

The net realization value represents the estimated sale 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 realization value of inventory at the end of each year, booking an estimate as a charge to comprehensive income when these are overvalued. When the circumstances that previously caused the reduction have ceased to exist, or when there is clear evidence of increase in the net realization value due to a change in economic circumstances or prices of the principal raw materials, the previously-made estimate is modified.

(i) Property, plant and equipment

(i1) Cost

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

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

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

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

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

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

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

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

This heading also includes investments made in assets acquired under leasing agreements with an option to purchase, that comprise the characteristics of financial leasing. These do not legally belong to the Company until it exercises 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.

(i2) 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 useful years of life
Group of assets	
Buildings & infrastructure	20 to 70
Installations	5 to 33
Machinery & equipment	5 to 40
Engines & equipment	7
Other property, plant & equipment	2 to 10

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

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

(j) 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 intended 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.

(k) 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 predicted to be completed within a year from the date of classification.

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

(l) Income recognition

Income is recognized to the extent that it is probable that the economic benefits will flow to the Company and can be reliably measured. Income is 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 recognizing income:

(l1) Sale of goods

The proceeds of 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.

(l2) Services income

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

(l3)Interest income

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

(l4) Dividends

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

(m) Investments in subsidiaries (combination of businesses)

Combinations of businesses are adjusted using the purchase method. This involves booking 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.

Combinations of businesses acquired prior to March 2001 are shown at their proportional value considering the book values of each subsidiary.

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

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

The reporting dates 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 booking of proportional results.

Investments in associates acquired prior to December 31, 2007 (before IFRS 1) have been valued at their equity value calculated on the book values of the associate.

(o) Investments in joint ventures

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

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

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 significantly influence over the entity. It is therefore equivalent to the concept of “coligada” as defined in article 87 of the Corporations Law 18,046.

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.
(vi) Asfaltos Conosur S.A.

(p) Financial Instruments – Initial booking and subsequent measurement

The management determines the classification of its financial assets when initially recorded. Financial assets within the scope of IAS 39 are classified as financial assets for trading (fair value through results), loans and receivables, 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:

(p1) Financial assets held to maturity

These are valued 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 booking are not designated as financial assets at fair value through results or as available for sale, and do not meet the definition of loans and receivables.

The Company and its subsidiaries have no investments held to maturity for the years ended December 31, 2011 and 2010.

(p2) Loans and receivables

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 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 trading.

- Those designated in their initial booking as available for sale.

- Those by which the holder does not partially intend to substantially recover all their initial investment for reasons other than credit impairment, and therefore should be classified as available for sale.

- After the initial booking, these financial assets are measured at their amortized cost using the effective interest rate method, less their credit impairment. The amortization of the effective interest rate is included in financial income in the statement of comprehensive income. Losses for impairment are shown in the statement of comprehensive income 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.

(p3) Financial assets at fair value through results

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

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

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

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

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

(p4) Financial assets available for sale

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

(p5) Impairment of financial assets

The Company and its subsidiaries evaluate periodically whether there is evidence that one of its assets could be impaired. If such evidence exists, the recoverable amount of the asset is estimated.

The recoverable amount of an asset is the greater value between the asset or cash generating unit's fair value minus the cost of sales 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.

(p5.1) 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 equity investments classified as held for sale, evidence of impairment is when there is a significant and prolonged decline in the fair value of the investment below its 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 recorded earlier to income, it is transferred from Other equity reserves (Other comprehensive income) to comprehensive income for the year.

Losses for impairment of 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).

(p5.2) Financial assets at amortized cost (loans and receivables)

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

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

This allowance is determined when there is evidence that the different 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 some 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, the allowances are estimated using a percentage of the receivables determined case by case, depending on the internal classification of the customer risk and the age of the debt (days overdue).

(p6) Financial debt

(p6.1) Interest-bearing credits and loans

All credits and loans are initially recorded at the fair value of the payment received less the direct costs attributable to the transaction. The initial booking 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.

(p6.2) Financial debt at fair value through results

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

Financial debt is classified as that held for trading if acquired with the intention of being sold in the short term. Derivatives, including implicit derivatives, are also classified as held for trading unless 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 results, except when the implicit derivative does not significantly modify the cash flows or it is clear that the separation of the implicit derivative is forbidden.

Financial debt may be designated in the initial booking 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 booking 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 recorded separately.

As of December 31, 2011 and 2010, no financial debt has been designated at fair value through results.

(p7) 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 26 Classes of financial assets and liabilities.

(q) Income tax and deferred taxes

(q1) 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 recorded in equity accounts which are shown against Other reserves.

(q2) 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 booking of goodwill.

- Assigned goodwill acquired whose amortization is not deductible for tax purposes

- The initial booking of an asset or liability on a transaction that:
  (1) is not a combination of businesses, and
  (2) at the time of the transaction does not affect the accounting or tax results.

- Tax timing differences associated with investments in subsidiaries, associates and participations in joint ventures, where the opportunity of reversal of the timing differences can be controlled and it is probable that the timing differences will not be reversed in the near future.

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

- The initial booking of an asset or liability in a transaction that:
  (1) is not a combination of businesses, and
  (2) at the time of the transaction does not affect either the accounting results or the tax results.

- With respect to deductible timing differences associated with investments in subsidiaries, associates and participation in joint ventures, the deferred tax assets are only shown to the extent that there is a probability that the timing differences will be reversed in the near future and that there will be available taxable earnings with which they can be used.

As of the date of the statement of financial position, the book value of deferred tax assets is revised and reduced to the extent that it is probable that there are insufficient available taxable earnings 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 that future taxable earnings will permit the deferred tax asset to be recovered.

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

The deferred tax related to items recorded directly 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.

(r) 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 related to acquisitions of subsidiaries is included in goodwill, and that related to acquisitions of associates is included in investments in associates.

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

The subsidiary LQIF at the time of migration to IFRS made a re-issue of the investment in the subsidiaries Banco de Chile and SM Chile acquired in March 2001, determining the difference between the acquisition value and 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.

• 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 to the business indefinitely.

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

(s) Asset impairment

(s1) Financial investments held for sale

At the date of closing 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 their acquisition costs, this is evidence of impairment. Should there be an accumulated loss for impairment, measured as the difference between their cost of acquisition and their present fair value, less any impairment recorded previously to results, is transferred from Other reserves to results for the year. The reversal of losses for impairment of this kind of instrument is shown directly in Other reserves.

(s2) Financial and non-financial assets

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

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

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

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

An appropriate valuation model is used for determining the fair value less sale costs. 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 comprehensive 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-evaluation.

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 not been recorded in previous years. This reversal is recorded as a credit to results unless an asset is recorded at the revalued amount, in which case the reversal is dealt with as a revaluation increase.

(s3) Goodwill

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

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

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

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

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

(s4) Intangible assets of indefinite useful lives

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

(s5) Associates and joint ventures

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

(t) 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, the provisions are discounted using a discount rate before tax that reflects the specific risks of the liability. When a discount rate is used, the amount of the provision due to the passage of time is recorded as a financial cost.

(ii) Provisions for employee benefits – Severance payments

Madeco and its subsidiaries are committed to make 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.

Enex has agreed a severance payment with its personnel for years of service, equivalent to one month's wages for every year worked as from the third year. The provision has been calculated using the actuarial value, which involves assumptions being made about discount rates, expected returns on assets, future wage increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to a significant amount of uncertainty.

(iii) Provision for post-retirement fund

Enex has had a pension fund for its employees since 1987. The cost of the benefit has been determined based on an actuarial calculation using the so-called "aggregate funding" method, made by external professionals. This calculation considers an annual discount rate of 6%.

(iv) Provisions for employee benefits - Personnel vacation

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

(v) Provisions for employee benefits - Bonuses

The Company and its subsidiaries book, where appropriate, a liability for bonuses for their senior executives.

(u) Technical reserves and claims payable

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

- Reserve for current risk:
  This has been determined on the basis of the unearned net retained premium, which is calculated based on daily numerals on the duly restated net premium retained.

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

(v) Interest-bearing credits and loans

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

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

(w) 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 booking 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 income 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 and its subsidiaries 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.

(x) Financial derivative instruments and booking of hedges

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 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 booking 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 either attributable to a particular risk associated with a recorded asset or liability or a highly-probable expected transaction or the foreign exchange risk of a firm commitment not recorded.

At the start of a hedge transaction, the subsidiary Madeco formally designates and documents the hedge relation 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 hedge 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 hedge 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.

(x1) Hedges of fair value

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

The change in fair value of a hedge derivative 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 results in its fair value attributable to the risk that is being hedged.

If once the item hedged 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 income. The changes in fair value of a hedging instrument are also recorded in the statement of comprehensive income.

(x2) Cash flow hedges

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.

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

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

(x3) 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 20 Other Current and Non-Current Financial Liabilities.

(y) Cash and cash equivalents

Cash equivalents relate to current 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 the consolidated statement of cash flows, cash and cash equivalents consist of cash and the cash equivalent as defined above, net of bank overdrafts.

The statement of cash flows shows the movements of cash during the year, determined by the direct method. In these statements of cash flows, the following expressions are defined as follows:

- 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 income, 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.

(z) Earnings per share

The basic earnings per share are calculated as the ratio of earnings (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.

(aa) Current and non-current classification

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

(bb) Minimum dividend

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

(cc) Information by segments

The operating segments are defined as the components of a company on which the information in the financial statements is available and is constantly evaluated by the principal organ that takes decisions on the assignment of funds and evaluation of performance. The Company operates in four business segments: Manufacturing, Financing, Energy and Others (Quiñenco and others). The associates CCU and Compañía Sud Americana de Vapores S.A. are shown at their equity value in the Others segment.

The following shows the principal accounting policies of the financial institutions regulated by the Superintendency of Banks and Financial Institutions (SBIF).

(dd) Preparation – 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 follow 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 Institute of Accountants, coinciding with the IFRS issued by the International Accounting Standards Board (IASB). Should there be differences between generally accepted accounting principles and the accounting criteria of the SBIF, the latter shall prevail.

(ee) Consolidation

The financial statements of SM-Chile S.A. as of December 31, 2011 and 2010 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 participation of third parties in the subsidiaries, of which the Company is not directly or indirectly the owner, and is shown separately in the equity of Quiñenco S.A. consolidated.

(ee1) Subsidiaries

The subsidiaries are entities controlled by SM Chile. Control exists when the Company has the power to govern the financial and operational policies of the entity with the intention of obtaining benefits from its activities. In evaluating the control, the potential voting rights that are currently exercisable are considered. 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 the subsidiary 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	Participation					
				Direct		Indirect		Total	
				2011 %	2010 %	2011 %	2010 %	2011 %	2010 %
97.004.000-5	Banco de Chile	Chile	Ch$	13.96	14.70	32.89	34.64	46.85	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

Participation of the subsidiary Banco de Chile in its subsidiaries

Tax ID	Entity	Country	Functional currency	Participation					
				Direct		Indirect		Total	
				2011 %	2010 %	2011 %	2010 %	2011 %	2010 %
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, income and expenses shown in these consolidated financial statements.

(ee2) 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 valued 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 the application of the equity method despite having a participation 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.

(ee3) Shares or rights in other companies

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

(ee4) 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, 2011 and 2010, SM Chile and its subsidiaries did not control nor have created any special-purpose entity.

(ee5) 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, 2011 and 2010.

(ff) Non-controlling interest

The non-controlling interest 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 income and the consolidated statement of financial position separately from the equity of the shareholders.

(gg) 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, income, expenses and commitments that appear in them. Basically, these estimates made based on the best available information, refer to:

- The valuation of goodwill (Note 39.13).
- The useful life of fixed and intangible assets (Notes 39.13 & 39.14).
- Income tax and deferred taxes (Note 39.15).
- Provisions (Note 39.22).
- Commitments and contingencies (Note 39.24).
- Allowance for credit risk (Note 39.29).
- Impairment of certain assets (Note 39.32).
- Fair value of financial assets and liabilities (Note 39.36).

During the year ended December 31, 2011, there have been no significant changes in estimates made in 2010 other than those indicated in these consolidated financial statements.

(hh) 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 required 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:

(hh1) Accounting treatment

SM Chile and its subsidiaries initially book loans and receivables 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 results) are initially recorded on the date of trading on which SM Chile and its subsidiaries become party to the contractual terms of the instrument.

(hh2) Classification

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

(hh3) Retirement of financial assets and 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 flow from the financial asset during a transaction in which all the risks and benefits of ownership of the financial asset are transferred. All 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.

(hh4) Compensation

Financial assets and liabilities are the object of compensation so 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.

The 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.

(hh5) Valuation at amortized cost

Amortized cost is understood to be the 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.

(hh6) Measurement of fair value

Fair value is the amount at which an asset may be exchanged or a liability cancelled between an interested and duly-informed buyer and seller, on 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 were 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 fair value of a financial instrument, in booking 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 booking, the financial instrument is initially valued at the transaction price and any difference between that price and the value obtained initially from the valuation model is shown later in results, depending on the individual facts and circumstances of the transaction, but not after the valuation is fully supported by observable market data or the transaction is terminated.

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.

The process of valuing to market of instruments available for sale consists of modifying the valuation rate from a mid rate to the offer rate of these instruments.

When the transaction price is different to 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 39.36.

(ii) Functional currency

Items included in the financial statements of each of the Company's entities are valued using the currency of the principal economic environment in which the entity operates (the functional currency). The functional and presentational currency of these consolidated financial statements of SM Chile is the Chilean peso, which is the currency of the primary economic environment in which the Company operates, and is also the currency that influences the costs and income structure.

(jj) 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 income.

As of December 31, 2011, SM Chile and its subsidiaries applied the exchange rate of accounting representation according to the instructions of the SBIF, so assets in dollars are shown at their equivalent value in pesos calculated at the market exchange rate of Ch$519.80 per US$1. As of December 31, 2010, the observed exchange rate was used, of Ch$468.37 per US$1. The effect of this change in this parameter was insignificant at the end of 2011.

The balance of ThCh$7,973,679 relates to the net exchange loss (gain of ThCh$63,761,359 in 2010) and is shown in the consolidated statement of comprehensive income. It includes the effects of exchange rate variations on the assets and liabilities in foreign currency or indexed to the exchange rate, and the result of exchange transactions of SM Chile and its subsidiaries.

(kk) Business segments

The operating segments of the subsidiary Banco de Chile, based on the different business units, are defined as follows:

(i) That develops business activities from which it can obtain income and incur expenses (including income and expenses from transactions with other components of the same entity).

(ii) Whose operating results are revised regularly by the entity's top decision-taking authority, to decide on the resources that should be assigned to the segment and evaluate performance, and

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

(ll) Statement of cash flows

(i) The consolidated statement of cash flows shows the changes in cash and cash equivalents from the operating activities, investment activities and financing activities during the year. The indirect method has been used in the preparation of the statement.

(ii) Cash and cash equivalents relate to the heading Cash and bank deposits, plus (less) the net balance of transactions pending settlement shown in the consolidated statement of financial position, plus trading instruments and those highly-liquid instruments available for sale having an insignificant risk of a change in value, whose term does not exceed three months from the date of acquisition, and repurchase agreements in this situation. They also include investments in fixed-income mutual funds that are shown under Trading instruments.

(mm) Instruments for trading

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

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

(nn) 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.

(oo) 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 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 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 of 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 the 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 effect on the results for the year. Gains or losses from the measurement to fair value of the hedge derivative are recorded with effect in the income for the year. When an asset or liability is acquired as a result of the commitment, the initial booking 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 results for the year. Amounts recorded directly to equity are shown in results in the same years in which the assets or liabilities hedged affect the 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.

(pp) Loans and receivables from customers

Originated and acquired loans and receivables 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.

(pp1) Valuation method

Loans and receivables 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 loans are identified as hedges, which are valued with changes to comprehensive income, as described in (oo) of this Note.

(pp2) Leasing agreements

Receivables under leasing agreements, included in Loans and receivables from customers, include ThCh$996,566,136 as of December 31, 2011 (ThCh$777,293,518 in 2010) relating 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.

(pp3) Factoring operations

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 receivables from customers includes ThCh$589,098,198 as of December 31, 2011 (ThCh$477,132,727 in 2010) corresponding to the amount advanced to the assignor plus accrued interest net of the payments received.

(pp4) 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 payment conditions, without the possibility of recovering that due by recurring to collateral, through the exercise of judicial proceedings or agreeing different conditions.

The following are some situations that constitute 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.

In any event, debtors subject to individual evaluation, all the credits of debtors classified in any of the categories of "default portfolio", plus the categories B3 and B4 of the "sub-standard portfolio", are included in the impaired portfolio. In the case of debtors subject to group appraisal, the impaired portfolio consists of all credits in default.

The Bank incorporates impaired portfolio credits and keeps them in that portfolio until a normalization of their payment capacity or conduct is observed.

(pp5) Allowances for credit risk

On August 12, 2010, SBIF Circular 3,503 modified and complemented the instructions established in chapters B-1 (Allowances for credit risk), B-2 (Impaired credits and write-offs), B-3 (Contingent credits) and C-1 (Annual financial statements) on allowances and impaired portfolio. The provisions of this circular became effective on January 1, 2011. The Bank opted to anticipate the effects of booking the above regulatory changes. The modifications made by this circular are the following:

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.

(pp5.1) Allowances by individual evaluation

The individual analysis of debtors is necessary in the case of companies whose size, complexity or level of exposure with the entity requires knowing and analyzing them in detail.

Naturally, the analysis of debtors should be focused on their capacity and willingness to meet their credit obligation, through sufficient and reliable information, and also analyze their credits in terms of collateral, term, interest rates, currency, indexation, etc.

For the purpose of making allowances, the debtors and their credit and contingent liabilities should be grouped in their corresponding category, following the assignment of one of the following three portfolio conditions: Normal, Sub-standard and in Default.

(i) Portfolios with Normal and Sub-Standard compliance

The portfolio with Normal compliance consists of those debtors whose payment capacity enables them to meet their obligations and commitments and it is not foreseen that this economic-financial situation will change, according to the evaluation. The classifications assigned to this portfolio are the categories A1 to A6.

The Sub-Standard portfolio includes debtors with financial difficulties or significant deterioration in their payment capacity and about which there are reasonable doubts about the full repayment of principal and interest on the contractually agreed terms, showing a small margin for complying with their short-term financial obligations.

Forming part of the Sub-Standard portfolio are also those debtors which have recently made payments more than 30 days late. The classifications assigned to this portfolio are the categories B1 to B4 of the classification scale.

As a result of an individual analysis of the debtors, the Bank classifies them in the following categories, assigning them subsequently the percentages of probability of default and loss given the non-compliance resulting from the following calculation of percentage loss:

Type of portfolio	Category of Debtor	Probability of Default (%)	Loss from Default (%)	Expected Loss (%)
Normal	A1	0.04	90.0	0.03600
	A2	0.10	82.5	0.08250
	A3	0.25	87.5	0.21875
	A4	2.00	87.5	1.75000
	A5	4.75	90.0	4.27500
	A6	10.00	90.0	9.00000
Sub-Standard	B1	15.00	92.5	13.87500
	B2	22.00	92.5	20.35000
	B3	33.00	97.5	32.17500
	B4	45.00	97.5	43.87500

Allowances for portfolio of Normal and Sub-Standard compliance

To determine the amount of allowances to be made for the portfolios in Normal and Sub-Standard compliance, the exposure subject to allowances first has to be estimated, to which will be applied the respective percentage losses (expressed in decimals), comprised from the probability of default (PI) and loss from default (PDI) established for the category in which the debtor and/or its qualified guarantor is grouped, as the case may be.

The exposure subject to allowances is loans plus contingent credits, less amounts recoverable through the liquidation of collateral. Loans are understood to be the book value of the loans and receivables of the respective debtor, while contingent credits are the amount resulting from the application of that indicated in No.3 of Chapter B-3 of the Compendium.

The following has to be considered in the calculation:

Debtor allowance = (EAP-EA)x(PIdebtor /100)x(PDIdebtor/100)+EA x (PI guarantee /100)x(PDI guarantee /100)

Where:

EAP = Exposure subject to allowances
EA = Exposure guaranteed
EAP = (Loans + Contingent credits) – Financial and tangible guarantees

However, the Bank should maintain a minimum allowance of 0.50% of all loans and contingent credits of the Normal portfolio.

(ii) Portfolio in default

The portfolio in default includes debtors and their credits that are considered to be of doubtful recovery as they show a deteriorated or nil payment capacity. Debtors with clear indications of a possible bankruptcy, and those where a forced debt restructuring is necessary to avoid default form part of this portfolio, plus any debtor 90 days or more overdue in the payment of interest or principal of any credit. This portfolio comprises debtors belonging to the categories C1 to C6 of the classification scale and all the credits, including 100% of contingent credits, of these same debtors.

Percentages of allowances are used to be applied to the amount of exposure, which equates to the sum of loans and contingent credits of the same debtor, for creating allowances for the portfolio in default. For applying this percentage, the expected loss rate has first to be estimated, deducting from the exposure the amounts recoverable by liquidating the collateral, and when there are concrete justifications for doing so, deducting also the present value of the recoveries that may result from exercising collection actions, net of their related costs. This loss rate should be grouped in one of the six categories defined according to the range of losses effectively expected by the Bank for all the debtor's operations.

These categories, the range of loss according to that estimated by the Bank, and the percentages of allowance to be finally applied to the amounts of exposure, are those indicated in the following table:

Type of portfolio	Scale of risk	Range of expected risk	Allowance (%)
In default	C1	Up to 3 %	2
	C2	Between 3% and 20%	10
	C3	Between 20% and 30%	25
	C4	Between 30 % and 50%	40
	C5	Between 50% and 80%	65
	C6	Over 80%	90

The following are considered for the calculation:

Expected rate of loss = (E−R)/E
Allowance = E× (PP/100)

Where:

E = Amount of exposure
R = Recoverable amount
PP = Percentage allowance (according to the category in which the expected loss rate is grouped).

(pp5.2) Allowances by group evaluation

The group evaluation is used to analyze a large number of credit 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.

The allowances are made according to the results of the application of the methods the Bank uses, distinguishing between allowances for the normal portfolio and for the portfolio in default, and which cover the risks of the contingent credits associated with those portfolios.

The portfolio in default comprises the loans and contingent credits of debtors overdue 90 days or more in the payment of interest or principal including all the loans, including 100% of the amount of contingent credits, of those debtors.

(pp6) Write-off of loans

The write-offs of loans and receivables 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.

(pp7) Recovery of loans written off

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

In the event of the recovery of goods, the income will be recorded to results for the amount in which they are incorporated into assets.

(qq) 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 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 than the estimated recovery amount.

Interest and indexation on investment instruments held to maturity and on those available for sale are included in Interest and indexation income.

Investment instruments that are the subject of accounting hedges are adjusted according to the rules for booking hedges, as described in Note 2 (oo).

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, 2011 and 2010.

(rr) 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.

(ss) 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.

(i) 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, 2011 and 2010 is shown at cost less accumulated amortization according to its remaining useful life.

(ii) 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.

(iii) 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.

(tt) Property, plant and equipment

Property, plant & 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 monetary correction 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 & equipment.

The estimated average useful lives for the years 2011 and 2010 are:

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

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

(uu) Current taxes and deferred taxes

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

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

The valuation of deferred tax assets and liabilities for their corresponding booking 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.

(vv) Assets received in lieu of payment

Assets received in lieu of payment of loans and receivables 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. The SBIF requires write-offs if the asset is not sold within one year of its reception.

(ww) 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.

(xx) Provisions and contingent liabilities

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

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

(ii) at the date of the financial, statements it is probable that the Bank or its subsidiaries have to expend resources in cancelling the obligation and the mount of these resources can be measured reliably.

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

The following are classified 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 issued 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%
- Other	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$24,052,077 (ThCh$21,083,668 in 2010).

(yy) 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 earnings the amount of monetary correction in the revaluation or adjustment of paid capital and reserves for the year and their corresponding variations.

(zz) Employee benefits

(zz1) Personnel vacations

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

(zz2) Short-term benefits

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

(zz3) 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 long-term operations (6.04% as of December 31, 2011 and 5.91% as of December 31, 2010).

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 yields on Banco Central de Chile bonds in pesos (BCP) at 5 years.

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

(aaa) Earnings per share

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

Diluted earnings per share are determined in a similar way to basic earnings, but the weighted average number of shares in circulation is adjusted to take into account the potential diluting effect of stock options, warrants and convertible debt. There are no such concepts to adjust as of December 31, 2011 and 2010.

(bbb) Interest and indexation income and expense

Interest and indexation income 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 results accounts; these are recorded as and when they are received. The suspension occurs in the following cases:

Individually-evaluated loans

- Loans classified in categories C5 and C6: The accrual is suspended by the mere fact of being in the impaired portfolio.
- Loans classified in categories C3 and C4: The accrual is suspended for having been three months in the impaired portfolio.

Group-evaluated loans

- Loans with real collateral below 80%: The 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 booking of the income 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.

(ccc) Fee income and expenses

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

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

(ddd) Identification and measurement of impairment

(i) 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 a loss has occurred after the initial booking 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 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 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 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 to 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 income. The amount of the reversal is recorded in the statement of income up to the amount previously recorded as impaired. The losses recorded in the statement of income for an investment in shares classified as available for sale are not reversed in the statement of income.

(ii) 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 income.

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

(eee) Financial and operative leases

(eee1) 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 a 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 receivable through the discount rate applied to the lease. Leasing income is recorded on lease terms based on a model that constantly reflects a periodic rate of return on 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 income is recorded on a straight-line basis over the term of the lease.

(eee2) 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, 2011 and 2010, 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.

(iii) 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. The contingencies and commitments arising from this activity are shown in Note 39.24 (a).

(fff) Customer loyalty program

The Bank has a loyalty program that provides incentives to its customers, enabling them to acquire goods and/or services in exchange for prize points called "dólares premio" which are granted as a function of 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.

(ggg) Reclassification

Certain reclassifications have been made to some items of the statements of financial position and comprehensive income as of December 31, 2010, in order to show a suitable comparison with those statements.

As a result of modifications made by SBIF Circular 3,503 on loan allowances, in accordance with Chapter B-1, the Company made the booking transitorily of the increased allowance requirement during 2010 under the concept of Additional allowances, despite their nature corresponding to credit-risk allowances to be classified deducted from Loans and receivables from customers. All of this was in accordance with the regulations issued by the regulatory entity.

The following are the reclassifications made through the application of the above regulation:

	Balance as of December 31, 2010 ThCh$	Reclassifications ThCh$	Balance as of December 31, 2010 reclassified ThCh$
Assets			
Loans & receivables from customers	13,974,693,959	(20,859,075)	13,953,834,884
Total assets	**13,974,693,959**	**(20,859,075)**	**13,953,834,884**
Liabilities			
Provisions	246,396,073	(20,859,075)	225,536,998
Total liabilities	**246,396,073**	**(20,859,075)**	**225,536,998**
Other operating income	24,146,684	(563,105)	23,583,579
Allowance for credit risk	(165,961,491)	(42,628,366)	(208,589,857)
Net operating income	**1,000,780,935**	**(43,191,471)**	**957,589,464**
Other operating expenses	(86,331,241)	43,191,471	(43,139,770)
Operating income	**412,163,996**	**-**	**412,163,996**
Consolidated earnings for the year	**302,560,919**	**-**	**302,560,919**

NOTE 3 – Cash and cash equivalents

a) The detail is as follows as of December 31, 2011 and 2010:

	2011 ThCh$	2010 ThCh$
Cash	1,386,447	51,229
Balances with banks	14,513,825	3,437,034
Time deposits	28,589,364	218,525,626
Investments under repurchase agreements	41,121,245	106,278,614
Total	**85,610,881**	**328,292,503**

As indicated in Note 2 y), 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, 2011 is ThCh$17,314,030 (ThCh$14,839,907 in 2010), which have been eliminated in the preparation of these consolidated financial statements.

b) The detail of the above cash and cash equivalents by currency is as follows:

	Currency	2011 ThCh$	2010 ThCh$
Cash and cash equivalents	CLP	72,617,103	323,183,918
Cash and cash equivalents	USD	12,485,908	4,015,386
Cash and cash equivalents	EUR	1,357	353,687
Cash and cash equivalents	ARS	188,978	200,855
Cash and cash equivalents	PEN	317,184	225,627
Cash and cash equivalents	BRL	351	313,030
Total		**85,610,881**	**328,292,503**

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

	2011 ThCh$	2010 ThCh$
Cash & cash equivalents relating to non-banking services	85,610,881	328,292,503
Cash & cash equivalents relating to banking services		
Cash	346,169,549	309,347,996
Deposits with Banco Central de Chile	139,327,660	310,358,843
Deposits with national Banks	106,656,888	110,000,044
Foreign deposits	288,993,093	42,622,927
Operations pending settlements (net)	218,216,153	221,005,006
Highly-liquid financial instruments	290,067,691	431,210,209
Repurchase agreements	40,476,529	19,901,974
Cash and cash equivalents shown in consolidated statement of cash flows	**1,515,518,444**	**1,772,739,502**

d) Significant unavailable cash balances.

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, 2011 relate to the initial balances of the companies that started operating in May 2011. As of December 31, 2010, these relate to the sale of 17.04% of LQ Inversiones Financieras S.A. for ThCh$ 541,919,016.

NOTE 4 – Other current financial assets

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

	2011	2010
Time deposits of over 90 day term	41,332,854	233,771,883
Banco Central instruments (PDBC, CERO, BCU)	-	85,907,224
Hedge assets	22,046	120,505
Total	**41,354,900**	**319,799,612**

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$ 45,288,940 as of December 31, 2011 (ThCh$ 88,323,535 in 2010).

a) Hedging assets

The detail of current hedging assets and their fair values is as follows:

Classification	Type of hedge	Risk hedged	Item hedged	Current		Fair value	
				2011 ThCh$	2010 ThCh$	2011 ThCh$	2010 ThCh$
Hedging assets, Other derivatives	Cash flow hedge instrument	Exposure to risk of variations in commodity prices (copper & aluminum)	Expected sales	22,046	120,505	22,046	120,505
Total hedging assets				**22,046**	**120,505**	**22,046**	**120,505**

NOTE 5 – Other non-financial assets, current

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

	2011 ThCh$	2010 ThCh$
Dividends receivable	13,600,981	10,793,820
Nexans guarantee	-	6,551,355
Advances to suppliers	3,505,769	2,064,063
Other	624,910	53,158
Total	**17,731,660**	**19,462,396**

NOTE 6 – Trade debtors and other receivables

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

	2011 ThCh$	2010 ThCh$
Trade debtors	132,612,134	50,683,650
Allowance for doubtful accounts	(7,561,662)	-
Other receivables	12,806,251	8,419,907
Total	**137,856,723**	**59,103,557**

The payment terms of trade debtors and other receivables not yet due are the following:

	2011 ThCh$	2010 ThCh$
Maturing within three months	120,073,462	50,683,650
Maturing between three & six months	4,002,887	8,419,907
Maturing between six & twelve months	347,233	-
Total	**124,423,582**	**59,103,557**

The payment terms of trade debtors and other receivables overdue but not impaired are the following:

	2011 ThCh$	2010 ThCh$
Overdue less than three months	12,079,875	-
Overdue between three & six months	583,245	-
Overdue between six & twelve months	770,021	-
Total	**13,433,141**	**-**

The payment terms of trade debtors overdue and impaired are the following:

	2011 ThCh$	2010 ThCh$
Overdue less than three months	60,819	-
Overdue between three & six months	127,852	-
Overdue between six & twelve months	7,372,991	-
Total	**7,561,662**	**-**

The detail of the allowances for doubtful accounts (impairment) of trade debtors and other receivables is the following:

	2011 ThCh$	2010 ThCh$
Trade debtors	(7,561,662)	-
Other receivables	-	-
Total	**(7,561,662)**	**-**

The movement of allowances for doubtful trade debtors and other receivables is the following:

	2011 ThCh$	2010 ThCh$
Initial balance	-	-
Increase through combination of Enex business	(8,563,722)	-
Write-offs of impaired financial assets	1,624,858	-
(Increase) decrease in the year	(622,798)	-
Closing balance	**(7,561,662)**	**-**

NOTA 7 – Balances and transactions with related entities

a) Receivables from related entities

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

Company	Tax ID	Relationship	Currency	Current Asset		Non-Current Asset	
				2011 ThCh$	2010 ThCh$	2011 ThCh$	2010 ThCh$
Cía. Sud Americana de Vapores S.A.	90.160.000-7	Associate	USD	130,834,976	-	-	-
Minera Los Pelambres S.A.	96.790.240-3	Common shareholders	CLP	3,078,973	-	-	-
Compañía Minera El Tesoro S.A.	78.896.610-5	Common shareholders	CLP	116,395	-	-	-
Sud Americana Agencia Aérea y Marítima S.A.	92.048.000-4	Subsidiary of associate	CLP	29,365	-	-	-
Embotelladoras Chilenas Unidas S.A.	99.501.760-1	Subsidiary of joint venture	CLP	183,009	156,224	-	-
Aguas CCU Nestlé Chile S.A.	76.003.431-2	Subsidiary of joint venture	CLP	83,010	106,403	-	-
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	571,226	549,742
Other		-	CLP	27,476	7,625	-	-
Total				**134,353,204**	**280,255**	**571,226**	**549,742**

b) Payables to related entities

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

Company	Tax ID	Relationship	Currency	Current Asset		Non-Current Asset	
				2011 ThCh$	2010 ThCh$	2011 ThCh$	2010 ThCh$
Asfaltos Cono Sur S.A.	96.973.920-8	Joint venture	CLP	257,111	-	-	-
Otros			CLP	1,314	1,471	-	-
Total				**258,425**	**1,471**	**-**	**-**

c) Nature of the balances

The following is the nature of the relationship, transaction, currency, interest rate and maturity of the accounts with related companies as of December 31, 2011. There are no allowances for doubtful accounts.

Relationship	ThCh$	Transaction	Currency	Interest rate	Payment date
Current assets					
Associate	130,834,976	Promissory note	Dollar	Libor+3% p.a.	180 days
Common shareholders	3,195,368	Invoices	Non-indexed pesos	-	Less than 90 days
Subsidiary of joint venture	284,328	Invoices	Non-indexed pesos	-	Less than 90 days
Subsidiary of associate	29,365	Invoices	Non-indexed pesos	-	Less than 90 days
Other	9,167	Invoices	Non-indexed pesos	-	Less than 90 days
Total current assets	**134,353,204**				
Non-current assets					
Joint venture	571,226	Trading account	U.F.	-	Undefined
Total non-current assets	**571,226**				
Current liabilities					
Joint venture	257,111	Invoices	Non-indexed pesos	-	Less than 90 days
Other	1,314	Invoices	Non-indexed pesos	-	Less than 90 days
Total current liabilities	**258,425**				
Non-current liabilities					
	-	-	-	-	-
Total non-current liabilities	**-**				

d) Significant transactions with related entities

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

Transactions between related parties are carried out at market prices. No collateral has been given or received with respect to receivables and payables with related parties, with the exception mentioned in Note 36.

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

Tax ID	Company	Relationship	Transaction	2011		2010	
				Amount of transaction ThCh$	Effect on income ThCh$	Amount of transaction ThCh$	Effect on income ThCh$
76.003.431-2	Aguas CCU Nestlé Chile S.A.	Subsidiary of joint venture	Sale of products	426,999	358,822	457,467	384,426
99.501.760-1	Embotelladoras Chilenas Unidas S.A.	Subsidiary of joint venture	Services	769,001	646,219	758,467	637,367
96.973.920-8	Asfaltos Cono Sur S.A.	Joint venture	Storage services received	775,073	(775,073)	-	-
			Services provided	261,541	261,541	-	-

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

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

	01-01-2011 12-31-2011 ThCh$	01-01-2010 12-31-2010 ThCh$
Wages & salaries	2,991,188	2,962,618
Fees (ad diem & profit sharing)	2,530,092	1,671,618
Short-term benefits	2,377,000	4,559,500
Total	**7,898,280**	**9,193,736**

NOTE 8 – Inventory

The detail of inventory as of December 31, 2011 and 2010 is as follows:

	2011 ThCh$	2010 ThCh$
Raw materials	12,101,890	12,704,531
Merchandise	7,022,542	4,980,085
Supplies for the production	3,166,650	2,739,146
Work in progress	5,178,725	10,787,360
Finished goods	69,392,906	5,232,584
Other inventory (1)	2,482,122	315,062
Total	**99,344,835**	**36,758,768**

(1) Includes mainly inventory in transit.

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

	2011 ThCh$	2010 ThCh$
Amounts deducted from inventory	433,000	254,436

The costs of inventory shown as expense in the consolidated statement of comprehensive income as of December 31, 2011 and 2010 are as follows:

	2011 ThCh$	2010 ThCh$
Costs of inventory shown as expense	844,929,173	178,244,667

NOTA 9 – Non-current assets or groups of assets for disposal classified as held for sale

The composition as of December 31, 2011 and 2010 is as follows:

	2011 ThCh$	2010 ThCh$
Non-current assets held for sale	2,184,897	2,106,045
Total	**2,184,897**	**2,106,045**

(a) Non-current assets held for sale

The composition of these as of December 31, 2011 and 2010 is as follows:

	2011 ThCh$	2010 ThCh$
Properties in Santiago (1)	2,184,897	-
Investment in shares of Nexans Colombia (ex Cedsa S.A.)	-	2,106,045
Total	**2,184,897**	**2,106,045**

(1) The subsidiary Madeco S.A. agreed to sell the properties that the subsidiary maintained without continuous use. The book value of these assets is below their fair value less the cost of sale.

NOTE 10 – Other non-current financial assets

The composition of these as of December 31, 2011 and 2010 is as follows:

	2011 ThCh$	2010 ThCh$
Equity instruments (shares)	172,673,080	95,256,737
Mortgage-funding notes of national banks	3,514,186	14,368,873
Corporate bonds	34,865,421	22,850,931
Bonds issued by national banks	24,625,526	9,895,020
Securities issued by Banco Central de Chile	17,184,351	15,010,654
Time deposits with national banks	21,106,996	10,368,878
Trade debtors & other receivables	1,999,291	6,218,733
Total	**275,968,851**	**173,969,826**

a) Equity instruments

The detail of equity instruments as of December 31, 2011 and 2010 is as follows:

	2011 ThCh$	2010 ThCh$
Nexans S.A. (1)	153,930,290	93,972,448
Sociedad Nacional de Oleoductos S.A. (SONACOL)	16,161,697	-
Sociedad Nacional Marítima S.A. (Sonamar)	1,247,229	-
Other	1,333,864	1,284,289
Total	**172,673,080**	**95,256,737**

(1) Relates to 5,704,059 shares in Nexans (France) as of December 31, 2011 (2,568,726 shares in 2010).

Movement in the investment in Nexans as of December 31, 2011 and 2010 is:

	12-31-2011 ThCh$	12-31-2010 ThCh$
Initial balance	93,972,448	104,216,020
Additions in the year (1) & (2)	132,378,443	-
Increase (decrease) in foreign currency translation (3)	(14,087,598)	(7,063,527)
Booking of fair value of shares (3)	(68,611,522)	4,853,487
Other increases (decreases)	10,278,519	(8,033,532)
Closing balance	**153,930,290**	**93,972,448**

(1) On May 20, 2011 Madeco signed a derivatives contract with the Goldman Sachs investment bank ("the Bank") by which the counterparty promised to deliver a maximum of 1,766,400 shares in Nexans S.A. no later than February 23, 2012 while Madeco provided a sum of 124.5 million euros agreed in two installments, one for 65.5 million euros on May 23, 2011 and the second three days after an initial hedging period in which the Bank carries out hedging operations to ensure a certain price range. On June 16, 2011 the counterparty finalized the hedging period and Madeco therefore paid on June 20, 2011 the second installment agreed of 59 million euros.

As of December 31, 2011 the Bank has transferred title to 1,766,400 shares of Nexans S.A. to Madeco and has also exercised its option to provide Madeco with 273,229 shares in Nexans, both blocks of shares being at a price of 61.0242 euros per share, which was determined by the simple average (market quotations between May 23 and August 23, 2011) of the "Volume Weighted Average Price" (VWAP), less 0.5%.

(2) In the second half of 2011, Madeco made direct purchases for a total of 1,095,704 shares at an average price of 49.97 euros per share, plus commissions and fees.

(3) As established in IAS 21, this investment has been classified as a non-monetary item. Consequently, the gain or loss due to exchange-rate variations is recorded as part of comprehensive income in Other reserves in equity (Reserves for exchange differences on translation).

Variations in the fair value of this investment are recorded as a charge or credit to comprehensive income Other reserves in equity (Reserves for gains or losses on the re-measurement of financial assets available for sale). At the close of the year, the investment is evaluated to see if there is any objective evidence that the financial asset is impaired, evaluating the market behavior of the stock price and the time that has passed since the last calculated impairment.

As of December 31, 2008 Madeco recorded an impairment and translation effect as a charge to income amounting to ThUS$ 69.813. Subsequent variations in the fair value have been recorded in Other reserves in equity, as described in the preceding paragraphs.

As of December 31, 2011, Madeco's shareholding in Nexans is 19.8598%. This investment will be recorded using the equity valuation method with effect from January 2012, as explained in Note 38.

NOTE 11 – Other non-current non-financial assets

The composition of these as of December 31, 2011 and 2010 is as follows:

	2011 ThCh$	2010 ThCh$
Judicial deposits Ficap Brasil	9,311,274	8,623,787
Other recoverable taxes	1,515,959	1,851,586
Inventory with turnover of more than one year	-	207,370
Sole investment account	516,827	613,231
Other	1,445,769	343,656
Total	**12,789,829**	**11,639,630**

NOTE 12 – Investments recorded using the equity method

Investment in Compañía Sud Americana de Vapores S.A. (CSAV).

During the first half of 2011, the Company and its subsidiaries acquired 515,509,760 shares in Compañía Sud Americana de Vapores S.A., equivalent to 18.82% of the total share capital, for an amount of ThCh$157,553,598. During the third quarter of that year, the Company and its subsidiaries acquired 72,484,489 shares for an amount of ThCh$20,658,080 to achieve a 20.63% shareholding in Compañía Sud Americana de Vapores S.A.

On February 15, 2012, Compañía Sud Americana de Vapores concluded the placement of a capital increase of US$ 1,200 million, agreed at an extraordinary shareholders meeting held on October 5, 2011. This capital increase was carried out through the issue of 5,867,970,660 shares for payment at a price of US$ 0.2045 per share, thus fully completing the placement of this capital increase.

Quiñenco S.A. on that date, directly and through its subsidiaries Inmobiliaria Norte Verde S.A. and Inversiones Río Bravo S.A., therefore became the holder of 3,264,041,231 shares in CSAV, representing 37.44% of the subscribed and paid capital.

As part of the agreements of the extraordinary shareholders meeting of October 5, 2011, the condition precedent was met for carrying out the division of CSAV, i.e. that the capital increase would raise at least US$ 1,100 million.

On February 15, 2012, CSAV was thus divided and Sociedad Matriz SAAM S.A. created from it, the holder of approximately 99.99% of the shares of Sudamericana, Agencias Aéreas y Marítimas S.A. ("SAAM").

a) Summary of financial information of the significant subsidiaries

The summary of financial information of the significant subsidiaries as of December 31, 2011 is as follows:

Company	Country of incorporation	Functional currency	Percentage participation	Current assets ThCh$	Non-current assets ThCh$	Banking assets ThCh$	Current liabilities ThCh$	Non-current liabilities ThCh$	Banking liabilities ThCh$	Ordinary income ThCh$	Ordinary expenses ThCh$	Earnings (loss) ThCh$
Madeco	Chile	USD	54.44%	99,036,163	285,883,332	-	59,412,553	69,983,760	-	210,878,167	(173,841,721)	9,329,110
LQIF	Chile	CLP	50.00%	13,422,144	931,572,726	21,740,944,508	27,330,281	190,172,696	20,351,545,374	1,098,911,242	(614,102,415)	192,373,986
Inv. Río Aurum S.A. (1)	Chile	CLP	100.00%	170,013,058	268,878,547	-	98,353,959	111,469,574	-	731,727,752	(671,087,452)	2,161,378
Total				282,471,365	1,486,334,605	21,740,944,508	185,096,793	371,626,030	20,351,545,374	2,041,517,161	(1,459,031,588)	203,864,474

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

Sociedad	Country of incorporation	Functional currency	Percentage participation	Current assets ThCh$	Non-current assets ThCh$	Banking assets ThCh$	Current liabilities ThCh$	Non-current liabilities ThCh$	Banking liabilities ThCh$	Ordinary income ThCh$	Ordinary expenses ThCh$	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	18,221,222,491	26,479,585	178,216,448	17,233,016,974	1,002,611,025	(588,616,937)	172,746,051
Total				136,793,855	1,148,262,244	18,221,222,491	84,617,998	205,959,029	17,233,016,974	1,215,399,980	(766,861,604)	167,858,117

(1) The subsidiary Inversiones Río Aurum S.A. includes in its consolidated financial statements the financial statements of Enex, Inversiones Enex and Enex Trading.

(2) In determining the significant subsidiaries, the same critria used to establish the Company's Operative segments has been used (Note 33).

b) Movement of investments in associates

The movement in 2011 was as follows:

Company	Principal activity	Country	Functional currency	Percentage participation	Balance at 01/01/2011 ThCh$	Participation in earnings (loss) ThCh$	Dividends received ThCh$	Other increases (decreases) ThCh$	Balance at 12/31/2011 ThCh$
Inversiones y Rentas S.A.	Investments	Chile	CLP	50.00%	178,383,385	39,921,451	(14,765,088)	(539,471)	203,000,277
Cía. Sud Americana de Vapores S.A.(1)	Transport	Chile	USD	20.63%	-	(70,180,667)	-	164,925,878	118,965,704
Habitaria S.A.	Real estate	Chile	CLP	50.00%	198,315	1,605	-	(430)	199,490
Foods Compañía de Alimentos CCU S.A.	Foods	Chile	CLP	50.00%	13,040,648	(190,810)	-	-	12,849,838
Transportes y Servicios Aéreos S.A.	Transport	Chile	CLP	50.00%	-	93,001	-	(3,737)	89,264
Asfaltos Cono Sur S.A.	Bitumen	Chile	CLP	50.00%	-	295,430	(222,667)	5,613,232	5,806,792
Sociedad Inversiones Aviación SIAV Ltda.	Supply of fuel & lubricants	Chile	CLP	33.33%	-	486,093	(650,000)	1,147,249	1,194,717
Inmobiliaria El Norte y El Rosal S.A.	Real estate	Chile	CLP	50.00%	34,675	21	-	421	35,117
Total					191,657,023	(29,573,876)	(15,637,755)	171,143,142	342,141,199

The movement in 2010 was as follows:

Company	Principal activity	Country	Functional currency	Percentage participation	Balance at 01/01/2011 ThCh$	Participation in earnings (loss) ThCh$	Dividends received ThCh$	Other increases (decreases) ThCh$	Balance at 12/31/2011 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.	Foods	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

(1) Goodwill related to the acquisition of the associate CSAV is included in its investment value. The amount shown of ThCh$ 118,965,704 therefore comprises ThCh$ 62,695,867 of proportional equity and ThCh$ 56,269,837 of goodwill.

As of December 31, 2011, a provisional assignment of goodwill has been made and the projections analyzed did not result in any impairment being identified. The Company and its subsidiaries will make an analysis of the assets and liabilities of Compañía Sud Americana de Vapores S.A. in order to be able to identify possible differences between the book values and fair values of each company. Once this process is completed, the adjustments to fair value and corresponding goodwill will be made.

c) Participation in joint ventures

The Company's most significant participation in joint ventures relates to the investment in Compañía Cervecerías Unidas S.A. (hereinafter CCU), an investment held under the equity value method of Inversiones y Rentas S.A. (IRSA). The Company has an indirect holding in CCU through its ownership of 50% of 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 therefore a partner of Quiñenco, together being 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, 2011:

Company	Country of incorporation	Book value of investment	Percentage participation	Current assets ThCh$	Non-current assets ThCh$	Current liabilities ThCh$	Non-current Liabilities ThCh$	Ordinary income ThCh$	Ordinary Expenses ThCh$	Earnings (loss) ThCh$
Inversiones y Rentas S.A.	Chile	203,000,277	50.00%	543,122,987	783,082,550	341,603,522	269,976,835	969,550,671	(450,563,274)	79,842,902
Foods Compañía de Alimentos CCU S.A.	Chile	12,849,838	50.00%	7,912,917	27,263,481	9,109,055	367,666	18,963,856	(8,407,225)	(381,621)
Asfaltos Cono Sur S.A.	Chile	5,806,792	50.00%	1,108,839	10,909,654	404,909	-	2,337,823	(1,066,686)	832,455
Transportes y Servicios Aéreos S.A.	Chile	89,264	50.00%	1,250,243	73,101	2,368	1,142,449	-	-	186,002
Total				553,394,986	821,328,786	351,119,854	271,486,950	990,852,350	(460,037,185)	80,479,738

The summarized information on the significant shareholdings in joint ventures as of December 31, 2010 is as follows:

Company	Country of incorporation	Book value of investment	Percentage participation	Current assets ThCh$	Non-current assets ThCh$	Current liabilities ThCh$	Non-current Liabilities ThCh$	Ordinary income 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	-	5.00%	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 method used to book holdings in jointly-controlled entities is the equity value method, giving an identical treatment to investments in associates.

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

NOTE 13 – Intangible assets other than goodwill

Classes of intangible assets, net	2011 ThCh$	2010 ThCh$
Intangible assets with finite lives, net	33,347,753	41,156,675
Intangible assets with indefinite lives, net (1)	179,327,101	179,268,850
Intangible assets, net	**212,674,854**	**220,425,525**

(1) Intangible assets with indefinite 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 life are valued at cost less accumulated impairments, and are not amortized. However, these assets are subjected to an annual impairment test. As of December 31, 2011, the brand Atlas has been amortized and there are no indications of impairment of the Banco de Chile brands and the contract for use of the brand.

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) The detail of intangible assets as of December 31, 2011 and 2010 is the following:

As of December 31, 2011	Gross Assets ThCh$	Accumulated Amortization ThCh$	Net Assets ThCh$
Patents, registered trademarks & other rights	180,632,187	(1,305,086)	179,327,101
Computer programs	1,708,716	(285,294)	1,423,422
Other intangible assets	252,291,258	(220,366,927)	31,924,331
Total as of December 31, 2011	**434,632,161**	**(221,957,307)**	**212,674,854**

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**

b) Movement of identifiable intangible assets

The movement during 2011 was as follows:

Movement	Patents, registered trademarks & other rights ThCh$	Computer programs ThCh$	Other intangible assets ThCh$	Total ThCh$
Initial balance at 01-01-2011	179,268,850	1,024,882	40,131,793	220,425,525
Additions	11,252	111,552	19,351	142,155
Disposals	-	-	(11,252)	(11,252)
Amortization	(27,264)	(157,561)	(8,219,309)	(8,404,134)
Increase (decrease) in currency translation	74,263	444,549	-	518,812
Other increases (decreases)	-	-	3,748	3,748
Impairment	-	-	-	-
Closing balance at 12-31-2011	**179,327,101**	**1,423,422**	**31,924,331**	**212,674,854**

The movement during 2010 was 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 subsidiary Madeco books the amortization of identifiable intangible assets in Administration expenses in the consolidated statement of comprehensive income. The subsidiary LQIF books the amortization of its intangible assets in Other expenses by function.

NOTE 14 – Goodwill

The movement in goodwill during 2011 was as follows:

Movement	Banco de Chile & SM Chile ThCh$	Merger Banco Chile - Citibank ThCh$	Merger Citigroup Chile II S.A. LQIF ThCh$	Enex ThCh$	Other ThCh$	Total ThCh$
2011						
Initial balance as of 01-01-2011	544,607,408	142,242,057	42,590,446	-	1,265,113	730,705,024
Increase (decrease) on currency translation	-	-	-	-	43,417	43,417
Other increases (decreases)	(3,578,098)	(4,006,624)	(1,270,865)	139,075,895	-	130,220,308
Closing balance as of 12-31-2011	**541,029,310**	**138,235,433**	**41,319,581**	**139,075,895**	**1,308,530**	**860,968,749**
2010						
Initial balance as of 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 as of 12-31-2010	**544,607,408**	**142,242,057**	**42,590,446**	**-**	**1,265,113**	**730,705,024**

The impairment tests as of December 31, 2011 do not indicate that the asset is impaired.

NOTE 15 - Combinations of Businessess

On March 31, 2011 contracts were signed for the acquisition of the subsidiaries of Royal Dutch – Enex PLC ("Enex "): Enex S.A. e I., Inversiones Enex S.A. and Enex Trading Chile S.A., which meant the transfer of the fuels distribution business through the service stations that Enex operates throughout Chile, the distribution of lubricants, and other connected or related businesses.

On May 31, 2011, the transaction was completed with the payment of ThUS$ 633,000, including working capital and cash. A further payment of ThUS$ 11,869 was made in the third quarter with respect to price difference.

The following shows the impact on the statement of financial position:

	ThCh$
Amount paid	304,271,514
Cash flow hedge	1,165,937
Net assets	
- Enex S.A.C.I.	(151,276,798)
- Inversiones Enex S.A.	(630)
- Enex Trading S.A.	(15,084,128)
Goodwill	**139,075,895**

NOTE 16 – Operations with Non-Controlling Participations

Non-concurrence in capital increase of Banco de Chile

In January 2011, the board of the subsidiary LQIF agreed not to take part in the capital increase of Banco de Chile.

In May 2011, the Banco Central de Chile agreed, at its council meeting No.1609E-01-110513, to determine the disposal price of the options to subscribe for shares issued by Banco de Chile as part of the capital increase agreed on January 20, 2011, corresponding to the shareholder SAOS S.A. for the shares pledged in its favor. These options were offered to the Series A, B and D shareholders of SM Chile S.A. in the special pre-emptive offer period which began on May 16 and ended on June 14, 2011. Later, the council of the Banco Central de Chile, at its meeting of June 16, resolved to sell on the stock market the remaining options corresponding to the share subscription rights corresponding to the capital of Banco de Chile held by SAOS S.A. and which were not acquired in the special pre-emptive offer period.

The capital increase process of Banco de Chile was finalized on July 19, 2011.

Bonus shares

In March 2011, the board of Banco de Chile approved the distribution of 30% of the distributable earnings of the year by the issue of bonus shares which were distributed to the shareholders of Banco de Chile pro rata to their shareholdings. In the same month, SM Chile approved the distribution of the bonus shares received from its direct holding in Banco de Chile to its shareholders pro rata to their participation in the Company.

The non-concurrence in the capital increase has generated a net reduction in the direct and indirect participations in the Bank; consequently the accounting treatment has been similar to a sale of shares. On the other hand, the effects of the payment of dividends by bonus shares have generated a net increase in the direct and indirect participations in the Bank; consequently the accounting treatment has been similar to a purchase of shares. The net effects of both operations have been recorded as a charge or credit to Other reserves as the counterparties are non-controlling participations in Banco de Chile.

Capital increase of Madeco

During July 2011, Quiñenco and its subsidiaries Río Grande, Norte Verde and Río Azul took part in the capital increase made by the subsidiary Madeco, increasing their participation from 47.6512% to 54.4436%. The treatment given was similar to an acquisition of shares as the counterparties that did not take part in the capital increase related to non-controlling participations in Madeco. The effects of this operation have therefore been recorded as reduced equity under Other reserves.

The net effects generated by these operations with non-controller participations as of December 31, 2011 are as follows:

	Non-concurrence in capital increase of Banco de Chile	Payment of dividend in bonus shares	Concurrence in capital increase of Madeco	Total ThCh$
Equity value	53,018,561	(7,677,246)	8,933,931	54,275,246
Intangible assets	(2,175,406)	15,727	-	(2,191,133)
Goodwill	(4,422,101)	-	-	(4,422,101)
Variation in Other reserves	(47,426)	-	-	(47,426)
Net effect on equity	**46,357,901**	**(7,661,519)**	**8,933,931**	**47,630,313**

- Sale of shares in LQIF to Citigroup

During the second quarter of 2010, Quiñenco and its subsidiaries sold to Citigroup 57,035,401 shares of the Series LQIF D, generating an effect for sale to non-controlling participations which is recorded in Other reserves in equity, as follows:

	Sale of LQIF Series D shares
Result on share sale	131,642,239
Net effect in equity	131,642,239

NOTE 17 – Property, plant and equipment

(a) Composition

The detail as of December 31, 2011 and 2010 is as follows:

	Gross Assets ThCh$	Accumulated Depreciation ThCh$	Net Assets ThCh$
As of December 31, 2011			
Construction in progress	7,522,109	-	7,522,109
Land	70,152,314	-	70,152,314
Buildings	47,570,782	(10,104,055)	37,466,727
Plant & equipment	161,530,357	(86,378,763)	75,151,594
Computer equipment	5,619,325	(4,946,942)	672,383
Fixed & accessory installations	13,646,741	(9,760,941)	3,885,800
Motor vehicles	3,604,448	(2,164,012)	1,440,436
Other property, plant & equipment	7,223,743	(4,919,323)	2,304,420
Total as of December 31, 2011	**316,869,819**	**(118,274,036)**	**198,595,783**
As of December 31, 2010			
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 & accessory installations	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**

(b) Movement

The movement in 2011 was 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, 2011		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
Movement	Additions	2,149,729	1,845,772	2,347,801	14,092,757	157,369	288,380	90,561	366,532	21,338,901
	Additions through combinations of business	8,792,540	48,004,006	8,028,373	29,820,347	408,592	1,493,084	358,207	524,312	97,429,461
	Disposals	-	(1,588,112)	(35,236)	(695,665)	(19,746)	(49,721)	(60,057)	(19,354)	(2,467,891)
	Transfer to (from) non-current assets & groups for disposal held for sale	-	(1,901,936)	(282,961)	-	-	-	-	-	(2,184,897)
	Transfer to (from) investment properties	-	(1,159,774)	(435,115)	-	-	-	-	-	(1,594,889)
	Disposals of businesses	(36,575)	-	-	(1,560,225)	-	-	-	-	(1,596,800)
	Retirements	-	-	(60,557)	(470,713)	(7,666)	(111)	(13,223)	(809)	(553,079)
	Depreciation	-	-	(1,075,528)	(9,664,000)	(462,615)	(628,752)	(225,009)	(895,831)	(12,951,735)
	Incrementos (disminuciones) en el cambio de moneda extranjera	1,221,464	2,110,240	1,860,607	3,144,378	28,249	182,578	58,483	174,253	8,780,252
	Other increases (decreases)	(13,618,924)	467,317	5,724,021	9,177,232	235,806	31,539	314,302	477,124	2,808,417
Closing balance at December 31, 2011		**7,522,109**	**70,152,314**	**37,466,727**	**75,151,594**	**672,383**	**3,885,800**	**1,440,436**	**2,304,420**	**198,595,783**

The movement in 2010 was 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 results	-	-	(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 subsidiary Madeco follows a policy of booking 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, 2011 and 2010, Madeco and its subsidiary Alusa S.A. have determined an impairment for those years based on the 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. have contracts for the acquisition of land, buildings and equipment. The lessors are Banco Corpbanca, Banco Crédito, Scotiabank, Crédito Leasing, Interbank, Citibank, Banco BBVA, Banco Continental and Banco Patagonia S.A.

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

The detail of property, plant and equipment under financial leases as of December 31, 2011 and 2010 is as follows:

	2011 ThCh$	2010 ThCh$
Land, net	6,886,418	4,469,210
Buildings, net	8,790,351	4,664,931
Plant & equipment, net	4,334,974	1,849,598
Motor vehicles, net	129,851	87,077
Other	531,523	-
Total	**20,673,117**	**11,070,816**

The present value of future payments under financial leases as of December 31, 2011 and 2010 is as follows:

	12-31-2011		
	Gross ThCh$	Interest ThCh$	Present Value ThCh$
Less than one year	3,314,429	307,307	3,007,122
One to five years	11,581,591	741,303	10,840,288
More than five years	623,689	12,863	610,826
Total	**15,519,709**	**1,061,473**	**14,458,236**

	12-31-2010		
	Gross ThCh$	Interest ThCh$	Present Value ThCh$
Less than one year	2,141,699	361,063	1,780,636
One to five years	6,596,309	657,722	5,938,587
More than five years	800,206	23,705	776,501
Total	**9,538,214**	**1,042,490**	**8,495,724**

(d) Operative leases

The most significant operative leases relate to the indirect subsidiaries Enex and Alumco, 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 operative lease payments as of December 31, 2011 and 2010 are as follows:

	2011 ThCh$	2010 ThCh$
Less than a year	5,748,631	233,187
More than one year and less than five	26,073,243	379,575
Total	**31,821,874**	**612,762**

Leasing and sub-leasing instalments recorded in the consolidated statement of comprehensive income as of Decembere 31, 2011 and 2010 are as follows:

	2011 ThCh$	2010 ThCh$
Minimum payments under operative leases	5,505,389	319,451

NOTE 18 – Investment properties

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

	2011 ThCh$	2010 ThCh$
Land	4,055,303	2,907,852
Buildings	4,800,092	4,418,437
Total	**8,855,395**	**7,326,289**

b) Detail of movement

The movement of investment properties during 2011 and 2010 was as follows:

2011	Land ThCh$	Buildings ThCh$	Total ThCh$
Movement			
Initial balance, net	2,907,852	4,418,437	7,326,289
Depreciation charge	-	(720,772)	(720,772)
Additions	5,178,895	591,365	5,770,260
Disposals	(5,651,769)	(13,208)	(5,664,977)
Transfer to properties available for sale	1,159,774	435,115	1,594,889
Increase (decrease) in currency rranslation	460,551	87,207	547,758
Other increases (decreases)	-	1,948	1,948
Closing balance, net	**4,055,303**	**4,800,092**	**8,855,395**

2010	Land ThCh$	Buildings ThCh$	Total ThCh$
Movement			
Initial balance, net	3,071,743	4,588,256	7,659,999
Depreciation charge	-	(122,424)	(122,424)
Increase (decrease) in currency translation	(163,891)	(47,395)	(211,286)
Closing balance, net	**2,907,852**	**4,418,437**	**7,326,289**

c) Rental income and direct operating expenses of investment properties as of December 31, 2011 and 2010 are the following:

	2011 ThCh$	2010 ThCh$
Rental income from investment properties	988,796	679,373
Direct operating expenses	(114,501)	(122,424)

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

NOTE 19 – Income tax and deferred taxes

a) General information

The positive Taxed Earnings Fund register (FUT) and its corresponding credits to the Parent Company as of December 31, 2011 are as follows:

Credit	ThCh$
17%	132,137,989
16.5%	18,340,244
16%	5,576,878
15%	4,566,450
10%	1,036,335
none	4,887,575

The positive Non-Taxed Earnings Fund register (FUNT) and its corresponding credits to the Company as of December 31, 2011 are as follows:

	ThCh$
Exempt without credit	5,797,621
Non-taxed income	194,842,495
Exempt with 10% credit	2,001,598

(b) Deferred taxes

Deferred tax assets and liabilities as of December 31, 2011 and 2010 comprise the following concepts:

Deferred taxes	2011		2010	
	Asset ThCh$	Liability ThCh$	Asset ThCh$	Liability ThCh$
Depreciation	167,915	4,939,802	151,815	1,519,725
Amortization	-	2,227,010	406	2,050,585
Provisions	5,061,479	63,122	3,553,758	215,732
Foreign currency contract	-	-	344,852	-
Post-employment benefits	1,676,309	141,727	16,669	242,244
Revaluations property, plant & equipment	1,350,987	8,305,367	1,205,821	3,306,950
Revaluations investment properties	4,128	-	3,419	-
Intangible assets	-	35,478,749	-	36,417,766
Revaluations financial instruments	17,571,631	363,161	3,567,832	372,238
Fiscal losses	38,196,592	-	15,446,824	-
Deferred tax liabilities related to Others	-	(2,076,648)	-	1,045,576
Other	(219,051)	34,096,212	639,017	14,816,978
Total	**63,809,990**	**83,538,502**	**24,930,413**	**59,987,794**

c) Charge (credit) for income tax

The detail as of December 31, 2010, 2011 and 2010 is as follows:

	2011 ThCh$	2010 ThCh$
Current tax charge	(6,217,649)	(22,804,487)
Other taxes	70,386	(12,335)
Other tax credits	4,226,534	20,189,318
Adjustments to deferred tax assets and liabilities	2,931,573	(6,083,275)
Other	-	(71,521)
Total net charge (credit)	**1,010,844**	**(8,782,300)**

(d) Reconciliation of applicable taxation

The reconciliation of the charge for taxes based on the financial result before tax as of December 31, 2011 and 2010 is as follows:

	12-31-2011 ThCh$	12-31-2010 ThCh$
Tax charge using the legal rate	**3,285,447**	**(32,307,831)**
Tax effect of rates in other jurisdictions	(1,809,002)	(2,099,033)
Tax effect of non-taxed ordinary income	61,283,134	55,606,146
Tax effect of disallowed expenses for tax purposes	(37,448,939)	(8,437,479)
Tax effect of use of tax losses not previously recorded	3,259,645	(216,294)
Tax effect of a new evaluation of deferred tax assets not recorded	240,389	(7,975,202)
Tax effect of changes in tax rates	23,087	196,872
Tax effect of taxes provided in excess in previous years	52,044	(1,822)
Other increases (decreases) in charges for legal taxes	(27,874,961)	(13,547,657)
Adjustment to tax charge using the legal rate	4,296,291	23,525,531
Tax charge using the effective rate	**1,010,844**	**(8,782,300)**

e) Variation deferred tax

	ThCh$	
Effect on income	4,226,534	
Effect on equity	11,102,335	For translation effect & fair value Nexans shares.

NOTE 20 – Other current and non-current financial liabilities

The detail as of December 31, 2011 and 2010 is as follows:

	Current		Non-Current	
	2011 ThCh$	2010 ThCh$	2011 ThCh$	2010 ThCh$
Bank loans	44,333,849	37,792,651	118,535,908	25,729,412
Liabilities with the public (bonds)	23,255,482	19,034,036	348,380,029	172,596,404
Financial leases	3,026,446	1,831,505	11,451,114	6,715,088
Hedge liabilities	957,709	3,098,420	-	1,827,530
Total	**71,573,486**	**61,756,612**	**478,367,051**	**206,868,434**

(a) The detail of interest-bearing bank loans as of December 31, 2011 is as follows:

Debtor Tax ID	Debtor	Country Debtor	Creditors Tax ID	Bank creditor	Country creditor	Currency	Repayments	Total debt outstanding ThCh$	Current at 12/31/11 ThCh$	Up to 3 months ThCh$	3 to 12 months ThCh$	Non-Current at 12/31/11 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	Quarterly	2,918,603	998,544	304,910	693,634	1,920,059	1,075,635	844,424	-	16.98%	17.03%	2016
Foreign	Aluflex S.A.	Argentina	Foreign	Banco Corpbanca	Argentina	USD	Quarterly	603,096	603,096	306,409	296,687	-	-	-	-	5.09%	5.09%	2012
Foreign	Aluflex S.A.	Argentina	97.051.000-1	Banco del Desarrollo	Chile	USD	Quarterly	383,511	383,511	383,511	-	-	-	-	-	1.99%	1.99%	2012
Foreign	Aluflex S.A.	Argentina	Foreign	Banco Citibank N.A.	Argentina	USD	Semi-annual	261,616	261,616	261,616	-	-	-	-	-	2.50%	2.50%	2012
76.801.220-2	Alumco S.A.	Chile	97.060.000-6	Banco BCI	Chile	CLP	Monthly	351,086	351,086	351,086	-	-	-	-	-	7.38%	7.14%	2012
76.801.220-2	Alumco S.A.	Chile	97.053.000-2	Banco Security	Chile	CLP	Monthly	979,629	979,629	979,629	-	-	-	-	-	7.65%	7.40%	2012
76.801.220-2	Alumco S.A.	Chile	97.053.000-2	Banco Security	Chile	USD	Monthly	1,362,100	1,362,100	1,362,100	-	-	-	-	-	2.12%	2.10%	2012
96.956.680-k	Alusa S.A.	Chile	97.030.000-7	Banco del Estado	Chile	USD	Semi-annual	2,544,334	727,134	-	727,134	1,817,200	1,453,760	363,440	-	3.60%	3.60%	2015
96.956.680-k	Alusa S.A.	Chile	97.030.000-7	Banco del Estado	Chile	USD	At maturity	1,142,373	1,142,373	1,142,373	-	-	-	-	-	2.10%	2.10%	2012
96.956.680-k	Alusa S.A.	Chile	97.060.000-6	Banco BCI	Chile	USD	At maturity	1,662,379	1,662,379	1,662,379	-	-	-	-	-	1.85%	1.85%	2012
96.956.680-k	Alusa S.A.	Chile	97.080.000-k	Banco Bice	Chile	USD	At maturity	1,298,160	1,298,160	1,298,160	-	-	-	-	-	2.22%	2.22%	2012
Foreign	Decker Industrial S.A.	Argentina	Foreign	Banco Patagonia S.A.	Argentina	ARS	At maturity	250,017	250,017	250,017	-	-	-	-	-	28.00%	28.00%	2012
91.524.000-3	Indalum S.A.	Chile	Foreign	Banco Itaú	Chile	CLP	Monthly	300,180	300,180	300,180	-	-	-	-	-	7.44%	7.20%	2012
91.524.000-3	Indalum S.A.	Chile	97.080.000-k	Banco Bice	Chile	CLP	Monthly	401,444	401,444	401,444	-	-	-	-	-	7.06%	6.84%	2012
91.524.000-3	Indalum S.A.	Chile	97.053.000-2	Banco Security	Chile	CLP	Semi-annual	2,500,898	625,899	-	625,899	1,874,999	1,250,000	624,999	-	7.94%	7.79%	2015
91.524.000-3	Indalum S.A.	Chile	97.053.000-2	Banco Security	Chile	USD	Semi-annual	2,105,375	2,105,375	17,654	2,087,721	-	-	-	-	2.64%	2.62%	2012
76.009.053-0	Madeco Mills S.A.	Chile	97.060.000-6	Banco BCI	Chile	CLP	At maturity	1,517,760	1,517,760	1,517,760	-	-	-	-	-	6.66%	6.66%	2012
76.009.053-0	Madeco Mills S.A.	Chile	97.032.000-8	Banco BBVA	Chile	CLP	At maturity	1,357,683	1,357,683	1,357,683	-	-	-	-	-	6.48%	6.48%	2012
76.009.053-0	Madeco Mills S.A.	Chile	76.645.030-k	Banco Itaú	Chile	USD	At maturity	753,076	753,076	753,076	-	-	-	-	-	1.85%	1.85%	2012
76.009.053-0	Madeco Mills S.A.	Chile	97.032.000-8	Banco BBVA	Chile	USD	At maturity	2,079,915	2,079,915	2,079,915	-	-	-	-	-	2.16%	2.16%	2012
91.021.000-9	Madeco S.A.	Chile	76.645.030-k	Banco Itaú	Chile	USD	At maturity	42,381,865	74,506	-	74,506	42,307,359	-	42,307,359	-	3.96%	3.81%	2016
Foreign	Peruplast S.A.	Peru	Foreign	Banco de Crédito	Peru	USD	Quarterly	1,981,030	1,461,830	955,610	506,220	519,200	519,200	-	-	4.09%	4.50%	2014
Foreign	Peruplast S.A.	Peru	Foreign	Banco Scotiabank	Peru	USD	Quarterly	419,090	419,090	107,570	311,520	-	-	-	-	6.10%	6.10%	2012
Foreign	Peruplast S.A.	Peru	Foreign	Banco Citibank N.A.	Peru	USD	Quarterly	519,396	519,396	519,396	-	-	-	-	-	1.70%	1.70%	2012
92.011.000-2	Enex S.A.	Chile	97.036.000-k	Banco Santander	Chile	CLP	At maturity	3,057,246	3,057,246	3,057,246	-	-	-	-	-	7.02%	7.02%	2012
92.011.000-2	Enex S.A.	Chile	97.060.000-6	Banco BCI	Chile	CLP	At maturity	209,293	209,293	209,293	-	-	-	-	-	6.24%	6.24%	2012
76.136.906-7	Inversiones Aurum S.A.	Chile	97.036.000-k	Banco Santander	Chile	CLP	Annual	25,508,456	624,721	-	624,721	24,883,735	5,858,518	7,507,293	11,517,924	6.75%	7.08%	2018
76.136.906-7	Inversiones Aurum S.A.	Chile	97.032.000-8	Banco BBVA	Chile	CLP	Annual	46,347,331	1,133,975	-	1,133,975	45,213,356	10,626,197	13,646,820	20,940,339	6.75%	7.08%	2018
96.929.880-5	LQIF	Chile	97.032.000-8	Banco BBVA	Chile	CLF	Annual	12,303,313	12,303,313	-	12,303,313	-	-	-	-	1.04%	0.57%	2012
96.929.880-5	LQIF	Chile	97.032.000-8	Banco BBVA	Chile	CLF	Annual	5,369,502	5,369,502	-	5,369,502	-	-	-	-	1.29%	0.82%	2012
				TOTAL					44,333,849			118,535,908						

(b) The detail of interest-bearing bank loans as of December 31, 2010 is as follows:

Debtor Tax ID	Debtor	Country Debtor	Creditors Tax ID	Bank creditor	Country creditor	Currency	Repayments	Total debt outstanding ThCh$	Current at 12/31/11 ThCh$	Up to 3 months ThCh$	3 to 12 months ThCh$	Non-Current at 12/31/11 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	Quarterly	974,918	435,419	111,720	323,699	539,499	539,499	-	-	17.95%	17.95%	2013
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%	2012
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%	2012
Foreign	Aluflex S.A.	Argentina	Foreign	Banco Citibank N.A.	Argentina	USD	Quarterly	421,622	421,622	-	421,622	-	-	-	-	2.50%	2.50%	2011
Foreign	Aluflex S.A.	Argentina	Foreign	Banco Patagonia S.A.	Argentina	USD	Semi-annual	469,612	469,612	-	469,612	-	-	-	-	2.50%	2.50%	2011
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%	2011
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%	2011
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%	2011
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%	2011
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%	2013
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%	2015
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%	2011
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%	2011
Foreign	Decker S.A.	Argentina	Foreign	Banco Patagonia S.A.	Argentina	USD	Monthly	246,245	246,245	246,245	-	-	-	-	-	8.50%	8.50%	2011
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%	2011
91.524.000-3	Indalum S.A.	Chile	76.645.030-k	Banco Itaú	Chile	CLP	Monthly	301,050	301,050	301,050	-	-	-	-	-	4.59%	4.50%	2011
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%	2015
91.524.000-3	Indalum S.A.	Chile	76.645.030-k	Banco Itaú	Chile	USD	Semi-annual	281,203	281,203	-	281,203	-	-	-	-	1.83%	1.82%	2011
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%	2011
76.009.053-0	Madeco Mills S.A.	Chile	76.645.030-k	Banco Itaú	Chile	CLP	At maturity	3,376,162	3,376,162	3,376,162	-	-	-	-	-	1.34%	1.34%	2011
76.009.053-0	Madeco Mills S.A.	Chile	76.645.030-k	Banco Itaú	Chile	USD	At maturity	468,936	468,936	468,936	-	-	-	-	-	3.96%	3.96%	2011
91.021.000-9	Madeco S.A.	Chile	Foreign	Banco del Estado	I. Cayman	USD	Semi-annual	719,388	719,388	-	719,388	-	-	-	-	1.24%	1.24%	2011
91.021.000-9	Madeco S.A.	Chile	Foreign	Bank Of America N.A.	I. Cayman	USD	Semi-annual	358,086	358,086	-	358,086	-	-	-	-	1.24%	1.24%	2011
91.021.000-9	Madeco S.A.	Chile	Foreign	Banco BBVA - Islas Cayman	I. Cayman	USD	Semi-annual	351,329	351,329	-	351,329	-	-	-	-	1.24%	1.24%	2011
Foreign	Peruplast S.A.	Perú	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%	2014
Foreign	Peruplast S.A.	Perú	Foreign	Banco Scotiabank	Peru	USD	Quarterly	754,210	379,802	98,996	280,806	374,408	374,408	-	-	6.10%	6.10%	2012
Foreign	Peruplast S.A.	Perú	Foreign	Banco Continental	Peru	USD	Quarterly	1,383,548	1,383,548	1,383,548	-	-	-	-	-	1.60%	1.60%	2012
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%	2012
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%	2012
				TOTAL					37,792,651			25,729,412						

The above tables exclude bank loans granted by Banco de Chile to Quiñenco and its subsidiaries whose amount as of December 31, 2011 is nil (ThCh$3,956,904 as of December 31, 2010) and which have been eliminated in the preparation of these consolidated financial statements.

(c) The following is a detail of other loans, relating to bonds issued, as of December 31, 2011:

Debtor Tax ID	Debtor	Country debtor	Series & issuer	Currency	Repayments	Total debt outstanding ThCh$	Current debt at 12/31/11 ThCh$	Up to 3 months ThCh$	3 to 12 months ThCh$	Non-Current debt 12/31/11 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 B (LQIF)	CLF	Annual	61,925,675	6,302,225	-	6,302,225	55,623,450	8,583,178	8,583,178	38,457,094	5.48%	4.75%	2025
96.929.880-5	LQIF	Chile	Series C (LQIF)	CLF	Annual	66,208,467	2,037,014	-	2,037,014	64,171,453	-	-	64,171,453	4.93%	4.85%	2039
96.929.880-5	LQIF	Chile	Series D (LQIF)	CLF	Annual	32,043,020	341,611	-	341,611	31,701,409	-	-	31,701,409	3.80%	3.50%	2033
91.705.000-7	Quiñenco S.A.	Chile	Series A (Quiñenco)	CLF	Annual	39,995,514	4,223,552	-	4,223,552	35,771,962	7,201,468	6,983,242	21,587,252	4.17%	4.17%	2026
91.705.000-7	Quiñenco S.A.	Chile	Series D (Quiñenco)	CLF	Annual	14,656,479	7,249,845	-	7,249,845	7,406,634	7,406,634	-	-	4.58%	3.50%	2013
91.705.000-7	Quiñenco S.A.	Chile	Series E (Quiñenco)	CLF	Annual	56,171,592	947,661	-	947,661	55,223,931	-	10,822,822	44,401,109	3.51%	3.35%	2018
91.705.000-7	Quiñenco S.A.	Chile	Series F (Quiñenco)	CLF	Annual	100,634,764	2,153,574	-	2,153,574	98,481,190	-	-	98,481,190	3.97%	3.85%	2032
			TOTAL				23.255.482			348.380.029						

(d) The following is a detail of other loans, relating to bonds issued, as of December 31, 2010:

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	Serie C (LQIF)	CLF	Anual	66,134,828	1,960,138	-	1,960,138	64,174,690	-	-	64,174,690	4.93%	4.85%	2039
96.929.880-5	LQIF	Chile	Serie B (LQIF)	CLF	Anual	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%	2025
91.705.000-7	Quiñenco S.A.	Chile	Serie A (Quiñenco)	CLF	Anual	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%	2026
91.705.000-7	Quiñenco S.A.	Chile	Serie D (Quiñenco)	CLF	Anual	19,955,757	6,889,156	-	6,889,156	13,066,601	13,066,601	-	-	4.58%	3.50%	2013
			TOTAL				19,034,036			172,596,404						

(e) The following shows a detail of leasing obligations as of December 31, 2011:

Debtor Tax ID	Debtor	Country debtor	Creditor Tax ID	Creditor	Country creditor	Currency	Repayments	Total Debt outstanding ThCh$	Current debt at 12/31/11 ThCh$	Up to 3 months ThCh$	3 to 12 months ThCh$	Non-Current debt 12/31/11 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	38,029	13,310	13,310	-	24,719	24,719	-	-	18.50%	18.50%	2013
76.801.220-2	Alumco S.A.	Chile	97.053.000-2	Banco Security	Chile	CLP	Monthly	25,983	8,237	-	8,237	17,746	17,746	-	-	8.04%	8.04%	2014
96.956.680-k	Alusa S.A.	Chile	97.032.000-8	Banco BBVA	Chile	USD	Quarterly	2,774,799	412,698	101,884	310,814	2,362,101	823,171	928,104	610,826	3.40%	3.40%	2017
96.956.680-k	Alusa S.A.	Chile	97.023.000-9	Banco Corpbanca	Chile	CLF	Semi-annual	3,480,448	721,880	-	721,880	2,758,568	1,520,057	1,238,511	-	4.80%	4.80%	2016
Foreign	Peruplast S.A.	Peru	Foreign	Banco Interbank	Peru	USD	Monthly	236,103	140,614	34,866	105,748	95,489	95,489	-	-	7.20%	7.20%	2013
Foreign	Peruplast S.A.	Peru	Foreign	Banco de Crédito	Peru	USD	Monthly	6,477,777	1,364,237	166,768	1,197,469	5,113,540	4,199,831	913,709	-	5.05%	5.23%	2017
Foreign	Peruplast S.A.	Peru	Foreign	Banco Scotiabank	Peru	USD	Monthly	642,796	198,598	48,592	150,006	444,198	283,391	160,807	-	5.88%	5.98%	2016
Foreign	Peruplast S.A.	Peru	Foreign	Banco Continental	Peru	USD	Monthly	250,287	50,547	12,413	38,134	199,740	108,580	91,160	-	4.87%	4.87%	2016
Foreign	Peruplast S.A.	Peru	Foreign	Banco Citibank	Peru	USD	Monthly	532,014	97,001	23,841	73,160	435,013	207,675	227,338	-	4.63%	4.63%	2017
91.021.000-9	Madeco S.A.	Chile	-	-	Chile	CLP	At maturity	19,324	19,324	-	19,324	-	-	-	-	-	-	-
				TOTAL					3,026,446			11,451,114						

(f) The following shows a detail of leasing obligations as of December 31, 2010:

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%	2013
84.898.000-5	Alusa S.A.	Chile	97.023.000-9	Banco Corpbanca	Chile	CLF	Semi-annual	4,001,248	665,411	-	665,411	3,335,837	1,395,119	1,533,949	406,769	4.80%	4.80%	2016
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%	2017
Foreign	Peruplast S.A.	Peru	Foreign	Banco Crédito Leasing	Peru	USD	Monthly	69,451	69,451	28,883	40,568	-	-	-	-	7.20%	7.20%	2011
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%	2013
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%	2015
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%	2015
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%	2015
Foreign	Peruplast S.A.	Peru	Foreign	Banco Citibank	Peru	USD	Monthly	414,703	37,401	18,595	18,806	377,302	158,306	218,996	-	4.60%	4.60%	2015
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						

(g) The following is a detail of hedge liabilities as of December 31, 2011:

Classification	Type of hedge	Company	Risk hedged	Item hedged	Current 12/31/2011 ThCh$	Non-Current 12/31/2011 ThCh$	Fair value 12/31/2011 ThCh$
Interest-rate derivatives	Cash-flow hedge instrument	LQIF	Exposure to interest-rate risk	Variable-rate bank loan	812,439	-	812,439
Interest-rate derivatives	Cash-flow hedge instrument	Madeco	Exposure to interest-rate risk	Variable-rate bank loan	13,145	-	13,145
Other derivatives	Fair-value hedge instrument	Madeco	Exposure to commodity-price risk (copper & aluminum)	Copper stocks	60,789	-	60,789
Currency derivatives	Fair-value hedge instrument	Madeco	Exposure to exchange-rate risk	Time deposits in Chilean pesos	2,892	-	2,892
Non-derivatives	Cash-flow hedge instrument	Madeco	Exposure to commodity-price risk (copper & aluminum)	Expected sales	68,444	-	68,444
Total hedge liabilities					**957,709**	**-**	**957,709**

(h) The following is a detail of hedge liabilities as of December 31, 2010:

Classification	Type of hedge	Company	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	LQIF	Exposure to interest-rate risk	Variable-rate bank loan	1,274,642	1,737,679	3,012,321
Interest-rate derivatives	Cash-flow hedge instrument	Madeco	Exposure to interest-rate risk	Variable-rate bank loan	-	89,851	89,851
Currency derivatives	Fair-value hedge instrument	Madeco	Exposure to exchange-rate risk	Time deposits in Chilean pesos	673,874	-	673,874
Other derivatives	Fair-value hedge instrument	Madeco	Exposure to commodity-price risk (copper & aluminum)	Copper stocks	1,134,952	-	1,134,952
Non-derivatives	Cash-flow hedge instrument	Madeco	Exposure to commodity-price risk (copper & aluminum)	Expected sales	14,952	-	14,952
Total hedge liabilities					3,098,420	1,827,530	4,925,950

(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 cash flows to hedge the exposure to interest-rate risk with respect to bank loans that are agreed at variable interest rates.

Madeco's indirect subsidiary 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 maturities of cash flows related to the interest-rate hedges are semi-annual and quarterly for Madeco and its related company Peruplast respectively.

As of December 31, 2011 and 2010, no amount of the initial cost of a non-financial asset or liability has been reclassified, nor any ineffectiveness been determined of all or part of the hedge instrument.

The subsidiary LQIF books 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.

2. Hedge instruments at fair value:

The subsidiary Madeco S.A. and its subsidiary Indalum S.A. have 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 losses recorded by the subsidiary Madeco S.A. of the hedge instruments at fair value covering the exposure to exchange risk (dollar against Chilean peso) for time deposits relating to the year ended December 31, 2011, was ThCh$442,295 (accumulated losses of ThCh$2,088,319 in 2010), which is recorded in Exchange differences. The gains recorded of the hedged item (time deposits) relating to the year ended December 31, 2011, was ThCh$ 442,295 (accumulated losses of ThCh$ 2,177,834 in 2010), which is recorded in Exchange differences.

The subsidiary LQIF has hedged its bank loans with effect on income. The fair value of derivatives is reflected by ThCh$ 114,367 in Note 28 d).

NOTE 21 – Trade creditors and other payables

The composition of this heading as of December 31, 2011 and 2010 is as follows:

	2011 ThCh$	2010 ThCh$
Trade creditors	117,145,182	36,808,709
Other payables	2,892,328	641,974
Total	**120,037,510**	**37,450,683**

NOTE 22 – Other provisions

a) Composition

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

	Current		Non-Current	
	2011 ThCh$	2010 ThCh$	2011 ThCh$	2010 ThCh$
Restructuring expenses	1,589,000	1,586,031	-	-
Legal claims	12,959	215,666	108,257	40,141
Profit sharing & bonuses	454,540	1,500,549	-	-
Other provisions (1) (2)	11,296,953	6,455,124	16,169,268	9,749,528
Total	**13,353,452**	**9,757,370**	**16,277,525**	**9,789,669**

b) Other provisions

The detail of current provisions (1) as of December 31, 2011 and 2010 is as follows:

	Current	
	2011 ThCh$	2010 ThCh$
Contingencies	3,082,962	2,388,224
General, audit, annual reports & other expenses	771,259	684,346
Fees & consultancies	668,543	1,559,071
Municipal & other taxes	632,044	487,373
Basic consumption	222,123	367,222
Export & import expenses & freight	330,406	352,010
Environmental	374,394	-
Brand agreements	1,011,711	-
Royalties & other	730,348	-
Service-station maintenenace & operating services	1,032,988	-
Royalties distributors	910,422	-
Other	1,529,753	616,878
Total	**11,296,953**	**6,455,124**

The detail of non-current other provisions (2) as of December 31, 2011 and 2010 is as follows:

	Non-Current	
	2011 ThCh$	2010 ThCh$
Claims occurred but not reported (Banchile)	2,106,095	1,536,583
Contingencies	8,089,720	7,338,240
Tank removal	4,594,820	-
Other	1,378,633	874,705
Total	**16,169,268**	**9,749,528**

c) Movement

The movement in provisions during 2011 was:

Movements	Restructuring ThCh$	Legal claims ThCh$	Other provisions & participations ThCh$	Total ThCh$
Initial balance at 01-01-2011	1,586,031	6,157,867	11,803,141	19,547,039
Changes in provisions (presentation)				
Additional provisions	1,197	-	3,297,494	3,298,691
Increase (decrease) in existing provisions	149,000	547,662	16,324,593	17,021,255
Acquisition through combinations of businesses	-	70,000	9,873,978	9,943,978
Provision used	(165,486)	-	(20,406,060)	(20,571,546)
Increase for adjustment in currency translation	7,948	27,979	155,689	191,616
Other increases (decreases)	10,310	(459,957)	649,591	199,944
Changes in provisions, total	**2,969**	**185,684**	**9,895,285**	**10,083,938**
Closing balance at 12/31/2011	**1,589,000**	**6,343,551**	**21,698,426**	**29,630,977**

d) Description of nature of principal provisions

Legal claims: the provisions for legal claims relate mainly to lawsuits before the courts whose nature is detailed in the Note on contingencies and for which there is some probability that the result may be unfavorable to the Parent 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 performance 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 contingencies, 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 23 – Provisions for employee benefits

a) Composition

The detail as of December 31, 2011 and 2010 is as follows:

	Current		Non-Current	
	2011 ThCh$	2010 ThCh$	2011 ThCh$	2010 ThCh$
Personnel vacations	3,605,658	1,709,758	-	-
Remuneration	2,507,834	1,489,157	-	-
Liability recorded for severance payments & pension fund	3,083,890	234,871	21,019,585	3,824,333
Labor lawsuits	24,113	24,799	217,120	236,462
Social charges & other benefits	474,056	160,589	-	-
Total	**9,695,551**	**3,619,174**	**21,236,705**	**4,060,795**

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 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 income in the account Personnel expenses. The liability recorded for post-employment benefit plans basically arises from the obligations with the employees and its amount is based on the actuarial value method, for which the following actuarial assumptions were made as of December 31 each year:

	2011	2010	
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%	annual
Company needs turnover rate	0.50%	0.50%	annual
Wage increases	2.00%	2.00%	
Retirement age:			
Men	65	65	years
Women	60	60	years

(*) The subsidiary Madeco and its subsidiaries have determined a voluntary retirement rate, based on historical experience, of 1.5% (Madeco, Armat and Madeco Brass Mills) and 4.91% (Alusa).

Reconciliation of present value defined benefits plan obligation	2011 ThCh$	2010 ThCh$
Present value defined benefits plan obligation, initial balance	4,059,204	4,172,841
Cost of current service defined benefits plan obligation	580,275	583,541
Interest cost of defined benefits plan obligation	133,360	145,596
Actuarial gains or losses defined benefits plan obligation	(9,644)	(410,352)
Increase (decrease) in currency translation	54,437	17,976
Contributions paid defined benefits plan obligation	(696,884)	(478,579)
Settlements defined benefits plan obligation	(456,864)	28,181
Present value defined benefits plan obligation, closing balance	**3,663,884**	**4,059,204**

Presentation in the statement of financial position

Provisions for employee benefits	2011 ThCh$	2010 ThCh$
Liability recorded for severance benefits, current	197,894	234,871
Liabilitiy recorded for severance benefits, non-current	3,465,990	3,824,333
Total liability for severance benefits	**3,663,884**	**4,059,204**

The subsidiary Enex has collective agreements with its employees which state the remuneration and/or short and long-term benefits. Their principal characteristics are as follows:

i. Short-term benefits are in general based on mixed plans or agreements for remunerating the services provided, and to cover risks of disability and death of employees.

ii. Long-term benefits are plans or agreements mainly covering the post-employment benefits generated by termination of the working relationship.

The cost of these benefits is charged to income in the account Personnel expenses.

The liability recorded with respect to post-employment benefit plans is obtained basically from the payment obligations with the employees and their valuation is based on the actuarial value method, for which the following actuarial assumptions are used as of December 31, 2011:

Provision for severance payments	2011 ThCh$
Mortality table	M95H
Annual interest rate	5.97%
Voluntary retirement turnover rate (*)	Severance statistics recent years
Turnover rate for company needs	
Wage increases	2.00%
Retirement age:	
Men	65
Women	60

Provision post-retirement benefits	2011 M$
Mortality table	RV-2004
Annual interest rate	3.0%
Wage increases	2.00%
Retirement age:	
Men	65
Women	60

Severance payments

Reconciliation of present value obligation defined benefits plan	2011 ThCh$
Present value obligation defined benefits plan, initial balance	**10,159,484**
Cost of current service defined benefits plan obligation	638,381
Interest cost of defined benefits plan obligation	920,529
Actuarial gains or losses defined benefits plan obligation	139,027
Contributions paid defined benefits plan obligation	(1,136,572)
Present value defined benefits plan obligation, closing balance	**10,720,849**

Pension fund

Reconciliation of present value obligation defined benefits plan	2011 ThCh$
Present value obligation defined benefits plan, initial balance	**9,651,725**
Cost of current service defined benefits plan obligation	
Interest cost of defined benefits plan obligation	289,552
Actuarial gains or losses defined benefits plan obligation	783,702
Contributions paid defined benefits plan obligation	(1,006,237)
Present value defined benefits plan obligation, closing balance	**9,718,742**

Presentation in the statement of financial position

Post-employment benefits	2011 ThCh$
Amount of liability recorded for severance payments, current	2,885,996
Amount of liability recorded for severance payments, non-current	17,553,595
Total post-employment benefits obligation	**20,439,591**

NOTE 24 – Other non-financial liabilities, current

The composition of these as of December 31, 2011 and 2010 is as follows:

	2011 ThCh$	2010 ThCh$
Dividends payable Quiñenco shareholders	26,633,949	87,698,343
Dividends payable non-controlling shareholders in subsidiaries	3,929,722	627,607
Other	3,090,634	1,910,958
Total	**33,654,305**	**90,236,908**

NOTE 25 – Other non-financial liabilities, non-current

The composition of these as of December 31, 2011 and 2010 is as follows:

	2011 ThCh$	2010 ThCh$
Insurance company reserves	58,802,719	46,655,673
Other	528	611
Total	**58,803,247**	**46,656,284**

NOTE 26 – Classes of financial assets and liabilities

The financial assets as of December 31, 2011 and 2010 are as follows:

Specific description of financial asset or liability	Category & valuation of the financial asset or liability	Current		Non-Current		Fair value	
		2011 ThCh$	2010 ThCh$	2011 ThCh$	2010 ThCh$	2011 ThCh$	2010 ThCh$
Cash & cash equivalents	Financial asset at fair value	85,610,881	328,292,503	-	-	85,610,881	328,292,503
Equity instruments (investments in shares)	Financial asset at fair value (market value) available for sale	-	-	172,673,080	95,256,737	172,673,080	95,256,737
Financial investments over 90 days for current assets & over one year for non-current assets	Financial asset at fair value	41,332,854	319,679,107	101,296,480	72,494,356	142,629,334	392,173,463
Expected sales	Hedge instruments at fair value	22,046	120,505	-	-	22,046	120,505
Trade debtors & other receivables	Financial asset	-	-	1,999,291	6,218,733	1,999,291	6,218,733
Other financial assets, current & non-current		**41,354,900**	**319,799,612**	**275,968,851**	**173,969,826**	**317,323,751**	**493,769,438**
Trade debtors & other receivables	Financial asset	137,856,723	59,103,557	-	-	137,856,723	59,103,557
Receivables from related entities	Financial asset	134,353,204	280,255	571,226	549,742	134,924,430	829,997
Total financial assets		399,175,708	707,475,927	276,540,077	174,519,568	675,715,785	881,995,495

The financial liabilities as of December 31, 2011 and 2010 are as follows:

Specific description of financial asset or liability	Category & valuation of the financial asset or liability	Current		Non-Current		Fair value	
		2011 ThCh$	2010 ThCh$	2011 ThCh$	2010 ThCh$	2011 ThCh$	2010 ThCh$
Bank loans, bonds issued & other loans	Financial liabilities	67,589,331	56,826,687	466,915,937	198,325,816	534,505,268	255,152,503
Financial lease liabilities	Financial liabilities	3,026,446	1,831,505	11,451,114	6,715,088	14,477,560	8,546,593
Interest-rate hedges	Cash-flow hedge instruments	825,584	1,274,642	-	1,827,530	825,584	3,102,172
Exchange-rate hedges	Hedge instruments at fair value	2,892	673,874	-	-	2,892	673,874
Commodity price hedges (copper)	Hedge instruments at fair value	60,789	1,134,952	-	-	60,789	1,134,952
Expected sales	Cash-flow hedge instruments	68,444	14,952	-	-	68,444	14,952
Other financial liabilities, current & non-current		**71,573,486**	**61,756,612**	**478,367,051**	**206,868,434**	**549,940,537**	**268,625,046**
Payables to suppliers, social-security withholdings, taxes & other payables	Financial liabilities at amortized cost	120,037,510	37,450,683	-	-	120,037,510	37,450,683
Payables to related entities	Financial liabilities at amortized cost	258,425	1,471	-	-	258,425	1,471
Total financial liabilities		191,869,421	99,208,766	478,367,051	206,868,434	670,236,472	306,077,200

NOTE 27 - Equity

a) Capital and number of shares

The Company's capital as of December 31, 2011 comprises the following:

Number of shares:

Series	No. of subscribed shares	No. of paid shares	No. of shares with voting rights
001	1,144,665,020	1,144,665,020	1,144,665,020

Capital:

Series		Subscribed Capital ThCh$	Paid Capital ThCh$
	Capital issued	655,423,658	655,423,658
	Share premium	21,811	21,811
001		655,445,469	655,445,469

The following was agreed at the extraordinary shareholders meeting held on October 6, 2011:

- Approval of the capitalization of the balance of the Share premium account of ThCh$13,279,113.
- Increase the capital from ThCh$655,336,413 divided into 1,144,577,775 shares of the same series and no par value, to ThCh$955,3636,413 divided into 1,444,577,775 shares of the same series and no par value, in one or more stages.

87,245 shares have been subscribed and paid as of December 31, 201, leaving a paid capital of ThCh$655,423,658.

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, 2010 and December 31, 2011:

Dividend No.	Type of Dividend	Date Agreed	Date Paid	Dividend per Share Ch$
25 & 26	Final	04/30/2010	05/11/2010	95.03972
27 & 28	Final	04/28/2011	05/09/2011	127.38586

The Company follows a policy for determining distributable earnings for calculating the dividends for distribution, of considering all the earnings (loss) attributable to holders of equity instruments of the controller.

d) Other reserves

The detail of Other reserves as of December 31, 2011 and 2010 is as follows

	12-31-2011 ThCh$	12-31-2010 ThCh$
Translation reserves	(21,174,547)	(42,028,556)
Revaluation reserves	384,026	384,026
Cash-flow hedges reserves	(285,716)	(992,386)
Reserves for assets available for sale	(19,905,229)	14,048,018
Sale of “LQIF-D” shares, net of tax	131,642,239	131,642,239
Other changes	57,057,943	8,641,576
Total	**147,718,716**	**111,694,917**

It should be mentioned that the amount shown for translation adjustment of the statement of comprehensive income for the year corresponds mainly to the effect of the translation of the US dollar functional currency of the associate Compañía Sud Americana de Vapores (CSAV) and the subsidiary Madeco to Chilean pesos at the close of the consolidated statement of financial position.

NOTE 28 – Income and expenses

(a) Ordinary income

The detail as of December 31, 2011 and 2010 is as follows:

	2011 ThCh$	2010 ThCh$
Sales of goods	933,207,535	204,362,848
Provision of services	122,193,865	100,269,566
Total	**1,055,401,400**	**304,632,414**

(b) Other expenses by function

The detail as of December 31, 2011 and 2010 is as follows:

	2011 ThCh$	2010 ThCh$
Amortization of intangible assets	(8,171,532)	(8,767,945)
Legal expenses in Brazil	(1,214,989)	(1,370,192)
Depreciation of idle assets	(183,822)	(188,237)
Non-operative fees	(76,247)	(78,065)
Restructuring costs	(23,957)	(955,254)
Other miscellaneous operating expenses	(354,045)	(374,382)
Total	**(10,024,592)**	**(11,734,075)**

(c) Other gains (losses)

The detail as of December 31, 2011 and 2010 is as follows:

Other gains	2011 ThCh$	2010 ThCh$
Extraordinary credit to subordinated obligation	3,437,822	-
Gain on sale of share investments	2,324,480	178,237,493
Gain on sale of property, plant & equipment	46,193	416,488
Recovery of tender expenses Argentina (Decker)	-	319,043
Other gains	191,314	189,992
Total other gains	**5,999,809**	**179,163,016**

Other losses		
Director's allowances, profit sharing & remuneration	(1,528,270)	(2,480,594)
Result of sale of investments in related companies	(1,017,337)	-
Adjustment to sale price settlement Nexans	-	(7,210,352)
Impairment property, plant & equipment subsidiary Madeco	-	(2,101,082)
Third-party consultancies	(1,275,262)	(1,336,516)
Contingencies	(384,180)	(596,424)
Nexans lawsuit expenses & fees	-	(462,831)
Provision for taxes, fines & interest	(162,334)	-
Donations	(86,298)	(140,304)
Other losses	**(573,404)**	**(839,791)**
Total other losses	**(5,027,085)**	**(15,167,894)**
Total other gains (losses) net	**972,724**	**163,995,122**

(d) Financial costs

The detail as of December 31, 2011 and 2010 is as follows:

	2011 ThCh$	2010 ThCh$
Bond interest	(13,010,675)	(9,537,718)
Bank loan interest	(5,237,751)	(1,758,298)
Interest on other financial instruments	(65,209)	(706,577)
Fair value derivatives	114,367	(926,805)
Bank commissions, stamp taxes & other financial costs	(1,767,084)	(919,852)
Total	**(19,966,352)**	**(13,849,250)**

NOTE 29 – Personnel expenses

The detail as of December 31, 2011 and 2010 is as follows:

	2011 ThCh$	2010 ThCh$
Wages & salaries	(39,336,580)	(31,067,983)
Short-term personnel benefits	(2,011,879)	(840,293)
Post-employment benefits expenses	(3,975,343)	(3,176,583)
Severance benefits	(1,808,187)	(322,547)
Other personnel expenses	(831,313)	(195,805)
Total	**(47,963,302)**	**(35,603,211)**

NOTE 30 – Earnings per share

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

The calculation for, 2011 and 2010 is as follows:

	2011 ThCh$	2010 ThCh$
Earnings (Loss) attributable to holders of equity instruments in the equity of the controller	87,965,846	291,606,050
Result available to common shareholders, basic	87,965,846	291,606,050
Weighted average number of shares, basic	1,144,578,817	1,144,577,775
Basic Earnings (Loss) per share	**0.076854337**	**0.254771721**

NOTE 31 – The environment

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

During 2011, the subsidiary Alusa S.A., a subsidiary of Madeco, has disbursed ThCh$ 3,199,916 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 now completed.

Disbursements made during the year amount to ThCh$ 126,098 and form part of an asset recorded in Construction in progress, which forms part of Property, plant and equipment. There is no estimate of future commitments.

As of December 31, 2011 the subsidiary Enex disbursed ThCh$1,155,438 for controlling atmospheric emissions and changing fuel tanks in the service-station network, and cleaning soils and groundwater, in order to mitigate the risk that active sources might cause to people and the environment, and in the removal of waste.

NOTE 32 – Financial risk management policy

Credit risk

At the corporate level, investments of cash surpluses are made in top-class national and foreign entities with limits set for each one, which have a credit rating equal or better than the limits pre-established for each kind of instrument.

In the subsidiary Madeco, 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 prices, Madeco uses financial derivatives assigned, as the case may be, to hedge cash flows or existing items (fair value). These instruments are contracted according to the policies defined by Madeco's management, which set the levels of hedge according to the market price of copper (higher level of hedge is adopted for a higher price of copper). 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, 2010 Madeco had 1,950 tonnes of copper hedged and as of December 31, 2011, 1,100 tonnes hedged, by derivative contracts.

3 For further detail regarding the impairment of Madeco's financial assets, refer to Note Other non-curent financial assets.

The subsidiary LQ Inversiones Financieras has no receivables subject to credit risk. Cash-surplus investments are made on market conditions in fixed-income instruments in line with the maturities of its financial commitments and operating expenses.

In the subsidiary Enex, the customer risk is managed according to credit policies and its manual of authorizations. Sales on credit terms are controlled by the management system through the blocking of purchase orders when the customer's credit includes overdue items and/or it exceeds its previously-agreed and approved line of credit. The company's administration and finance management approves customer credit lines, with the support and recommendations of the commercial areas, following a credit evaluation model that considers both commercial and technical aspects. In cases where it is considered appropriate, collateral and/or other requirements is requested to justify the credit sought. If the amount of the credits is insufficient to cover the commercial needs, the case is taken to the credit committee.

Enex's cash-surplus investments are limited to fixed-income instruments with financial entities that are evaluated at least once a year, with maximum exposure limits assigned per entity according to the reports and opinions of credit-rating agencies, in line with the current treasury policy.

See Note "Classes of financial assets and liabilities" for details of the balances.

Liquidity risk

Quiñenco finances its activities and investments with the dividends and earnings distributions of the companies in which it participates and with funds obtained from sales of assets and/or the issue of debt instruments and shares.

Quiñenco prefers long-term financing in order to maintain a financial structure in line with the liquidity of its assets and whose maturities are compatible with cash-flow generation.

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 balanced 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.

The subsidiary Enex estimates periodically its projected short-term cash flows, based on information received from the commercial areas. Enex has lines of credit available with the principal banks with which it operates to cover possible unforeseen cash deficits.

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

Market risk

Exchange rate risk

At the corporate level, the exposure as of December 2011 to the currency exchange rate mainly arises from the positions it maintains in receivables indexed to currencies other than the functional currency, i.e. the Chilean peso. There are no hedge contracts as of December 2011 or 2010. Exchange differences produced in the translation 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.

The exchange rate risk exposure of Quiñenco at the corporate level as of December 31, 2011 is an asset equivalent to Ch$130,835 million. A 5% variation in the value of currencies other than the functional one would generate an estimated effect of Ch$6,542 million on the statement of comprehensive income.

In the subsidiary Madeco, exposure to exchange rate risk arises from positions in cash and cash equivalents, bank debt, bonds and other assets and liabilities indexed to currencies other than its functional currency, i.e the US dollar, and the 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, 2011, the net exposure to exchange rate risk of Madeco (excluding the investment in Nexans) is an asset equivalent to ThCh$639 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$32 million at the consolidated level. The net exchange risk exposure on the investment in Nexans as of December 31, 2011 is Ch$153,930 million. A 5% change in the exchange rate (dollar/euro) would generate an effect on total equity of Ch$7,697 million.

The subsidiary LQIF has no exchange rate risk as it has no financial assets or liabilities in foreign currency as of December 31, 2011 and 2010. It should be noted that two bank loans in US dollars were converted to UF by cross-currency swaps.

The subsidiary Enex has no exchange rate risk as it has no significant financial assets or liabilities in foreign currency as of December 31, 2011.

Interest-rate risk

At the corporate level, Quiñenco has financial assets at fair value with changes to results for Ch$94,179 million which are exposed to interest-rate risk as of December 31, 2011. A variation of 10 basis points in the interest rate would generate an effect on financial income in the twelve-month period of Ch$5 million.

At the corporate level, Quiñenco has receivables of Ch$130,835 million which have fixed interest rates.

At the parent company level, Quiñenco has all its obligations at fixed rates.

Madeco has 28% of its obligations with fixed rates and 72% at variable rates.

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

Enex has 4% of its obligations at fixed rates and 96% at variable rates (including the debt of its parent Inv. Río Aurum of Ch$71,856 million, guaranteed by Quiñenco).

The following shows the interest-rate structure at the consolidated level. As can be seen, exposure to interest-rate risk is reduced as 76% of the debt is structured at fixed rates.

Net position	12-31-2011	12-31-2010
Fixed interest rate	75.9%	94.0%
Hedged interest rate	0.0%	0.5%
Variable interest rate	24.1%	5.5%
Total	100.0%	100.0%

As of December 31, 2011 the consolidated exposure to variable interest rates amounts to Ch$132,523 million. A 100 basis points variation in the rate would generate an effect on financial costs in the twelve-month period of Ch$1,325 million.

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. Later, in March 2011 Madeco and Nexans signed an agreement whereby Madeco has the option to increase its participation in Nexans to 20%. The term for exercising this option is 18 months to reach a participation of 15% and three years to reach the total of 20%. Between the date of the agreement and December 31, 2011, Madeco had acquired 3,135,333 additional shares; this implied reaching a participation of 19.86% in Nexans. These shares have been recorded as a financial investment and are therefore subject to two market risks: price, due to fluctuations in the Nexans share price, and exchange rate, due to variations between the euro (the base currency of these shares) and the currency of presentation in the financial statements. The exposure to variations in the Nexans share price is Ch$153,930 million as of December 31, 2011. A 5% variation in that share price would generate an effect on equity of Ch$7,697 million.

NOTE 33 – Information by segments

General information

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

The Manufacturing segment includes Madeco.
The Financial segment includes LQIF and its subsidiaries.
The Energy segment includes Inv. Aurum and its subsidiaries.
The Others segment includes Quiñenco corporate, CCU, CSAV, others and eliminations.

With the exception of the subsidiary Madeco and the associates CCU and CSAV, all the group's operations are carried out in Chile.

In determining the information by segment, those exceeding 10% of consolidated ordinary income and the particular characteristics of the holding company have been taken into account.

Quiñenco, as an investment company, defines its ordinary income 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 income from foreign customers by geographic areas as of December 31, 2011 and 2010 is as follows:

	2011 ThCh$	2010 ThCh$
South America	1,035,567,821	276,600,471
Central America	7,414,570	5,597,303
North America	12,387,584	21,473,254
Europe	31,338	936,556
Africa	87	-
Asia	-	24,830
Total ordinary income from foreign customers	**1,055,401,400**	**304,632,414**

The results by segment in 2011 are as follows:

	Segments December 2011				
	Manufacturing ThCh$	Financial ThCh$	Energy ThCh$	Other ThCh$	Total ThCh$
Statement of Income					
Ordinary income	207,424,469	-	731,727,752	116,249,179	1,055,401,400
Ordinary income by transactions between segments	3,453,698	-	-	(3,453,698)	-
Cost of sales	(173,841,721)	-	(671,087,452)	(43,884,878)	(888,814,051)
Gross margin	37,036,446	-	60,640,300	68,910,603	166,587,349
Other operating income (expenses)	(22,850,157)	(9,625,144)	(53,360,496)	(64,003,264)	(149,839,061)
Other gains (losses)	1,638,803	3,437,822	(569,925)	(3,533,976)	972,724
Financial income	532,595	1,285,571	(24,078)	20,823,511	22,617,599
Financial costs	(3,615,022)	(6,837,039)	(3,271,772)	(6,242,519)	(19,966,352)
Net participation in earnings (losses) of associates and joint ventures using the equity method	-	-	782,009	(30,355,885)	(29,573,876)
Exchange differences	(1,078,258)	-	(764,098)	5,598,068	3,755,712
Results of indexation	367,077	(6,132,689)	(138,370)	(5,077,346)	(10,981,328)
Earnings (loss) before tax	**12,031,484**	**(17,871,479)**	**3,293,570**	**(13,880,808)**	**(16,427,233)**
Credit (charge) for income taxes	114,974	1,866,652	(265,885)	(704,897)	1,010,844
Earnings (loss) from continuing operations	**12,146,458**	**(16,004,827)**	**3,027,685**	**(14,585,705)**	**(15,416,389)**
Earnings (loss) from discontinued operations	-	-	-	-	-
Earnings (loss)	**12,146,458**	**(16,004,827)**	**3,027,685**	**(14,585,705)**	**(15,416,389)**
Statement of Income Banking Services					
Operating income net	**-**	**1,101,373,226**	**-**	**-**	**1,101,373,226**
Operating expenses	-	(614,102,415)	-	-	(614,102,415)
Operating result	-	487,270,811	-	-	487,270,811
Intereset on subordinated debt with Banco Central de Chile	-	(81,295,137)	-	-	(81,295,137)
Result of investments in companies	-	3,300,409	-	-	3,300,409
Result before income tax	-	409,276,083	-	-	409,276,083
Income tax	-	(59,663,975)	-	-	(59,663,975)
Result of continuing operations	-	349,612,108	-	-	349,612,108
Earnings (loss) banking services	-	349,612,108	-	-	349,612,108
Earnings (loss)	**12,146,458**	**333,607,281**	**3,027,685**	**(14,585,705)**	**334,195,719**
Earnings (loss) attributable to owners of the controller	**4,655,501**	**96,186,993**	**3,027,685**	**(15,904,333)**	**87,965,846**
Earnings (loss) attributable to non-controlling participations	7,490,957	237,420,288	-	1,318,628	246,229,873

The earnings attributable to owners of the controller by segment correspond to the final contribution of each segment, and or the companies comprising them, to the earnings of Quiñenco S.A.

As of December 31, 2011 depreciation and amortization, the components of cash flows and assets and liabilities by segment are as follows:

	Manufacturing ThCh$	Financial ThCh$	Energy ThCh$	Other ThCh$	Total ThCh$
Depreciation & amortization	(7,006,410)	(8,175,915)	(5,708,734)	(232,208)	(21,123,267)
Cash flow non-banking services					
Operating	28,365,671	(875,992)	(8,231,514)	(56,504,027)	(37,245,862)
Investment	(114,444,530)	(373)	(278,709,365)	78,005,382	(315,148,886)
Financing	65,680,838	(56,428,214)	285,092,920	(229,948,900)	64,396,644
Cash flow from banking services					
Operating	-	(267,730,072)	-	(17,311,186)	(285,041,258)
Investment	-	(313,286,723)	-	-	(313,286,723)
Financing	-	631,472,380	-	-	631,472,380
Current assets	99,036,163	13,422,144	170,013,058	249,854,026	532,325,391
Non-current assets	285,883,332	931,572,726	268,878,547	478,246,072	1,964,580,677
Banking assets	-	21,740,944,508	-	-	21,740,944,508
Total assets	**384,919,495**	**22,685,939,378**	**438,891,605**	**728,100,098**	**24,237,850,576**
Current liabilities	59,412,553	27,330,281	98,353,959	68,596,231	253,693,024
Non-current liabilities	69,983,760	190,172,696	111,469,574	273,705,698	645,331,728
Banking liabilities	-	20,351,545,374	-	(66,604,283)	20,284,941,091
Total liabilities	**129,396,313**	**20,569,048,351**	**209,823,533**	**275,697,646**	**21,183,965,843**

The results by segment in 2010 are as follows:

	Segments December 2010			
	Manufacturing ThCh$	Financial ThCh$	Other ThCh$	Total ThCh$
Statement of Income				
Ordinary income	208,678,071	-	95,954,343	304,632,414
Ordinary income by 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 participation in earnings (losses) of associates and joint ventures using the equity method	-	-	35,312,226	35,312,226
Exchange differences	(119,757)	-	(13,984)	(133,741)
Results of indexation	58,985	(3,757,413)	(2,752,746)	(6,451,174)
Earnings (loss) arising from difference between the previous book value & fair value of financial assets reclassified measured at fair value	-	-	-	-
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 results banking services				
Operating income net	-	957,589,464	-	957,589,464
Operating expenses	-	(545,425,468)	-	(545,425,468)
Operating result	-	412,163,996	-	412,163,996
Result of investments in companies	-	1,926,246	-	1,926,246
Interest on subordinated debt with Banco Central de Chile	-	(72,978,711)	-	(72,978,711)
Result before income tax	-	341,111,531	-	341,111,531
Income tax	-	(38,550,612)	-	(38,550,612)
Result 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 controller	**(2,329,157)**	**94,961,791**	**198,973,416**	**291,606,050**
Earnings (loss) attributable to non-controlling participations	(494,530)	188,143,782	4,569,384	192,218,636

The earnings attributable to owners of the controller by segment correspond to the final contribution of each segment, and or the companies comprising them, to the earnings of Quiñenco S.A.

As of December 31, 2010 depreciation and amortization, the components of cash flows and assets and liabilities by segment are as follows:

	Manufacturing ThCh$	Financial ThCh$	Other ThCh$	Total ThCh$
Depreciation & amortization	(7,434,359)	(8,175,307)	(405,927)	(16,015,593)
Cash flow 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 from 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**

NOTE 34 – Effect of exchange-rate variations

a) The following is a detail of assets by currency as of December 31, 2011:

Assets	Dollars ThCh$	Chilean pesos ThCh$	Unidad de Fomento ThCh$	Euros ThCh$	Soles ThCh$	Argentine pesos ThCh$	Reales ThCh$	Other currencies ThCh$	Total ThCh$
Non-banking businesses									
Current assets									
Cash & cash equivalents	12,485,908	72,617,103	-	1,357	317,184	188,978	351	-	85,610,881
Other financial assets, current	22,045	41,177,305	-	-	-	-	155,550	-	41,354,900
Other non-financial assets, current	1,366,315	15,440,136	325,226	420,213	35,704	144,066	-	-	17,731,660
Trade debtors & other receivables, current	22,546,956	108,586,085	369,959	-	1,053,110	5,300,613	-	-	137,856,723
Receivables from related entities, current	130,835,784	3,517,420	-	-	-	-	-	-	134,353,204
Inventory	34,592,455	64,752,380	-	-	-	-	-	-	99,344,835
Current tax assets	874,831	12,171,226	-	-	196,996	428,530	216,708	-	13,888,291
Total current assets other than assets or groups of assets for disposal classified as held for sale or held for distribution to the owners	**202,724,294**	**318,261,655**	**695,185**	**421,570**	**1,602,994**	**6,062,187**	**372,609**	**-**	**530,140,494**
Non-current assets other than assets or groups of assets for disposal classified as held for sale	2,184,897	-	-	-	-	-	-	-	2,184,897
Non-current assets other than assets or groups of assets for disposal classified as held for sale or held for distribution to the owners	2,184,897	-	-	-	-	-	-	-	2,184,897
Total current assets	**204,909,191**	**318,261,655**	**695,185**	**421,570**	**1,602,994**	**6,062,187**	**372,609**	**-**	**532,325,391**
Non-current assets									
Other financial assets, non-current	6,682	122,031,678	-	153,930,290	-	201	-	-	275,968,851
Other non-financial assets, non-current	-	2,626,989	829,569	-	-	4,497	9,328,774	-	12,789,829
Collection rights, non-current	-	1,038	1,095,065	-	-	-	-	-	1,096,103
Receivables from related entities, non-current	-	-	571,226	-	-	-	-	-	571,226
Investments recorded using the equity method	-	342,141,199	-	-	-	-	-	-	342,141,199
Intangible assets other than goodwill	1,593,657	211,081,197	-	-	-	-	-	-	212,674,854
Goodwill	440,360	860,528,389	-	-	-	-	-	-	860,968,749
Property, plant & equipment	93,569,356	105,026,427	-	-	-	-	-	-	198,595,783
Investment properties	3,904,641	4,950,754	-	-	-	-	-	-	8,855,395
Deferred tax assets	22,981,838	40,828,152	-	-	-	-	-	-	63,809,990
Total non-current assets	**122,496,534**	**1,689,215,823**	**2,495,860**	**153,930,290**	**-**	**4,698**	**9,328,774**	**-**	**1,977,471,979**
Total non-banking business assets	**327,405,725**	**2,007,477,478**	**3,191,045**	**154,351,860**	**1,602,994**	**6,066,885**	**9,701,383**	**-**	**2,509,797,370**

b) The following is a detail of liabilities by currency as of December 31, 2011:

Liabilities	Dollars ThCh$	Chilean pesos ThCh$	Unidad de Fomento ThCh$	Euros ThCh$	Soles ThCh$	Argentine pesos ThCh$	Reales ThCh$	Other currencies ThCh$	Total ThCh$
Non-banking businesses									
Current liabilities									
Other financial liabilities, current	18,074,961	10,586,477	41,650,177	-	-	1,261,871	-	-	71,573,486
Trade creditors & other payables	15,572,376	101,154,378	678,429	184,573	399,950	1,992,217	4,308	51,279	120,037,510
Payables to related entities, current	-	258,425	-	-	-	-	-	-	258,425
Other current provisions	559,686	9,698,021	7,781	-	-	540,840	2,547,124	-	13,353,452
Current tax liabilities	165,540	4,641,528	-	-	-	313,227	-	-	5,120,295
Provisions for employee benefits, current	186,912	8,275,716	24,113	-	797,133	411,677	-	-	9,695,551
Other non-financial liabilities, current	3,885,695	29,678,374	-	-	51	90,185	-	-	33,654,305
Total current liabilities other than liabilities included in groups of assets for disposal classified as held for sale	**38,445,170**	**164,292,919**	**42,360,500**	**184,573**	**1,197,134**	**4,610,017**	**2,551,432**	**51,279**	**253,693,024**
Liabilities included in groups of assets for disposal classified as held for sale	-	-	-	-	-	-	-	-	-
Total current liabilities	**38,445,170**	**164,292,919**	**42,360,500**	**184,573**	**1,197,134**	**4,610,017**	**2,551,432**	**51,279**	**253,693,024**
Non-current liabilities									
Other financial liabilities, non-current	53,293,840	71,989,836	351,138,597	-	-	1,944,778	-	-	478,367,051
Other non-current provisions	-	14,797,808	-	-	-	108,257	1,371,460	-	16,277,525
Deferred tax liabilities	726,995	78,615,201	-	-	1,177,851	3,018,455	-	-	83,538,502
Provisions for employee benefits, non-current	-	21,019,584	217,121	-	-	-	-	-	21,236,705
Other non-financial liabilities, non-current	528	-	58,802,719	-	-	-	-	-	58,803,247
Total non-current liabilities	**54,021,363**	**186,422,419**	**410,158,437**	**-**	**1,177,851**	**5,071,490**	**1,371,460**	**-**	**658,223,030**
Total non-banking business liabilities	**92,466,533**	**350,715,348**	**452,518,937**	**184,573**	**2,374,985**	**9,681,507**	**3,922,892**	**51,279**	**911,916,054**

c) The following is a detail of assets by currency as of December 31, 2010:

Assets	Dollars ThCh$	Chilean pesos ThCh$	Unidad de Fomento ThCh$	Euros ThCh$	Soles ThCh$	Argentine pesos ThCh$	Reales ThCh$	Other currencies ThCh$	Total ThCh$
Non-banking businesses									
Current assets									
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 debtors & other receivables, current	20,019,301	33,236,204	129,958	353,975	745,237	4,618,882	-	-	59,103,557
Receivables from related entities, 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
Receivables from related entities, 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

d) The following is a detail of liabilities by currency as of December 31, 2010:

Liabilities	Dollars ThCh$	Chilean pesos ThCh$	Unidad de Fomento ThCh$	Euros ThCh$	Soles ThCh$	Argentine pesos ThCh$	Reales ThCh$	Other currencies ThCh$	Total ThCh$
Non-banking businesses									
Current liabilities									
Other financial liabilities, current	17,684,305	6,584,415	37,032,844	-	-	455,048	-	-	61,756,612
Trade creditors & other payables	7,775,574	27,013,025	29,805	322,081	287,847	1,967,670	54,465	216	37,450,683
Payables to related entities, current	-	1,471	-	-	-	-	-	-	1,471
Other current 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

NOTE 35 – 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, and the tax tribunal resolved to acknowledge receipt of the comments in 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 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), this tribunal rejecting the company's tax appeal on September 8, 2009. As a result, an appeal was lodged on October 15, 2009 whereby if rejected again the case would be heard by the Santiago Appeals Court.

As of December 31, 2011 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

(1) As of December 31, 2011 Quiñenco and the group companies are in compliance with the financial covenants related to bond issues. Quiñenco is subject to certain financial covenants with respect to its bond issues, the principal ones as of December 31, 2011 being:

- To maintain unencumbered assets to unsecured debt at book value of at least 1.3 times. As of December 31, 2011 the ratio of unencumbered assets to unsecured debt at book value is 4.7 times, as follows:

Quiñenco individual	ThCh$
Total assets	1,985,384,064
Unencumbered assets	**1,985,384,064**
Total current liabilities	45,082,018
Other current provisions	(2,097,715)
Provisions for employee benefits, current	(488,240)
Total non-current liabilities	380,361,836
Other non-current provisions	(3,516,996)
Unsecured debt	**419,340,903**

- To maintain an unconsolidated financial debt ratio to total equity of no more than 0.46. As of December 31, 2011 the financial debt to total equity at book value ratio is 0.20 times, as follows:

Financial debt	ThCh$
Other financial liabilities, current	14,574,632
Other financial liabilities, non-current	196,900,868
Payables to related entities, non-current	179,943,972
Financial debt	**391,419,472**
Capitalization	
Equity attributable to owners of the controller	1,559,940,210
Financial debt	391,419,472
Capitalization	**1,951,359,682**

- To maintain a consolidated financial debt ratio to total capitalization of no more than 0.61. As of December 31, 2011 the consolidated financial debt ratio to total capitalization at book value is 0.18 times, as follows:

Financial debt	ThCh$
Other financial liabilities, current	71,573,486
Payables to related entities, non-current	258,425
Other financial liabilities, non-current	478,367,051
Financial debt	**550,198,962**
Capitalization	
Equity attributable to owners of the controller	1,559,940,210
Financial debt	550,198,962
Non-controller participations (1)	901,446,337
Capitalization	**3,011,585,509**

(1) Relates to non-controlling participations Quiñenco ThCh$ 1,493,944,523 less non-controlling participations LQIF ThCh$ 592,498,186.

- To maintain a minimum equity of Ch$733,246 million. As of December 31, 2011 the equity attributable to owners of the controller is Ch$ 1,559,940 million.

- The Luksic Group must keep control of Quiñenco.

(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) General indirect guarantees in favor of Banco BBVA and Banco Santander are joint and several to cover the bank debts of the subsidiary Inversiones Río Aurum S.A. and include clauses with respect to their destination and financial covenants normal for this type of operation.

(4) The subsidiary LQIF is subject to certain financial covenants contained in the bond-issue indenture and other loan agreements. The principal restrictions as of December 31, 2011 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.

The debt level as of December 31, 2011 is 0.104 times.

(5) As of December 31, 2011, Madeco and its subsidiaries have various covenants whose principal terms are:

Long-term loans for the purchase of shares in Nexans.

On November 25, 2011, Madeco signed a credit line with Banco Itaú for US$ 82 million, payable at maturity in 5 years. As well as the usual covenants and negative covenants and acceleration clauses in this kind of operation, the loan agreement states that should Madeco dispose of its shares in Nexans (except to its subsidiaries) the loan will be payable on demand in a percentage equivalent to the percentage reduction of its shareholding in Nexans. The agreement also requires the maintenance of a net total leverage in the consolidated statement of financial position of no more than 1; a minimum equity of US$ 250 million on a consolidated basis; and control by the Luksic Group of at least 45% of the share capital.

As of December 31, 2011, Madeco is in compliance with the restrictions stated in the loan agreement, as follows:

Covenants. Banco Itaú	12-31-2011	Covenants
Net total leverage of consolidated statement of financial position	0.46	< 1.00
Minimum equity	ThUS$ 492,149	> ThUS$ 250,000
Luksic Group shareholding in Madeco	54.4%	> 45.0%

Indalum and subsidiaries

The conditions of a non-current loan agreement with Banco Security signed on December 29, 2010 include:

- Its parent Madeco signed an ownership and payment comfort letter stating that it will maintain a direct or indirect shareholding in Indalum of at least 50.1% and thus management control.

- During the term of the loan, the company must comply with the following financial covenants:
  - A debt level of no more than 1.6 times.
  - A financial expenses coverage of at least 3 times.

As of December 31, 2011, the company is in compliance with all the restrictions stated in the agreement, as follows:

Covenants. Banco Security	12-31-2011	Covenants
Debt ratio	0.63	< 1.60
Debt coverage ratio	5.10	> 3.00
Luksic Group shareholding in Madeco	99.5%	> 50.1%

Alusa and subsidiaries

Alusa has the following contingencies and/or restrictions as of December 31, 2011:

Alusa is subject to the following commitments with the financial institutions mentioned:

- Leasing operations Banco BBVA for a total of ThUS$ 5,529.

Alusa should comply with the following covenant in cover of these leasing operations:

Madeco must be the owner directly or indirectly of at least 50.1% of the share capital with voting rights of Alusa.

- Loan Banco del Desarrollo (Scotiabank)

On December 26, 2006, Alusa became guarantor of Aluflex S.A. with respect to a loan from 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 from 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, 2011:

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 receivables from affiliates of Peruplast) of no higher than 1.50.

Maintain a debt coverage ratio (financial debt to EBITDA) no higher than 2.00 times from December 2007 to September 2009 and no more than 1.75 times 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 times.

- BCP - Banco de Crédito del Perú

Peruplast S.A. should meet the following covenants:

Leverage (total liabilities less taxes and deferred participations to equity) of less than 1.50 (one pint fifty). 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 participations less distributions to shareholders less loans to related companies less net capital investments of financing plus initial cash, to debt service) greater than 1.25 (one point twenty five).

As of December 31, 2011, Peruplast S.A. is in compliance with all the restrictions stated in the loan agreements, as follows:

Covenants. Scotiabank	12-31-2011	Covenants
Debt ratio	1.30	< 1.50
Debt coverage ratio	1.60	< 1.75
Debt service coverage ratio	2.05	> 1.50

Covenants. Banco de Crédito	12-31-2011	Covenants
Leverage	1.30	< 1.50
Debt service ratio (referential)	2.27	> 1.25

(c) Other contingencies

Sale of the Cable Unit to Nexans

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

As was reported to that shareholders meeting, the central points of this sale contract are summarized as follows:

a) Declarations and Warranties

The sale contract with Nexans establishes declarations and warranties that are usual in this kind of contract. These refer essentially to the ownership by Madeco and its subsidiaries of the cable assets transferred to Nexans, compliance with prevailing regulations and the absence of contingencies, apart from those disclosed in the contract. Madeco, as the seller, was therefore responsible for 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.

b) 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.

c) Indemnities

Nexans shall be entitled to be indemnified for any breach of the declarations and warranties, and the other obligations established in the sale contract.

Nexans shall also have the right to be indemnified for i) payments of taxes that the business has to assume but which originate from prior to September 30, 2008, except the proceedings declared with respect to Chile, Peru and Colombia in the declarations and warranties; ii) civil and labor lawsuits in Brazil listed as of September 30, 2008; iii) responsibilities in undeclared environmental matters; and iv) the obligations of the companies disposed of that are not related to their businesses. The company responds only for 90% of the obligation to indemnify for the taxes in Brazil until the sale date.

d) 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 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.

e) Sale of shares in Nexans Colombia S.A. (ex Cedsa S.A.)

With the end of the accessory commitments to the sale of the cables unit by the Company to Nexans, Soinmad S.A. (a subsidiary of Madeco) on January 27, 2011 sold 1,120,000 shares in the Colombian company Nexans Colombia S.A. (ex Cedsa S.A.) for ThUS$ 9,250. The gain net of taxes on this transaction was ThUS$ 4,137.

(d) Tax contingencies

The subsidiary Inversiones Río Grande S.p.A. has appealed 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). 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 and now Nexans Brasil S.A. ("Nexans Brasil - ex Ficap"), 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). 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 court deposits have been recognized as an asset (Note 11) as these were excluded from the sale price; Madeco therefore retains control over the lawsuit.

On February 10, 2010, the Brazilian tax authority notified Nexans Brasil – ex Ficap, 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. In addition, Madeco's legal advisers believe that the court deposits indicated in the previous paragraph would guarantee the payment of the demands by the tax authority.

On October 25, 2010, Nexans Brasil – ex Ficap 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 the company has guaranteed the payment of these taxes through various court deposits:

As stated above, Madeco's legal advisers in Brazil believe that the court deposits indicated in the previous paragraph would guarantee the payment of the demands by the tax authority. They also consider that there are well-founded arguments for reversing this situation, for which corresponding legal actions are being exercised.

On January 22, 2010, the state of Sao Paulo, Brazil, notified the former Madeco cables subsidiary, Nexans Brasil – ex Ficap, 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 the company'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 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 – ex Ficap resorted to Decree 56.045/10. Should the tax authorities accept the information submitted by the company, its liability 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.

On July 18, 2011 Nexans Brasil –ex Ficap was notified of a new infringement with respect to the payment of the ICMS tax, this time with respect to the year 2006 for R$45.8 million (US$29.1 million). This notification falls within Decree 56.045/10 to which Nexans Brasil –ex Ficap- adhered in October 2010, so it states that it has the same objective of interrupting prescription under the statute of limitations. It was also stated that the case will be suspended. This new notification is explained by the acceptance of the adhesion of Nexans Brasil –ex Ficap- to Decree 56.045/10 is conditioned to the state of Sao Paulo revising the information provided and checking that the conditions set out in the Decree are met.

On November 26, 2004, Nexans Brasil -ex Ficap- received a demand arising from compensation declarations presented by the company in order to offset withheld tax credits (originating from financial operationss) against income taxes.

While the contingency is ThR$ 18,239 (historic value), the credits associated with the contingency would contribute to reducing it significantly. However, in the event of a negative sentence, it will be necessary to present a legal recourse to request the return of these credits, which will generate a timing difference between the payment of the fiscal debits and the recovery of the credits.

The fiscal authorities of the state of Rio de Janeiro is demanding the payment by Nexans Brasil -ex Ficap- of ICMS taxes (similar to VAT in Chile) due by its plant located in that state. These taxes were allegedly not paid for the years 1983 to 1991, a time when it owned the plant of the company SAM Industrias S.A., controlled by a Mr Daniel Birmann. The historic value of these demands is ThR$7,424.

According to Brazilan legislation, Nexans Brasil -ex Ficap-, being the legal successor of that plant, would therefore be alternatively liable for the taxes due by it because SAM Industrias S.A. continued its operations. Nevertheless, the tax authorities understand that the liability of Nexans Brasil -ex Ficap- is several.

In order to be able to claim against these tax demands and avoid their collection while the claims are pending, Nexans Brasil -ex Ficap- presented various bank guarantees of payment (the collection of 90% of the interest associated with these guarantees is shown in Note 28 d)).

The defense of Nexans Brasil -ex Ficap- is based mainly on the fact that (i) its liability for the tax debts of SAM Industrias S.A. is subsidiary as that company continued its operations, (ii) SAM Industrias S.A. has confessed being liable for the payment of these debts by adhering to an amnesty procedure established by the state of Rio de Janeiro, so Nexans Brasil -ex Ficap- cannot be liable, (iii) in accordance with Law 5,172 of October 25, 1966, the adhesion to an amnesty procedure causes the transformation of those debts included in that procedure into debts of another origin, independent and autonomous from the previous ones, (iv) the tax authorities did not recognize that a large part of the debts demanded were paid by SAM Industrias S.A. in the amnesty procedure, and (v) the prescription of the collection has passed more than 5 years between the notification of the executive collection and the last payment of the amnesty mentioned.

In accordance with c) i) above, Madeco is responsible for the following lawsuits in Brazil:

Collective labor demand Ficap. The personnel of Nexans Brasil -ex Ficap-, through the Union of Campinas and Neighboring Towns presented a demand against the company alleging (i) the payment since March 2002 of a risk premium of 30% of remuneration (including all the wage amounts) of approximately 400 employees of Nexans Brasil -ex Ficap- for allegedly having worked in hazardous conditions, (ii) the payment of overtime of 1 additional hour per day and other related benefits as Nexans Brasil -ex Ficap- did not grant rest time for lunch between February 2004 and April 2005 (only 45 minutes were allowed), and (iii) the payment of their lawyers' fees. Should Nexans Brasil -ex Ficap- lose the case, and in relation to that reported in point 2 No.4 ii) of this Note, Madeco will have to indemnify Nexans for the damages caused by this lawsuit which dates from before September 30, 2008, the date of the sale of the Brazilian company to Nexans.

NOTE 36 – Collateral received

The Company has received 24,758,187 shares in Sud Americana Agencias Aéreas y Marítimas S.A. pledged to cover the loans granted to Compañía Sud Americana de Vapores S.A.

This pledge was released in full on February 14, 2012 by a public deed signed before the Santiago notary Patricio Raby Benavente.

The Company has received no other collateral from third parties as of December 31, 2011

NOTE 37 – Sanctions

Neither the Company nor its directors or managers received any sanctions from the SVS or any other regulatory authority during 2011 and 2010.

NOTE 38 – Subsequent events

The subsidiary Madeco reported that during January 2012, the director of Madeco and of Nexans, Francisco Pérez Mackenna, had become a member of Nexans' Compensations and Appointments Committee.

Effective 2012, the subsidiary Madeco will treat Nexans as a company in which it exercises significant influence, as provided in IAS 28. The adoption of this accounting method could have an important effect on the financial statements of this subsidiary.

There are no other events of a financial or other nature occurring between December 31, 2011 and the date of issue of these consolidated financial statements that might significantly affect their interpretation.

NOTE 39 – 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 39.1 - 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, and modifying its corporate object to being the holder of shares in Banco de Chile and 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, to which all its assets, liabilities and memorandum accounts were transferred, except for the Subordinated Obligation, to the new banking company, Banco de Chile. On the same date, the company subscribed and paid a capital increase in Sociedad Administradora de la Obligación Subordinada SAOS S.A. through the transfer of ownership of 28,593,701,789 shares in the new Banco de Chile, granting a special pledge in favor of Banco Central de Chile, which shares represent 32.89% of the share capital of that bank (34.64% in 2010) and transferred to that company the responsibility for paying the Subordinated Obligation, thus releasing Sociedad Matriz del Banco de Chile S.A. from that obligation. The Company retains the commitment to transfer to Sociedad Administradora de la Obligación Subordinada SAOS S.A. the dividends and free shares corresponding to 567,712,826 shares in Banco de Chile that it holds, while the latter company maintains its Subordinated Obligation with Banco Central de Chile.

The shareholders in SM Chile S.A. directly exercise the 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, 2011, the total balance of the Subordinated Obligation with Banco Central de Chile, including interest, amounts to U.F. 36,839,994.00 (U.F. 40,859,525.65 in 2010).

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 obliged to pay annually an amount called annual quota, constituted by the sum of the dividends received on the shares it holds in Banco de Chile, plus an amount it will receive annually from SM Chile equal to the dividends on that company's holding of 567,712,826 shares in Banco de Chile. The so-called annual quota may be greater or lower than the fixed quota. If the annual quota is more than the fixed quota, the excess will be recorded in an account with Banco Central de Chile called "Surpluses for Future Deficits Account", whose balance will be used to cover future deficits. If the annual quota is below the fixed quota, the difference will be covered by the accumulated balance in the Surpluses for Future Deficits Account should there be a balance 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 quota for 2011 amounts to ThCh$124,341,793. As of December 31, 2011 there is a surplus in the Surpluses for Future Deficits Account of U.F. 9,055,381.76 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 39.2 - Accounting changes

During the year ended December 31, 2011, there have been no significant accounting changes that affect the presentation of these consolidated financial statements.

Note 39.3 - Material information on the banking subsidiaries

(a) At its meeting N°SM171 of January 27, 2011, the board of SM Chile agreed to call the ordinary shareholders meeting for March 17, 2011, to propose, among other things, the distribution of dividend No.15 of Ch$2.937587 per share of the "B", "D" and "E" Series and agree the distribution among the shareholders of the same series of the bonus shares received by SM Chile as a result of the capitalization of the earnings of Banco de Chile for the year 2010, which will be distributed on the basis of 0.018838 shares in Banco de Chile for each share of the series mentioned.

(b) On March 17, 2011, the ordinary shareholders meeting of SM Chile agreed to the total renewal of the board, for having completed the legal and statutory period of three years of the board ceasing in its functions.

Following the corresponding voting at this meeting, the following were elected as directors of SM Chile for a new period of three years:

DIRECTORS:
Jorge Awad Mehech (independent).
Andrónico Luksic Craig.
Guillermo Luksic Craig.
Fernando Quiroz Robles.
Thomas Fürst Freiwirth (independent).
Pablo Granifo Lavín.
Rodrigo Manubens Moltedo.
Raúl Anaya Elizalde.
Gonzalo Menéndez Duque.

This meeting also approved the payment of dividend No.15 of Ch$2.937587 for each of the shares of the "B", "D" and "E" Series and the distribution among the shareholders of the same series of the bonus shares received by SM Chile as a result of the capitalization of the earnings of Banco de Chile for the year 2010, which will be distributed on the basis of 0.018838 shares in Banco de Chile for each share of the series mentioned.

The following appointments were made at the extraordinary board meeting of SM Chile (No.SM-26-E) of March 17, 2011:

CHAIRMAN:	Andrónico Luksic Craig.
VICE CHAIRMAN:	Pablo Granifo Lavín.

(c) An extraordinary shareholders meeting of Banco de Chile agreed to increase the capital by Ch$240,000,000,000 through the issue of 3,385,049,365 shares for payment, Series Banco de Chile - S.

The placement price was fixed by the board within 120 days of the shareholders meeting on the agreed terms and conditions, taking into account the market value of the Bank's shares.

It was also agreed that the shares would be offered to the shareholders in accordance with the law and the remainder on the Chilean stock market, and possibly abroad, in the form and on the dates determined by the board.

The meeting was also informed that the principal shareholder of the Bank, LQ Inversiones Financieras S.A., had stated its intention to renounce its pre-emptive subscription right in the ordinary preferential offer period of this capital increase.

(d) On January 27, 2011 the board of Banco de Chile agreed to modify the present American Depositary Receipts (ADR) program that Banco de Chile has registered with the Securities and Exchange Commission (SEC), in order to extend its application to all the shares currently issued and those issued in the future.

This modification would be made through an amendment to the respective clauses of the deposit contract of November 27, 2001 signed between Banco de Chile and JP Morgan Chase Bank as the depositary bank, leaving that contract and the mentioned program subject to the exchange regulations of general application contained in Chapter XIV of the Compendium of International Exchange Regulations of the Banco Central de Chile or the regulations issued in the future. The board of the Bank therefore resolved to agree with the Banco Central de Chile and JP Morgan Chase Bank the end of the contractual exchange regime contained in the current exchange convention signed in accordance with Chapter XXVI of that Compendium.

Finally, the board agreed to comply strictly with all the contractual and regulatory provisions, including the notification to the ADR holders of the modification to such program so that they might exercise within 30 days of the notification their rights established in the deposit contract and applicable regulations.

(e) At its meeting No.BCH 2,727 of January 27, 2011, the board of Banco de Chile agreed to call the ordinary shareholders meeting for March 17, 2011, to propose, among other things, the distribution of dividend No.199 of Ch$2.937587 to each of the 82,551,699,423 shares issued by Banco de Chile, payable against the distributable earnings for the year 2010, being 70% of such earnings.

The board of the Bank also agreed to call an extraordinary shareholders meeting for the same date in order to propose the following:

i) The capitalization of 30% of the distributable earnings of the Bank for the year 2010 through the issue of bonus shares of no par value, determined at a value of Ch$66.83 per share, distributed among the shareholders on the basis of 0.018838 shares for each share and adopt the necessary agreements subject to the exercise of the options foreseen in article 31 of Law 19,396.
ii) Cancel the Banco de Chile-S Series shares, with the present Banco de Chile-S common shares becoming Banco de Chile common shares, subject to the present ADR program being modified and declared effective, and subsequently sign the termination of the exchange convention Chapter XXVI of the ex Compendium of International Exchanges of Banco Central de Chile.

On March 17, 2011, the extraordinary shareholders meeting approved the capitalization of 30% of the distributable earnings of the year 2010 amounting to ThCh$67,216,541.

(f) On March 17, 2011 the ordinary shareholders meeting of Banco de Chile, apart from approving dividend No.199, renewed the whole board having served the legal and statutory period of three years in their positions, and also appointed the substitute directors.

The following were elected as directors for a new period of three years:

DIRECTORS:	Raúl Anaya Elizalde
	Jorge Awad Mehech (Independiente)
	Fernando Concha Ureta
	Jorge Ergas Heymann
	Jaime Estévez Valencia (Independiente)
	Pablo Granifo Lavín
	Andrónico Luksic Craig
	Guillermo Luksic Craig
	Gonzalo Menéndez Duque
	Francisco Pérez Mackenna
	Fernando Quiroz Robles
FIRST SUBSTITUTE DIRECTOR:	Rodrigo Manubens Moltedo
SECOND SUBSTITUTE DIRECTOR:	Thomas Fürst Freiwirth

The following appointments were made at the extraordinary board meeting No.BCH 91 on March 17, 2011:

CHAIRMAN:	Pablo Granifo Lavín
VICE CHAIRMAN:	Andrónico Luksic Craig
VICE CHAIRMAN:	Fernando Quiroz Robles
ADVISERS TO THE BOARD:	Hernán Büchi Buc Francisco Garcés Garrido Jacob Ergas Ergas

(g) On March 21, 2011, Banco Central de Chile informed Banco de Chile that, at its extraordinary council meeting No.1597E, it was agreed to opt for all the surpluses corresponding to the year 2010, including the part of proportional earnings of the agreed capitalization, to be paid in cash.

(h) The board of Banco de Chile, at its meeting No.BCH 2,730 of March 30, 2011, agreed to set the price for the placement of shares, under the powers granted it by the extraordinary shareholders meeting, at Ch$62 per share to be offered to shareholders in the ordinary and special pre-emptive offer periods.

This price would also be the minimum price for the disposal of the shares remaining after the termination of the ordinary and special pre-emptive offer periods on the country's stock markets. This price would also be applicable for the placement of the shares whose pre-emptive option is renounced by LQ Inversiones Financieras S.A., which would be disposed of on the Santiago Stock Exchange.

(i) On April 18, 2011, it was reported that the subsidiary Banco de Chile on April 15 had registered in the corresponding Securities Register the transformation of the Banco de Chile-S Series shares into Banco de Chile shares, as agreed by the extraordinary shareholders meeting held on March 17, 2011.

Accordingly, the 86,942,514,973 shares into which the capital of Banco de Chile is divided are registered in the Securities Register of the SVS and have the sole name of Banco de Chile.

(j) On May 13, 2011, Banco Central de Chile informed Banco de Chile that, by its Council Resolution No.1609E-01-110513 of that date, and in accordance with article 30 b) of Law 19,396, it determined the disposal price of the share options over 1,172,490,606 shares issued by Banco de Chile in the capital increase agreed at its extraordinary shareholders meeting of January 20, 2011, corresponding to the shareholder Sociedad Administradora de la Obligación Subordinada SAOS S.A. for the shares pledged in favor of Banco Central de Chile.

These shares were offered preferentially to Series A, B and D shareholders of Sociedad Matriz del Banco de Chile S.A. in the special pre-emptive offer period between May 16 and June 14, 2011.

In accordance with the resolution of Banco Central de Chile, the following will be the price of each share:

"The option price shall be the greater of Ch$ 0.1 and the value resulting from the difference between the factor 0.9306 applied to the weighted average price of market trading in the shares of Banco de Chile recorded on the Chilean stock exchanges during the three business days prior to the date the respective option is acquired, the "Weighted Average Price of the Share" and, Ch$57.1970.

The Weighted Average Price of the Share shall be determined for each day according to the average of Banco de Chile share transactions weighted by the volumes traded during the three exchange business days prior to the day the respective option is acquired, bearing in mind that the value of the Weighted Average Price with respect to the start of the special pre-emptive offer period shall be Ch$67.8. This price considers the prices resulting from the first pre-emptive offer period referred to in letter a) of article 30 of Law 19,396, so that the Option Price will initially correspond to Ch$5.9 per Banco de Chile share, and subsequently the Weighted Average Price of the share resulting from the application of the above methodology.

In any event, and for the purposes of the sale of the subscription options, the option price shall be Ch$5.9 per each share of Banco de Chile provided the Weighted Average Price of the share, determined as indicated above, does not exceed Ch$70.3 or be below Ch$67.3.

The option price determined as above should be paid in cash on the conditions fixed by Banco de Chile for the purposes of the capital increase of the Bank, and its calculation procedure shall also cover the term contemplated in the final paragraph of letter b) of article 30 of Law 19,396, subject to the provisions of that letter".

Banco Central de Chile also stated that Sociedad Administradora de la Deuda Subordinada SAOS S.A. should offer the options preferentially to the shareholders mentioned at the above price, which should be communicated previously by that company to Banco Central de Chile, informing the interested parties also at the start of each Special Pre-emptive Offer Period day.

(k) During July 2011 the subsidiary Banco de Chile concluded its capital increase in which 3,385,049,365 shares were subscribed and paid, raising a sum of ThCh$210,114,824 net of associated issuance costs. With this increase, the number of subscribed and paid shares of the Bank is 86,942,514,973 and the paid capital ThCh$1,436,083,471.

As a result of this subsidiary's capital increase, the direct participation of SM Chile in Banco de Chile fell from 14.53% to 13.96%, while the indirect participation declined from 48.75% to 46.85%.

(l) Collective bargaining took place in advance during the year between Banco de Chile and the Banco de Chile Edwards and National No.1 unions and the Federation of Unions, resulting in the signing of a 4-year collective agreement. Banco de Chile also negotiated with the Citibank N.A. National Staff Union, resulting in a 3-year collective agreement.

As a result of these agreements, the benefits agreed were extended to non-unionized staff, thus achieving the objective of standardizing the benefits between different employees. These bargaining processes also generated a non-recurring expense of ThCh$28,125,548, charged to Staff remuneration and expenses, apart from the additional costs of a permanent nature deriving from these agreements.

(m) On December 12, 2011, Banco de Chile and its subsidiary Banchile Corredores de Seguros Limitada agreed with Banchile Seguros de Vida S.A. to extend the following insurance-related agreements to December 31, 2012:

1. Intermediation agreement signed between the subsidiary Banchile Corredores de Seguros Limitada and the related company Banchile Seguros de Vida S.A.

2. Agreements signed between Banco de Chile and Banchile Seguros de Vida S.A. for:

    a) Recoveries, collections and data management.
    b) Use of distribution channels.
    c) Use of the Banchile name.
    d) Mortgage protection insurance.

3. Framework agreement for insurance banking signed between Banco de Chile, Banchile Corredores de Seguros Limitada and Banchile Seguros de Vida S.A.

Banchile Seguros de Vida S.A. is a related company to Banco de Chile as provided for in article 146 of the Corporations Law. Banchile Corredores de Seguros Limitada is a subsidiary company of Banco de Chile, constituted in accordance with article 70 a) of the General Banking Law.

Note 39.4 - 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, 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 corporations and large company customers whose sales exceed UF 70,000 annually, where the offer of products is mainly in commercial loans, checking accounts and cash management services, debt instruments, foreign trade, derivative contracts and leasing.

Treasury: Includes income associated with the proprietary business of financial and exchange operations.

Business with customers handled by Treasury is reflected in the above-mentioned segments. In general these products are highly transactional, including exchange operations, financial derivatives and instruments, etc.

Subsidiaries: Companies controlled by the Bank, where results are obtained by company 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 results 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 results of the segments reconcile with those of the Bank at the total level, it is not necessarily so at the level of the different concepts since management is measured and controlled individually and not on a consolidated basis, 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 results have been assigned to each segment according to the Basel guidelines.
- Operating expenses are distributed at the level of each 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 income from transactions with a customer or counterparty accounting for 10% or more of the total income of the Bank in 2011 and 2010.

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.

The following tables show the results for 2011 and 2010 by the above-defined segments:

	December 31, 2011						
	Retail ThCh$	Wholesale ThCh$	Treasury ThCh$	Subsidiaries ThCh$	Sub total ThCh$	Adjustment (*) ThCh$	Total ThCh$
Net Interest & Indexation Income	589,036,307	247,470,705	20,460,208	4,203,818	861,171,038	10,145,429	871,316,467
Net fee Income	163,233,227	39,405,913	(535,800)	116,954,693	319,058,033	(10,284,235)	308,773,798
Other Operating Income	15,477,518	1,180,624	11,507,668	27,510,630	55,676,440	(11,988,633)	43,687,807
Total Operating Income	**767,747,052**	**288,057,242**	**31,432,076**	**148,669,141**	**1,235,905,511**	**(12,127,439)**	**1,223,778,072**
Allowances for Credit Risk	(111,701,773)	(10,082,460)	(963,617)	(2,093,006)	(124,840,856)	-	(124,840,856)
Depreciation & Amortization	(21,174,586)	(6,298,895)	(1,717,878)	(1,519,922)	(30,711,281)	-	(30,711,281)
Other Operating Expenses	(377,158,544)	(123,355,548)	(8,486,223)	(86,259,315)	(595,259,630)	12,127,439	(583,132,191)
Result of Investments in Companies	2,253,058	709,581	-	337,770	3,300,409	-	3,300,409
Earnings before Tax	259,965,207	149,029,920	20,264,358	59,134,668	488,394,153	-	488,394,153
Income Tax							(59,588,265)
Earnings after Tax							**428,805,888**
Assets	8,416,822,451	9,268,379,847	3,415,922,152	1,069,135,160	22,170,259,610	(547,004,525)	21,623,255,085
Current & Deferred Taxes							117,689,423
Total Assets							**21,740,944,508**
Liabilities	6,468,019,840	8,983,598,885	4,214,432,425	855,006,335	20,521,057,485	(547,004,525)	19,974,052,960
Current & Deferred Taxes							27,715,107
Total Liabilities							**20,001,768,067**

(*) This column relates to the consolidation adjustments of the subsidiary Banco de Chile incorporated in these consolidated financial statements.

The figures shown relate fully to the results by segments of the subsidiary Banco de Chile

	December 31, 2010						
	Retail ThCh$	Wholesale ThCh$	Treasury ThCh$	Subsidiaries ThCh$	Sub total ThCh$	Adjustment (*) ThCh$	Total ThCh$
Net Interest & Indexation Income	517,460,528	218,347,805	21,997,305	10,144,197	767,949,835	1,903,338	769,853,173
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	9,752,095	21,755,844	56,092,521	22,606,786	110,207,246	(3,538,238)	106,669,008
Total Operating Income	**672,527,974**	**281,058,964**	**77,723,110**	**150,311,865**	**1,181,621,913**	**(12,837,742)**	**1,168,784,171**
Allowances for Credit Risk	(133,822,789)	(71,646,818)	-	(3,120,250)	(208,589,857)	-	(208,589,857)
Depreciation & Amortization	(18,626,071)	(6,629,666)	(3,348,649)	(1,940,380)	(30,544,766)	-	(30,544,766)
Other Operating Expenses	(339,197,968)	(95,344,401)	(9,512,293)	(83,320,334)	(527,374,996)	12,837,742	(514,537,254)
Result of Investments in Companies	1,233,094	388,352	-	304,800	1,926,246	-	1,926,246
Earnings before Tax	182,114,240	107,826,431	64,862,168	62,235,701	417,038,540	-	417,038,540
Income Tax							(38,508,399)
Earnings after Tax							**378,530,141**
Assets	7,198,879,099	7,547,025,169	2,902,331,587	845,836,613	18,494,072,468	(375,551,644)	18,118,520,824
Current & Deferred Taxes							116,854,177
Total Assets							**18,235,375,001**
Liabilities	5,459,083,923	7,812,366,546	3,277,058,865	629,666,115	17,178,175,449	(375,551,644)	16,802,623,805
Current & Deferred Taxes							28,624,411
Total Liabilities							**16,831,248,216**

(*) This column relates to the consolidation adjustments of the subsidiary Banco de Chile incorporated in these consolidated financial statements.

The figures shown relate fully to the results by segments of the subsidiary Banco de Chile.

Note 39.5 - Cash and cash equivalents

(a) The detail of the balances of cash and cash equivalents and their reconciliation to the statement of cash flows for each year are as follows:

	2011 ThCh$	2010 ThCh$
Cash & bank deposits:		
Cash	346,169,549	309,347,996
Deposits with Banco Central de Chile	139,327,660	310,358,843
Deposits with national Banks	106,656,888	110,000,044
Foreign deposits	288,993,093	42,622,927
Sub total – cash & bank deposits	**881,147,190**	**772,329,810**
Operations pending settlement – net	218,216,153	221,002,268
Highly-liquid financial instruments	290,067,691	434,460,153
Repurchase agreements	40,476,529	19,901,974
Total cash & cash equivalents	**1,429,907,563**	**1,447,694,205**

The level of funds in cash and with Banco Central de Chile reflect 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:

	2011 ThCh$	2010 ThCh$
Assets		
Documents payable by other banks (clearing)	185,342,803	231,339,089
Funds receivable	188,297,723	198,413,800
Sub total - assets	**373,640,526**	**429,752,889**
Liabilities		
Funds payable	(155,424,373)	(208,750,621)
Sub total – liabilities	**(155,424,373)**	**(208,750,621)**
Operations pending settlement	**218,216,153**	**221,002,268**

Note 39.6 - Trading instruments

The detail of instruments classified as financial instruments for trading is:

	2011 ThCh$	2010 ThCh$
Instruments of the State and Banco Central de Chile		
Bonds of Banco Central de Chile	66,243,042	44,624,209
Notes of Banco Central de Chile	4,657,436	3,265,988
Other instruments of the State & Banco Central de Chile	6,941,459	109,301,885
Instruments of Other National Institutions		
Deposits with banks in Chile	-	-
Mortgage-funding notes of banks in Chile	61,313	195,984
Bonds of banks in Chile	585,351	1,739,673
Deposits in banks in Chile	191,002,128	119,002,486
Bonds of other companies in Chile	-	-
Other instruments issued in Chile	369,608	1,635,327
Instruments of Foreign Institutions		
Other foreign instruments	35,050,855	-
Investments in Mutual Funds		
Funds managed by related entities	31,910,159	28,787,159
Funds managed by others	-	-
Total	336,821,351	308,552,711

Instruments issued by the State and Banco Central de Chile include instruments sold under repurchase agreements to customers and financial institutions, amounting to ThCh$29,810,860 as of December 31, 2011 (ThCh$10,792,382 in 2010).

Instruments of other national institutions include instruments sold under repurchase agreements to customers and financial institutions, amounting to ThCh$152,430,814 as of December 31, 2011 (ThCh$56,742,884 in 2010).

Repurchase agreements have an average maturity of 7 days as of year-end (8 days in 2010).

The Bank also holds investments in its own mortgage-funding notes amounting to ThCh$64,928,987 as of December 31, 2011 (ThCh$76,334,100 in 2010), which are shown deducted from Debt instruments issued.

Note 39.7 - 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, 2011 and 2010 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	
	2011 ThCh$	2010 ThCh$	2011 ThCh$	2010 ThCh$	2011 ThCh$	2010 ThCh$	2011 ThCh$	2010 ThCh$	2011 ThCh$	2010 ThCh$	2011 ThCh$	2010 ThCh$	2011 ThCh$	2010 ThCh$
Instruments of the state & Banco Central de Chile														
Bonds of Banco Central de Chile	10,020,900	92,362	-	-	-	-	-	-	-	-	-	-	10,020,900	92,362
Other instruments of the state & Banco Central de Chile	-	5,014,283	-	-	-	-	-	-	-	-	-	-	-	5,014,283
Instruments of Other National Institutions														
Other instruments issued in Chile	30,190,945	7,609,401	6,269,947	68,346,040	1,499,089	1,725,396	-	-	-	-	-	-	37,959,981	77,680,837
Total	40,211,845	12,716,046	6,269,947	68,346,040	1,499,089	1,725,396	-	-	-	-	-	-	47,980,881	82,787,482

(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. The detail of these repurchase agreements as of December 31, 2011 and 2010 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	
	2011 ThCh$	2010 ThCh$	2011 ThCh$	2010 ThCh$	2011 ThCh$	2010 ThCh$	2011 ThCh$	2010 ThCh$	2011 ThCh$	2010 ThCh$	2011 ThCh$	2010 ThCh$	2011 ThCh$	2010 ThCh$
Instruments of the state & Banco Central de Chile														
Bonds of Banco Central de Chile	49,025,159	12,012,194	-	-	-	-	-	-	-	-	-	-	49,025,159	12,012,194
Notes of Banco Central de Chile	1,139,024	-	-	-	-	-	-	-	-	-	-	-	1,139,024	-
Other instruments of the state & Banco Central de Chile	-	13,665,302	-	-	-	-	-	-	-	-	-	-	-	13,665,302
Instruments of Other National Institutions														
Deposits with banks in Chile	168,414,066	53,806,957	4,553,181	40,368	70,517	-	-	-	-	-	-	-	173,037,764	53,847,325
Bonds of banks in Chile	-	2,229,644	-	-	-	-	-	-	-	-	-	-	-	2,229,644
Total	218,578,249	81,714,097	4,553,181	40,368	70,517	-	-	-	-	-	-	-	223,201,947	81,754,465

(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, 2011, the Bank and its subsidiaries have investments under resale agreements with a fair value of ThCh$47,021,902 (ThCh$74,895,386 in 2010). The Bank and its subsidiaries are obliged 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, 2011 amounts to ThCh$208,529,897 (ThCh$77,191,310 in 2010). 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 39.8 - Financial Derivative Contracts and Accounting Hedges

(a) The Bank as of December 31, 2011 and 2010 has the following portfolio of derivative instruments:

	Notional amount of contracts with final maturity							
	Up to 1 month		1 to 3 months		3 to 5 months		1 to 3 years	
	2011 ThCh$	2010 ThCh$	2011 ThCh$	2010 ThCh$	2011 ThCh$	2010 ThCh$	2011 ThCh$	2010 ThCh$
Derivatives held for accounting hedges at fair value								
Currency & rate swaps	-	-	-	-	-	-	13,376,418	29,484,624
Interest-rate swaps	-	-	-	-	-	-	15,749,940	14,191,611
Total derivative hedges at fair value	-	-	-	-	-	-	29,126,358	43,676,235
Cash flow hedge derivatives								
Currency & rate swaps	57,128,143	-	-	-	-	-	55,939,791	-
Total cash flow hedge derivatives	57,128,143	-	-	-	-	-	55,939,791	-
Derivatives for trading								
Currency forwards	3,672,500,245	3,696,947,540	2,375,831,569	2,504,683,411	4,102,695,431	3,586,107,437	325,203,747	414,837,625
Currency & rate swaps	133,883,273	127,948,702	145,791,059	320,000,000	1,065,272,182	1,050,844,544	1,497,510,668	2,223,195,801
Interest-rate swap	200,243,261	295,000,000	506,595,362	182,456,490	1,473,711,513	828,375,380	1,620,358,861	1,923,618,629
Currency call options	11,071,740	9,835,770	34,670,660	30,725,072	46,262,200	49,436,454	-	-
Currency put options	467,820	468,370	987,620	30,725,072	3,118,800	2,084,247	-	-
Other	-	-	-	-	-	-	-	-
Total derivatives for trading	4,018,166,339	4,130,200,382	3,063,876,270	3,068,590,045	6,691,060,126	5,516,848,062	3,443,073,276	4,561,652,055
Total	4,075,294,482	4,130,200,382	3,063,876,270	3,068,590,045	6,691,060,126	5,516,848,062	3,528,139,425	4,605,328,290

(b) Hedges of fair value:

The Bank uses cross-currency and interest-rate swaps to cover its exposure to changes in the fair value of the item hedged attributable to interest rates. The hedge instruments mentioned modify the effective cost of long-term issues, from a fixed interest rate to a variable interest rate, reducing the term and modifying the sensitivity to the shortest sections of the curve.

The following shows a detail of the elements and instruments hedged at fair value outstanding as of December 31, 2011 and 2010, by maturity:

	2011						
	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$	More than 5 years ThCh$	Total ThCh$
Element hedged							
Commercial loans	-	-	-	13,376,418	17,260,462	125,951,897	156,588,777
Corporate bonds	-	-	-	15,749,940	25,108,419	184,783,703	225,642,062
Total	-	-	-	29,126,358	42,368,881	310,735,600	382,230,839
Hedge instrument (notional value)							
Cross-currency swap	-	-	-	13,376,418	17,260,462	125,951,897	156,588,777
Interest-rate swap	-	-	-	15,749,940	25,108,419	184,783,703	225,642,062
Total	-	-	-	29,126,358	42,368,881	310,735,600	382,230,839

	2010						
	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$	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 (notional value)							
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

Notional amount of contracts with final maturity				Fair value			
3 to 5 years		More than 5 years		Asset		Liability	
2011 ThCh$	2010 ThCh$	2011 ThCh$	2010 ThCh$	2011 ThCh$	2010 ThCh$	2011 ThCh$	2010 ThCh$
17,260,462	23,601,105	125,951,897	107,569,484	-	65,462	11,148,399	4,212,231
25,108,419	22,624,144	184,783,703	116,268,169	-	2,060,634	27,273,366	7,246,045
42,368,881	**46,225,249**	**310,735,600**	**223,837,653**	**-**	**2,126,096**	**38,421,765**	**11,458,276**
-	-	-	-	-	-	1,513,751	-
-	**-**	**-**	**-**	**-**	**-**	**1,513,751**	**-**
27,809,399	-	-	-	125,765,260	119,932,574	115,796,977	191,279,869
685,216,472	245,930,024	891,617,307	240,436,699	181,092,429	284,701,584	174,984,464	227,380,740
621,418,110	514,805,501	584,081,970	538,621,255	77,588,581	82,688,331	97,991,716	97,766,858
-	-	-	-	1,239,167	133,095	1,148,805	108,897
-	-	-	-	1,738	-	34,882	428,485
-	-	672,384,132	647,095,719	-	-	21,044	21,044
1,334,443,981	**760,735,525**	**2,148,083,409**	**1,426,153,673**	**385,687,175**	**487,455,584**	**389,977,888**	**516,985,893**
1,376,812,862	**806,960,774**	**2,458,819,009**	**1,649,991,326**	**385,687,175**	**489,581,680**	**429,913,404**	**528,444,169**

(c) Cash-Flow Hedges:

(c.1) Starting in 2011, the Bank uses cross-currency swaps to hedge the risk of variability of cash flows attributable to changes in interest rates and fluctuations in exchange rates with respect to bonds issued abroad in Mexican pesos at the TIIE rate (interbank interest rate) plus 0.6 percentage points. The cash flows of the cross-currency swaps contracted are similar to the flows of the items hedged, and modify uncertain flows with known flows at a fixed interest rate.

These cross-currency swap contracts are also used to hedge the risk of variations in the Unidad de Fomento (UF) on asset flows denominated in UF up to a nominal amount equivalent to the notional part in UF of the hedge instrument, whose indexation impacts daily on interest and indexation income in the statement of income.

The following shows in the functional currency the nominal amounts of the items hedged as of December 31, 2011, and the period where the flows are revalued for hedge purposes:

	2011						
	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$	More than 5 years ThCh$	Total ThCh$
Item hedged (asset)							
Loans in UF (*)	57,128,143	-	-	-	-	-	57,128,143

(*) In the case of hedged assets, as the risk hedged relates to the variation in the UF, the balance of these assets is considered in the first section of revaluation, in accordance with IAS 39.

	2011						
	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$	More than 5 years ThCh$	Total ThCh$
Item hedged (liability)							
Corporate bonds in MXN	-	-	-	55,939,791	-	-	55,939,791
Total	**-**	**-**	**-**	**55,939,791**	**-**	**-**	**55,939,791**

(c.2) The following shows the estimate of the years when it is expected that the highly-probable flows hedged will be produced:

	2011						
	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$	More than 5 years ThCh$	Total ThCh$
Item hedged (corporate bonds MXN)							
Cash outflow	(235,382)	(469,894)	(2,349,472)	(62,048,426)	-	-	(65,103,174)
Total	**(235,382)**	**(469,894)**	**(2,349,472)**	**(62,048,426)**	**-**	**-**	**(65,103,174)**

Regarding the UF assets hedged, these are revalued monthly according to variations in the UF which are equivalent to carry out the reinvestment of the assets monthly until the maturity of the related hedge.

(c.3) The unrealized result generated by the derivatives comprising the hedge instrument in this cash-flow hedge strategy have been recorded as a charge to equity, for an amount of ThCh$485,642.

(c.4) The effect on income of the cash-flow hedge derivatives that offset the result of the instruments hedged is a charge of ThCh$1,029,109.

Note 39.9 - Due by banks

(a) As of December 31, 2011 and 2010, the balances of Due by Banks are as follows:

	2011 ThCh$	2010 ThCh$
Banks in Chile		
Interbank commercial loans	15,059,456	13,149,001
Allowance for loans to banks in Chile	(5,421)	-
Sub total	**15,054,035**	**13,149,001**
Foreign banks		
Interbank commercial loans	190,837,547	141,087,313
Overdrafts	-	939
Foreign trade loans with third countries	15,638,643	21,290,344
Other credits with banks abroad	127,076,242	174,514,439
Allowance for loans to banks abroad	(1,000,985)	(610,170)
Sub total	**332,551,447**	**336,282,865**
Banco Central de Chile		
Blocked deposits in Banco Central	300,000,000	-
Other credits with Banco Central	819,404	155,933
Sub total	**300,819,404**	**155,933**
Total	**648,424,886**	**349,587,799**

(a) The movement in allowances for loans due by banks during 2011 and 2010 is as follows:

Detail	Banks		
	In Chile ThCh$	Abroad ThCh$	Total ThCh$
Balance as of January 1, 2010	-	1,176,773	1,176,773
Allowances released	-	(566,603)	(566,603)
Balances as of December 31, 2010	-	610,170	610,170
Write-offs	-	-	-
Allowances made	5,421	390,815	396,236
Balances as of December 31, 2011	5,421	1,000,985	1,006,406

Note 39.10 - Loans and Receivables from Customers

(a) Loans and Receivables from Customers:

The composition of loans as of December 31, 2011 and 2010 is as follows:

	December 31, 2011						
	Assets before Allowances			Allowances made			
	Normal portfolio ThCh$	Impaired portfolio ThCh$	Total ThCh$	Individual Allowances ThCh$	Group Allowances ThCh$	Total ThCh$	Net Asset ThCh$
Commercial loans							
Commercial loans	7,652,935,886	210,905,633	7,863,841,519	(82,266,319)	(57,419,621)	(139,685,940)	7,724,155,579
Foreign trade finance	1,442,460,277	66,686,847	1,509,147,124	(58,457,974)	(504,030)	(58,962,004)	1,450,185,120
Debtors in checking accounts	212,594,597	1,883,916	214,478,513	(2,178,101)	(2,074,283)	(4,252,384)	210,226,129
Factoring operations	586,576,062	2,522,136	589,098,198	(7,827,702)	(612,836)	(8,440,538)	580,657,660
Commercial leasing operations (1)	973,013,518	23,552,618	996,566,136	(9,274,697)	(7,104,967)	(16,379,664)	980,186,472
Other loans & receivables	27,428,983	4,177,006	31,605,989	(372,277)	(1,904,644)	(2,276,921)	29,329,068
Sub total	**10,895,009,323**	**309,728,156**	**11,204,737,479**	**(160,377,070)**	**(69,620,381)**	**(229,997,451)**	**10,974,740,028**
Housing loans							
Loans with mortgage-funding notes	123,796,542	10,579,895	134,376,437	-	(870,996)	(870,996)	133,505,441
Endorsable mortgage loans	169,424,282	5,833,668	175,257,950	-	(880,982)	(880,982)	174,376,968
Other housing loans	3,250,181,535	47,095,507	3,297,277,042	-	(14,130,397)	(14,130,397)	3,283,146,645
Loans from the ANAP	54,684	-	54,684	-	(20,854)	(20,854)	33,830
Other loans & receivables	63,869	403,722	467,591	-	(1,282)	(1,282)	466,309
Sub total	**3,543,520,912**	**63,912,792**	**3,607,433,704**	**-**	**(15,904,511)**	**(15,904,511)**	**3,591,529,193**
Consumer loans							
Installment consumer loans	1,661,798,655	101,301,879	1,763,100,534	-	(110,189,817)	(110,189,817)	1,652,910,717
Checking account debtors	223,870,843	9,101,172	232,972,015	-	(5,806,184)	(5,806,184)	227,165,831
Credit card debtors	553,574,606	15,715,876	569,290,482	-	(22,569,879)	(22,569,879)	546,720,603
Other loans & receivables	251,278	5,885	257,163	-	(22,051)	(22,051)	235,112
Sub total	**2,439,495,382**	**126,124,812**	**2,565,620,194**	**-**	**(138,587,931)**	**(138,587,931)**	**2,427,032,263**
Total	**16,878,025,617**	**499,765,760**	**17,377,791,377**	**(160,377,070)**	**(224,112,823)**	**(384,489,893)**	**16,993,301,484**

	December 31, 2010						
	Assets before Allowances			Allowances made			
	Normal portfolio ThCh$	Impaired portfolio ThCh$	Total ThCh$	Individual Allowances ThCh$	Group Allowances ThCh$	Total ThCh$	Net Asset ThCh$
Commercial loans							
Commercial loans	6,554,117,823	372,038,437	6,926,156,260	(108,960,787)	(48,147,659)	(157,108,446)	6,769,047,814
Foreign trade finance	783,421,372	130,236,334	913,657,706	(50,249,216)	(279,381)	(50,528,597)	863,129,109
Debtors in checking accounts	109,881,371	12,224,534	122,105,905	(5,342,366)	(1,930,684)	(7,273,050)	114,832,855
Factoring operations	465,749,637	11,383,090	477,132,727	(5,566,696)	(506,780)	(6,073,476)	471,059,251
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 & receivables	34,385,001	3,456,387	37,841,388	(362,890)	(1,489,744)	(1,852,634)	35,988,754
Sub total	**8,654,261,729**	**599,925,775**	**9,254,187,504**	**(182,440,097)**	**(58,077,358)**	**(240,517,455)**	**9,013,670,049**
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	2,507,962,687	48,372,449	2,556,335,136	-	(12,700,298)	(12,700,298)	2,543,634,838
Loans from the ANAP	59,503	-	59,503	-	(24,038)	(24,038)	35,465
Home leasing operations	-	-	-	-	-	-	-
Other loans & receivables	56,784	435,562	492,346	-	(679)	(679)	491,667
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	1,389,886,969	92,168,629	1,482,055,598	-	(101,414,517)	(101,414,517)	1,380,641,081
Checking account debtors	221,093,368	9,673,971	230,767,339	-	(4,260,615)	(4,260,615)	226,506,724
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 & receivables	336,584	17,911	354,495	-	(34,215)	(34,215)	320,280
Sub total	**2,040,584,189**	**113,385,141**	**2,153,969,330**	**-**	**(121,194,759)**	**(121,194,759)**	**2,032,774,571**
Total	**13,549,709,415**	**785,068,920**	**14,334,778,335**	**(182,440,097)**	**(194,546,450)**	**(376,986,547)**	**13,957,791,788**

(1) In this heading, the Bank finances its customers to acquire assets, whether movable or immovable, under financial lease contracts. As of December 31, 2011 ThCh$395,599,674 (ThCh$353,454,512 in 2010) relate to real-estate financial leases, and ThCh$600,966,462 (ThCh$423,839,006 in 2010) relate to movable asset financial leases.

(b) Allowances for credit risk:

The movement in allowances for credit risk during 2011 and 2010 is as follows:

	Allowances		
	Individual ThCh$	Group ThCh$	Total ThCh$
Balance at January 1, 2010	144,017,608	178,624,795	322,642,403
Write-offs:			
Commercial loans	(24,588,280)	(32,581,428)	(57,169,708)
Housing loans	-	(2,375,611)	(2,375,611)
Consumer loans	-	(100,298,243)	(100,298,243)
Total write-offs	(24,588,280)	(135,255,282)	(159,843,562)
Allowances made	63,010,769	151,176,937	214,187,706
Allowances released	-	-	-
Balance at December 31, 2010	**182,440,097**	**194,546,450**	**376,986,547**
Balance at January 1, 2011	182,440,097	194,546,450	376,986,547
Write-offs:			
Commercial loans	(7,547,588)	(30,588,472)	(38,136,060)
Housing loans	-	(2,923,245)	(2,923,245)
Consumer loans	-	(92,951,297)	(92,951,297)
Total write-offs	(7,547,588)	(126,463,014)	(134,010,602)
Allowances made	-	156,029,387	156,029,387
Allowances released	(14,515,439)	-	(14,515,439)
Balance at December 31, 2011	**160,377,070**	**224,112,823**	**384,489,893**

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 39.22).

Complementary Disclosures:

1. As of December 31, 2011 and 2010, 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. See detail in Note 39.10 (e).

2. As of December 31, 2011 and 2010, 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 (*)	
	2011 ThCh$	2010 ThCh$	2011 ThCh$	2010 ThCh$	2011 ThCh$	2010 ThCh$
Up to 1 year	338,405,564	261,877,387	(42,362,012)	(32,363,181)	296,043,552	229,514,206
1 to 2 years	257,238,657	188,468,786	(31,668,098)	(24,586,730)	225,570,559	163,882,056
2 to 3 years	176,619,800	129,086,215	(20,846,561)	(16,910,343)	155,773,239	112,175,872
3 to 4 years	110,511,850	87,808,622	(14,279,763)	(11,869,671)	96,232,087	75,938,951
4 to 5 years	68,860,361	57,461,292	(10,089,400)	(8,634,645)	58,770,961	48,826,647
Over 5 years	183,112,334	163,552,657	(22,831,210)	(19,534,995)	160,281,124	144,017,662
Total	**1,134,748,566**	**888,254,959**	**(142,077,044)**	**(113,899,565)**	**992,671,522**	**774,355,394**

(*) The net balance receivable does not include past-due portfolio totaling ThCh$3,894,614 as of December 31, 2011 (ThCh$2,938,124 in 2010).

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, 2011 and 2010, the portfolio before allowances by customers' economic activity is as follows:

	Loans in				Total			
	Country		Abroad					
	2011 ThCh$	2010 ThCh$	2011 ThCh$	2010 ThCh$	2011 ThCh$	%	2010 ThCh$	%
Commercial loans:								
Services	2,553,927,149	2,186,182,500	772,781,675	659,338,136	3,326,708,824	19.14	2,845,520,636	19.81
Commerce	1,388,792,060	1,508,251,685	2,803,966	7,310,685	1,391,596,026	8.01	1,515,562,370	10.55
Manufacturing	1,462,266,989	1,174,339,152	-	-	1,462,266,989	8.41	1,174,339,152	8.17
Construction	1,158,366,745	932,436,318	-	-	1,158,366,745	6.67	932,436,318	6.49
Agriculture & livestock	793,272,492	639,711,216	-	-	793,272,492	4.56	639,711,216	4.45
Transport	419,042,846	472,042,524	-	-	419,042,846	2.41	472,042,524	3.29
Fishing	173,016,487	157,207,507	-	-	173,016,487	1.00	157,207,507	1.09
Electricity, gas & water	223,328,225	189,668,559	-	-	223,328,225	1.29	189,668,559	1.32
Telecommunications	142,147,123	110,585,085	-	-	142,147,123	0.82	110,585,085	0.77
Mining	350,641,026	104,696,013	65,976,400	-	416,617,426	2.40	104,696,013	0.73
Forestry	41,479,164	44,136,344	-	-	41,479,164	0.24	44,136,344	0.31
Other	1,603,592,708	1,038,084,285	53,302,424	30,197,495	1,656,895,132	9.53	1,068,281,780	7.66
Sub total	10,309,873,014	8,557,341,188	894,864,465	696,846,316	11,204,737,479	64.48	9,254,187,504	64.64
Housing loans	3,607,433,704	2,926,621,501	-	-	3,607,433,704	20.76	2,926,621,501	20.37
Consumer loans	2,565,620,194	2,153,969,330	-	-	2,565,620,194	14.76	2,153,969,330	14.99
Total	16,482,926,912	13,637,932,019	894,864,465	696,846,316	17,377,791,377	100.00	14,334,778,335	100.00

(e) Sale or assignment of loans

During 2011 and 2010, Banco de Chile has sold or assigned loans as follows:

2011			
Loan value ThCh$	Release of allowance (*) ThCh$	Sale value ThCh$	Effect on income (loss) gain ThCh$
51,890,450	(44,011,631)	9,373,102	1,494,283

2010			
Loan value ThCh$	Release of allowance (*) ThCh$	Sale value ThCh$	Effect on income (loss) gain ThCh$
51,944,552	(2,308,516)	51,795,827	2,159,791

(*) This result is included in the release of allowances shown in Note 39.29.

Note 39.11 - Investment instruments

As of December 31, 2011 and 2010, the detail of investment instruments designated as available for sale and held to maturity is as follows:

	2011			2010		
	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	158,864,552	-	158,864,552	67,822,337	-	67,822,337
Notes of Banco Central de Chile	58,564,577	-	58,564,577	212,815,605	-	212,815,605
Other state instruments & of Banco Central de Chile	194,964,849	-	194,964,849	90,849,400	-	90,849,400
Instruments of Other National Institutions						
Deposits in banks in Chile	-	-	-	-	-	-
Mortgage-funding notes of banks in Chile	87,966,314	-	87,966,314	70,055,023	-	70,055,023
Bonds of banks in Chile	124,203,086	-	124,203,086	73,331,196	-	73,331,196
Deposits with banks in Chile	521,880,198	-	521,880,198	398,788,941	-	398,788,941
Bonds of other companies in Chile	48,789,676	-	48,789,676	35,138,195	-	35,138,195
Notes of other companies in Chile	5,659,844	-	5,659,844	5,328,249	-	5,328,249
Other instruments issued in Chile (*)	139,601,418	-	139,601,418	116,682,143		116,682,143
Instruments of Foreign Institutions						
Instruments of foreign governments or central banks	-	-	-	-	-	-
Other instruments (*)	128,403,083	-	128,403,083	84,071,874	-	84,071,874
Provision for impairment						
Total	1,468,897,597	-	1,468,897,597	1,154,882,963	-	1,154,882,963

(*) According to SBIF regulations, a reclassification was made as of December 31, 2010 from Instruments of Foreign Institutions to Instruments of other national institutions, amounting to ThCh$116,682,143. See Note 39.36 (b).

Instruments issued by the Chilean State and Banco Central de Chile include instruments sold under repurchase agreements to customers and financial institutions, totaling ThCh$26,288,223 as of December 31, 2011 (ThCh$9,656,044 in 2010). The repurchase agreements have an average maturity of 12 days as of the year-end (12 days in 2010).

Instruments of foreign institutions mainly include bank bonds and shares.

As of December 31, 2011 the portfolio of instruments available for sale includes a net accumulated unrealized loss net of tax of ThCh$770,044 (unrealized gain of ThCh$2,947,560 in 2010), recorded as a valuation adjustment of equity.

During 2011 and 2010, 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 39.27 Results of financial operations, as of December 31, 2011 and 2010.

The gross realized gains and losses on sales of instruments available for sale in the subsidiary Banco de Chile as of December 31, 2011 and 2010 are shown as follows:

	2011 ThCh$	2010 ThCh$
Unrealized (loss) gain	(10,415,984)	9,885,427
Realized (loss) gain (reclassified)	931,988	(10,248,265)
Total	(9,483,996)	(362,838)

Note 39.12 - Investments in Companies

(a) The heading Investments in companies shows a total of ThCh$15,417,686 in 2011 (ThCh$13,293,070 in 2010), split as follows:

Company	Shareholder	Participation of the institution		Equity of the company		Investment			
						Value		Result	
		2011 %	2010 %	2011 ThCh$	2010 ThCh$	2011 ThCh$	2010 ThCh$	2011 ThCh$	2010 ThCh$
Investments valued according to the equity method:									
Servipag Ltda.	Banco de Chile	50.00	50.00	7,397,416	6,175,702	3,698,725	3,087,851	610,859	375,862
Redbanc S.A.	Banco de Chile	38.13	38.13	5,479,823	4,763,828	2,089,692	1,816,637	492,162	78,435
Administrador Financiero del Transantiago S.A.	Banco de Chile	20.00	20.00	8,714,277	3,879,283	1,742,873	775,857	967,002	192,798
Soc. Operadora de Tarjetas de Crédito Nexus S.A.	Banco de Chile	25.81	25.81	6,411,960	6,411,960	1,654,680	1,654,667	299,988	227,009
Transbank S.A.	Banco de Chile	26.16	26.16	6,274,299	6,205,265	1,641,148	1,623,074	312,479	292,413
Artikos Chile S.A.	Banco de Chile	50.00	50.00	1,984,346	1,839,791	992,190	919,895	72,281	221,560
Soc. Operadora de la Cámara de Compensación de Pagos de Alto Valor S.A.	Banco de Chile	14.17	14.17	3,795,366	3,347,102	537,811	474,278	102,319	58,767
Sociedad Interbancaria de Depósitos de Valores S.A.	Banco de Chile	26.81	26.81	1,572,849	1,392,021	421,646	373,165	92,161	114,939
Centro de Compensación Automatizado S.A.	Banco de Chile	33.33	33.33	1,251,927	1,038,606	417,283	346,167	105,153	47,074
Sub total						13,196,048	11,071,591	3,054,404	1,608,857
Investments valued at cost:									
Bolsa de Comercio de Santiago S.A.						1,645,820	1,645,820	246,005	213,000
Banco Latinoamericano de Comercio Exterior S.A. (Bladex)						308,858	308,858	-	104,389 (*)
Bolsa Electrónica de Chile S.A.						257,033	257,033	-	-
Cámara de Compensación						7,986	7,986	-	-
Sociedad de Telecomunicaciones Financieras Interbancarias Mundiales (Swift)						1,941	1,782	-	-
Sub total						2,221,638	2,221,479	246,005	317,389
Total						15,417,686	13,293,070	3,300,409	1,926,246

(*) 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:

	2011 ThCh$	2010 ThCh$
Financial position of the companies		
Current assets	479,842,135	379,982,632
Non-current assets	62,752,738	56,447,131
Current liabilities	493,285,513	393,873,480
Non-current liabilities	6,427,097	7,502,725
Equity	42,882,263	35,053,558
Results of the companies		
Operating result	21,042,943	10,421,258
Earnings (loss)	10,901,482	6,126,051
Book value of the investment	13,196,048	11,071,591

(c) The movement of investments in related companies not consolidated in 2011 and 2010 is as follows:

	2011 ThCh$	2010 ThCh$
Initial book value	13,293,070	12,606,623
Acquisition of investments	-	4,115
Participation in results with significant influence	3,054,404	1,608,857
Release of allowance Bladex	-	104,389
Dividends receivable	(508,054)	(336,656)
Dividends received	(760,526)	(984,478)
Payment of provisioned dividends	338,792	290,220
Total	**15,417,686**	**13,293,070**

(d) There was no impairment of these investments in 2011 and 2010.

Note 39.13 - Intangible assets

a) The composition as of December 31, 2011 and 2010 is as follows:

	Years									
	Useful life		Average remaining amortization		Gross balance		Accumulated amortization & impairment		Net balance	
	2011	2010	2011	2010	2011 ThCh$	2010 ThCh$	2011 ThCh$	2010 ThCh$	2011 ThCh$	2010 ThCh$
Type intangible asset:										
Goodwill:										
Goodwill	7	7	3	4	4,138,287	4,138,287	(2,379,446)	(1,758,721)	1,758,841	2,379,566
Other intangible assets:										
Software or computer programs	6	6	4	2	74,522,751	65,663,272	(41,535,624)	(32,687,682)	32,987,127	32,975,590
Intangible assets from combination of businesses	7	7	3	4	1,740,476	1,740,476	(1,000,774)	(739,702)	739,702	1,000,774
Other intangible assets	-	-	-	-	102,347	81,293	(71,721)	(65,443)	30,626	15,850
Total					**80,503,861**	**71,623,328**	**(44,987,565)**	**(35,251,548)**	**35,516,296**	**36,371,780**

b) The movement in intangible assets during 2011 and 2010 is as follows:

	Goodwill ThCh$	Software or computer programs ThCh$	Intangible assets from combination of businesses ThCh$	Other intangible assets ThCh$	Total ThCh$
Gross balance					
Balance at January 1, 2010	4,138,287	51,012,633	1,740,476	55,669	56,947,065
Acquisitions	-	15,300,409	-	25,624	15,326,033
Retirements	-	(649,770)	-	-	(649,770)
Balance at December 31, 2010	4,138,287	65,663,272	1,740,476	81,293	71,623,328
Acquisitions	-	9,575,824	-	21,054	9,596,878
Retirements	-	(716,345)	-	-	(716,345)
Balance at December 31, 2011	**4,138,287**	**74,522,751**	**1,740,476**	**102,347**	**80,503,861**
Accumulated amortization & impairment					
Balance at January 1, 2010	(1,137,996)	(23,958,524)	(478,631)	(40,926)	(25,616,077)
Amortization for year (*)	(620,725)	(8,729,158)	(261,071)	(24,517)	(9,635,471)
Loss for impairment (*)	-	-	-	-	-
Retirements	-	-	-	-	-
Other	-	-	-	-	-
Balance at December 31, 2010	**(1,758,721)**	**(32,687,682)**	**(739,702)**	**(65,443)**	**(35,251,548)**
Amortization for year (*)	(620,725)	(9,280,085)	(261,072)	(6,278)	(10,168,160)
Loss for impairment (*)	-	(295,882)	-	-	(295,882)
Retirements	-	156,342	-	-	156,342
Other	-	571,683	-	-	571,683
Balance at December 31, 2011	**(2,379,446)**	**(41,535,624)**	**(1,000,774)**	**(71,721)**	**(44,987,565)**
Net balance at December 31, 2011	**1,758,841**	**32,987,127**	**739,702**	**30,626**	**35,516,296**

(*) See Note 39.32 on depreciation, amortization and impairment.

(c) As of December 31, 2011 and 2010, the following commitments have been made for the acquisition of intangible assets which have not been capitalized:

Detail	Amount of commitment	
	2011 ThCh$	2010 ThCh$
Software & licenses	6,638,623	5,151,994

Note 39.14 - Property, plant & equipment

(a) The composition of property, plant & equipment as of December 31, 2011 and 2010 is as follows:

	Land & buildings ThCh$	Equipment ThCh$	Other ThCh$	Total ThCh$
Gross balance				
Balance at January 1, 2010	171,215,089	116,138,160	122,663,829	410,017,078
Additions	5,386,529	7,922,240	9,019,544	22,328,313
Retirements/write-offs	(2,660,891)	(2,937,931)	(2,548,762)	(8,147,584)
Transfers	-	1,203	(1,203)	-
Total	**173,940,727**	**121,123,672**	**129,133,408**	**424,197,807**
Accumulated depreciation	(31,136,305)	(98,464,914)	(87,038,670)	(216,639,889)
Impairment (*)	(209,292)	(210,411)	(624,736)	(1,044,439)
Balance at December 31, 2010	**142,595,130**	**22,448,347**	**41,470,002**	**206,513,479**
Balance at January 1, 2011	173,731,434	120,913,261	128,508,673	423,153,368
Additions	3,480,857	8,797,483	9,794,570	22,072,910
Retirements/write-offs	(945,004)	(3,893,171)	(847,043)	(5,685,218)
Transfers	-	4,704	(4,704)	-
Total	**176,267,287**	**125,822,277**	**137,451,496**	**439,541,060**
Accumulated depreciation	(33,504,043)	(103,015,181)	(94,799,068)	(231,318,292)
Impairment (*)	-	(3,519)	(331,865)	(335,384)
Balance at December 31, 2011	**142,763,244**	**22,803,577**	**42,320,563**	**207,887,384**
Accumulated depreciation				
Balance at January 1, 2010	(28,206,525)	(92,920,638)	(81,094,119)	(202,221,282)
Depreciation for year (**) (*)	(3,171,427)	(8,421,921)	(8,935,243)	(20,528,591)
Write-offs & sales in year	241,647	2,877,645	2,990,692	6,109,984
Balance at December 31, 2010	**(31,136,305)**	**(98,464,914)**	**(87,038,670)**	**(216,639,889)**
Depreciation for year (**) (*)	(2,960,391)	(8,438,966)	(8,763,060)	(20,162,417)
Write-offs & sales in year	592,653	3,888,699	1,002,662	5,484,014
Balance at December 31, 2011	**(33,504,043)**	**(103,015,181)**	**(94,799,068)**	**(231,318,292)**

(*) See Note 39.32 on depreciation, amortization and impairment
(**) Excludes depreciation for the year of investment properties that are included in Other assets for ThCh$380,704 (ThCh$380,704 in 2010).

(b) As of December 31, 2011 and 2010, there are operative lease contracts that cannot be rescinded unilaterally. Future rental payments are as follows:

		2011						
	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	25,924,416	2,054,156	4,017,437	16,964,368	32,143,417	25,505,043	54,930,721	135,615,142

		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

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, 2011 and 2010, so there are no balances of property, plant & equipment under financial leases as of those dates.

Note 39.15 - 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 as net recoverable or payable taxes as of December 31 each year, as per the following detail:

	2011 ThCh$	2010 ThCh$
Income tax	64,621,013	54,153,911
Previous years' tax	-	3,052,000
Tax on disallowed expenses 35%	1,701,135	1,834,821
Less:		
Monthly provisional payments	(62,224,975)	(53,107,570)
Training expense credits	(741,791)	(1,327,123)
Other	(229,816)	(7,959,570)
Total	**3,125,566**	**(3,353,531)**
Rate of income tax	20%	17%

	2011 ThCh$	2010 ThCh$
Current tax assets	1,407,209	5,653,508
Current tax liabilities	(4,532,775)	(2,299,977)
Total	**(3,125,566)**	**3,353,531**

b) Tax Result:

The tax charge during the years ended December 31, 2011 and 2010 is detailed as follows:

	2011 ThCh$	2010 ThCh$
Charges for income tax:		
Tax current year	(64,621,013)	(54,153,911)
Tax previous years	1,203,000	1,722,519
Sub total	**(63,418,013)**	**(52,431,392)**
Credit (charge) for deferrred taxes:		
Origination & reversal of timing differences	8,478,941	13,448,673
Tax-rate change effect on deferred taxes	(2,234,069)	2,262,994
Sub total	**6,244,872**	**15,711,667**
Taxes on disallowed expenses Art 21 of the tax law	(1,701,135)	(1,834,821)
Other	(789,699)	3,934
Net charge to income for income taxes	**(59,663,975)**	**(38,550,612)**

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, 2011 and 2010:

	2011		2010	
	Tax rate %	ThCh$	Tax rate %	ThCh$
Tax on financial result	20.00	97,754,542	17.00	70,938,765
Additions or deductions	(7.56)	(36,928,697)	(6.38)	(26,602,859)
Sole tax (disallowed expenses)	0.35	1,701,135	0.44	1,834,821
Prevous years' taxes	(0.25)	(1,203,000)	(0.41)	(1,722,519)
Deferred tax rate change effects (*)	0.46	2,234,069	(0.54)	(2,262,994)
Other	(0.80)	(3,894,074)	(0.88)	(3,634,602)
Effective rate & charge for income tax	**12.20**	**59,663,975**	**9.23**	**38,550,612**

The effective rate for income tax for the year 2011 is 12.20% (9.23% in 2010). The increase is mainly due to the change in the income tax rate.

* 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 results of deferred taxes due to this change meant a charge to income for 2011 of ThCh$2,234,069 (credit of ThCh$2,262,994 in 2010).

d) Effect of deferred taxes on result and equity

The effects of deferred taxes on assets, liabilities and results are detailed as follows:

	Balances as of 12.31.2010 ThCh$	Recorded in		Balances as of 12.31.2011 ThCh$
		Income ThCh$	Equity ThCh$	
Debtor Differences:				
Allowance for credit risks	72,531,817	4,377,930	-	76,909,747
Obligations under repurchase agreements	853,400	996,600	-	1,850,000
Materials leasing	8,893,556	3,426,295	-	12,319,851
Provision related to personnel	4,397,404	532,302	-	4,929,706
Provision for vacations	3,596,178	40,792	-	3,636,970
Accrued interest & indexation impaired loans	1,466,293	107,222	-	1,573,515
Severance payments	1,401,662	61,189	-	1,462,851
Other adjustments	18,060,359	(4,460,785)	-	13,599,574
Total Net Assets	**111,200,669**	**5,081,545**	**-**	**116,282,214**
Creditor Differences:				
Investments under repurchase agreements	871,517	1,240,479	-	2,111,996
Depreciation & monetary correction property, plant & equipment	13,388,432	(1,779,474)	-	11,608,958
Adjustment valuation of investments available for sale	1,493,493	-	(1,866,548)	(373,055)
Adjustment of cash-flow hedge derivatives	-	-	(89,659)	(89,659)
Transitory assets	1,570,835	(46,389)	-	1,524,446
Adjustment derivative instruments	3,740,376	(1,683,041)	-	2,057,335
Other adjustments	5,268,260	1,105,097	-	6,373,357
Total Net Liabilities	**26,332,913**	**(1,163,328)**	**(1,956,207)**	**23,213,378**
Total net assets (liabilities)	**84,867,756**	**6,244,873**	**1,956,207**	**93,068,836**

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.

(e.1) Loans /& receivables from customers at 12.31.2011	Assets at value of financial statements (*) ThCh$	Assets at tax value ThCh$	Assets at tax value		
			Past-due portfolio with collateral ThCh$	Unsecured past-due portfolio ThCh$	Total past-due portfolio ThCh$
Due by banks	648,424,886	649,431,293	-	-	-
Commercial loans	9,652,021,001	10,123,826,489	13,609,571	30,947,320	44,556,891
Consumer loans	2,427,032,263	2,668,561,515	305,004	11,651,766	11,956,770
Housing mortgage loans	3,591,529,193	3,628,020,435	3,479,268	390,259	3,869,527
Total	16,319,007,343	17,069,839,732	17,393,843	42,989,345	60,383,188

(*) 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 exclude leasing and factoring operations.

(e.2) Allowances for past-due portfolio	Balance at 01.01.2011 ThCh$	Write-offs against allowances ThCh$	Allowances made ThCh$	Allowances released ThCh$	Balance at 12.31.2011 ThCh$
Commercial loans	27,595,998	(15,874,893)	33,873,409	(14,647,194)	30,947,320
Consumer loans	8,945,564	(89,960,920)	104,157,317	(11,490,195)	11,651,766
Housing mortgage loans	151,173	(542,108)	1,257,003	(475,809)	390,259
Total	36,692,735	(106,377,921)	139,287,729	(26,613,198)	42,989,345

(e.3) Direct write-offs and recoveries	ThCh$
Direct write-offs Art. 31 No.4, 2nd paragraph	13,885,685
Condonations originating release of allowances	35,680
Recoveries or re-negotiation of written-off loans	44,385,273

(e.4) Application of Art. 31 No.4 1st & 3rd paragraphs o the IncomeTax Law	ThCh$
Write-offs according to the 1st paragraph	-
Condonations per the 3rd paragraph	696,896

Note 39.16 - Other Assets

a) Composition

The composition of these as of December 31, 2011 and 2010 is:

	2011 ThCh$	2010 ThCh$
Assets for leasing (*)	**74,184,516**	**90,792,324**
Assets received in lieu of payment		
Assets received in payment	1,862,841	939,714
Assets adjudicated in judicial auction	2,744,771	2,404,335
Allowances for assets received in payment	(1,117,517)	(15,026)
Sub total	3,490,095	3,329,023
Other Assets		
Trading of documents (***)	77,612,902	103,447,679
Investment properties (Note 2 t)	17,078,837	17,459,541
Other accounts & documents receivable	9,851,037	25,546,496
VAT fiscal credit	9,557,256	8,251,325
Recoverable tax	5,373,332	4,441,938
Prepaid expenses	4,567,401	4,493,525
Commissions receivable	4,192,973	3,772,043
Balances with branches	3,531,914	5,114,668
Rental guarantees	1,344,107	1,144,595
Operations pending	1,340,294	2,170,542
Materials & tools	653,804	598,669
Receivables for sold assets received in payment	529,772	1,078,917
Leased assets recovered for sale	202,618	2,196,810
Other	15,021,771	12,182,597
Sub total	150,858,018	191,899,345
Total	228,532,629	286,020,692

(*) Relate to property, plant & equipment to be delivered under financial leases.

(**) Assets received in lieu of payment are those with respect to customers with past-due debts. The combination of assets held acquired in this way does not at any time exceed 20% of the Bank's equity. These assets currently represent 0.07% (0.04% in 2010) of the Bank's equity.

Assets adjudicated in a judicial auction are not subject to the margin commented above. These are assets available for sale and it is expected to complete the sale within one year of the asset being received or acquired. Should the asset not be sold within a year, it has to be written off.

The allowance for assets received in lieu of payment is recorded as indicated in the Compendium of Accounting Standards, which implies the booking 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 or adjudicated during 2011 and 2010 is as follows:

	ThCh$
Balance at January 1, 2010	228,715
Application of allowances	(281,539)
Allowances made	73,343
Allowances released	(5,493)
Balance at December 31, 2010	15,026
Application of allowances	(21,738)
Allowances made	1,137,796
Allowances released	(13,567)
Balance at December 31, 2011	**1,117,517**

Note 39.17 - Current Account and Other Demand Deposits

As of December 31 each year, the composition is as follows:

	2011 ThCh$	2010 ThCh$
Current accounts	3,968,354,831	3,611,711,040
Other demand deposits & accounts	245,837,260	211,626,782
Other demand obligations	616,396,529	515,293,257
Total	**4,830,588,620**	**4,338,631,079**

Note 39.18 - Deposits and Other Loans at Term

As of December 31 each year, the composition is as follows:

	2011 ThCh$	2010 ThCh$
Time deposits	9,079,619,646	7,495,757,045
Time savings accounts	177,899,996	173,404,883
Other term creditor balances	23,088,378	27,490,543
Total	**9,280,608,020**	**7,696,652,471**

Note 39.19 - Obligations with Banks

(a) As of December 31, 2011 and 2010, the composition is as follows:

	2011 ThCh$	2010 ThCh$
Banks in Chile	-	-
Banks abroad		
Foreign trade financing		
Well Fargo Bank	197,067,186	139,567,152
Citibank N.A.	193,048,596	140,924,522
Bank of America N.T. & S.A.	169,482,198	144,192,417
Commerzbank A.G.	156,137,533	80,050,813
Bank of Montreal	125,053,413	20,071,335
Standard Chartered Bank	124,411,583	64,218,514
JP Morgan Chase Bank	122,698,951	79,694,944
Banca Nazionale del Lavoro	78,198,274	70,618,857
Toronto Dominion Bank	67,682,047	75,212,490
Royal Bank of Scotland	64,583,948	66,547,622
Zuercher Kantonalbank	41,037,942	16,619,578
ING Bank	39,108,024	18,740,132
Sumitomo Banking	36,456,454	-
The Bank of New York Mellon	36,412,464	32,810,478
Branch Banking and Trust Company	10,412,853	7,506,539
Bank of Nova	3,119,060	-
Banco Espiritu Santo	2,605,171	-
Bank of China	1,206,118	452,990
Banco Ambrosiano Veneto	-	70,662,547
China Development Bank	-	46,377,558
Mercantil Commercebank N.A.	-	28,085,311
Banco Latinoamericano	-	23,440,546
Banco de Sabadell	-	332,948
Crédito Italiano SPA	-	215,616
Bank of Tokyo Mitsubishi	-	172,205
Dresdner Bank A.G.	-	153,851
HSBC Banck PLAC	-	118,191
Hanvit Bank	-	45,955
Banca Commerciale Italiana S.P.A.	-	41,101
UBS AG	-	33,149
Other	73,980	124,675
Loans & other obligations		
Well Fargo Bank	104,174,612	33,890,188
China Development Bank	52,032,262	46,877,744
Standard Chartered Bank	39,591,439	46,949,580
Citibank N.A.	1,009,853	12,752,964
HSBC Bank PLC	-	1,293,611
Other	2,478,753	12,496,254
Sub total	1,668,082,714	1,281,292,377
Banco Central de Chile	22,854,629	80,359
Total	1,690,937,343	1,281,372,736

(b) Obligations with Banco Central de Chile:

The debt with Banco Central de Chile includes lines of credit for the renegotiation of loans and other debts with Banco Central de Chile. These lines of credit were provided by Banco Central de Chile for the renegotiation of loans because of the need to refinance them following the recession and crisis in the banking system in the early 1980s.

The total amounts of debt with Banco Central are as follows:

	2011 ThCh$	2010 ThCh$
Loans & other obligations	22,792,553	-
Total lines of credit for renegotiation of obligations		
with the Banco Central	62,076	80,359
Total	22,854,629	80,359

(c) Obligations abroad:

The maturities of these obligations are as follows:

	2011 ThCh$	2010 ThCh$
Up to 1 month	115,694,494	221,196,455
2 to 3 months	200,786,187	238,740,119
3 to 12 months	1,079,317,467	686,322,026
1 to 3 years	220,367,816	77,979,583
3 to 5 years	51,916,750	57,054,194
Total	1,668,082,714	1,281,292,377

Note 39.20 - Debt Instruments Issued

As of December 31, 2011 and 2010, the composition is as follows:

	2011 ThCh$	2010 ThCh$
Mortgage-funding notes	152,098,808	198,868,460
Straight bonds	1,488,368,881	820,330,682
Subordinated bonds	747,874,344	744,965,583
Total	2,388,342,033	1,764,164,725

During 2011, Banco de Chile placed bonds amounting to ThCh$749,585,778, corresponding to straight bonds.

Straight Bonds

Series	Amount ThCh$	Term	Issue rate	Currency	Issue date	Maturity date
BCHIUE0510	82,638,806	6 years	2.20	UF	20/05/2011	20/05/2017
BCHIUG0610	81,801,507	11 years	2.70	UF	27/05/2011	27/05/2022
BCHIUC0510	37,865,920	5 years	2.20	UF	07/07/2011	07/07/2016
BCHIUF0610	36,608,172	10 years	2.70	UF	07/07/2011	07/07/2021
BCHIUI0611	42,944,499	7 years	3.20	UF	12/07/2011	12/07/2018
BCHIUI0611	34,095,502	7 years	3.20	UF	20/07/2011	20/07/2018
BCHIUK0611	52,865,969	11 years	3.50	UF	28/07/2011	28/07/2022
BCHIUD0510	46,014,419	6 years	2.20	UF	28/07/2011	28/07/2017
BCHIUK0611	33,451,132	11 years	3.50	UF	29/07/2011	29/07/2022
BCHIUI0611	431,909	7 years	3.20	UF	02/08/2011	02/08/2018
BCHIUI0611	755,757	7 years	3.20	UF	03/08/2011	03/08/2018
BCHIUJ0811	48,045,364	8 years	3.20	UF	12/09/2011	12/09/2019
BCHI-B1208	84,911,881	7 years	2.20	UF	12/09/2011	12/09/2018
BCHIUD0510	12,789,670	6 years	2.20	UF	22/09/2011	22/09/2017
BCHIUH0611	21,668,090	6 years	3.00	UF	29/09/2011	29/09/2017
BCHIUI0611	65,013,870	7 years	3.20	UF	30/09/2011	30/09/2018
BCHIUD0510	10,675,486	6 years	2.20	UF	30/09/2011	30/09/2017
BCHIUD0510	1,068,034	6 years	2.20	UF	13/10/2011	13/10/2017
BNCHIL (*)	55,939,791	3 years	5.41	MXN	08/12/2011	04/12/2014
Total	**749,585,778**					

(*) The board meeting No.2,738 held on Aiguat 11, 2011, authorized a revolving stock certificates placement program in Mexico for $10,000,000,000 (ten billion Mexican pesos), of which $1,500,000,000 (one thousand five hundred million Mexican pesos) was issued and placed on December 8.

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, as follows:

Straight Bonds

Series	Amount ThCh$	Term	Issue rate	Currency	Issue date	Maturity date
BCHIUA0609	80,159,588	5 years	1.75	UF	10/03/2010	10/03/2015
BCHIUB0609	51,927,979	10 years	2.50	UF	02/06/2010	02/06/2020
BCHIUB0609	26,165,188	10 years	2.50	UF	03/06/2010	03/06/2020
BCHI-T0207	82,091,177	11 years	2.70	UF	02/07/2010	02/07/2021
BCHIUC0510	41,574,335	5 years	2.20	UF	23/08/2010	23/08/2015
BCHIUF0610	40,896,903	10 years	2.70	UF	23/08/2010	23/08/2020
BCHIUF0610	8,021,532	10 years	2.70	UF	07/10/2010	07/10/2020
Total	**330,836,702**					

Subordinated Bonds

Series	Amount ThCh$	Term	Issue rate	Currency	Issue date	Maturity date
UCHI-F1108	91,672,558	25 years	4.50	UF	14/04/2010	14/04/2035
UCHI-F1108	22,198,016	25 years	4.50	UF	15/04/2010	15/04/2035
UCHI-F1108	1,562,958	25 years	4.50	UF	16/04/2010	16/04/2035
UCHI-F1108	92,497,122	25 years	4.50	UF	11/05/2010	11/05/2035
UCHI-F1108	53,603,687	25 years	4.50	UF	13/05/2010	13/05/2035
Total	**261,534,341**					

The Bank has not defaulted in payment of principal, interest or others with respect to its debt instruments during 2011 and 2010.

Note 39.21 - Other Financial Obligations

As of December 31, 2011 and 2010, the composition is as follows:

	2011 ThCh$	2010 ThCh$
Obligations with the public sector	61,734,090	67,601,275
Other obligations in the country	121,135,507	109,590,912
Total	**182,869,597**	**177,192,187**

Note 39.22 - Provisions

(a) As of December 31, 2011 and 2010, the composition is as follows:

	2011 ThCh$	2010 ThCh$
Provisions for minimum dividends shareholders SM Chile	20,803,988	20,475,320
Provisions for minimum dividends other shareholders	55,368,710	43,461,379
Provisions for employee benefits & remuneration	60,634,771	55,433,123
Allowances for contingent loans risk	35,332,915	30,113,973
Provisions for contingencies:		
Additional loan allowances (*)	95,485,849	71,433,772
Allowances for country risk	4,280,820	3,495,679
Other provisions for contingencies	2,701,774	1,123,752
Total	**274,608,827**	**225,536,998**

(*) A net amount was provided in 2011 of ThCh$24,052,077 (ThCh$21,083,668 in 2010) as an anti-cyclical allowance for commercial loans.

(b) The following shows the movement in provisions during 2011 and 2010:

	Minimum dividend ThCh$	Employee benefits & remuneration ThCh$	Contingent credit risks ThCh$	Additional allowances ThCh$	Country risk & other contingencies ThCh$	Total ThCh$
Balance at January 1, 2010	47,561,558	46,210,717	8,133,538	50,350,104	3,492,939	155,748,856
Provisions made	63,936,699	48,545,571	6,053,547	21,646,773	1,861,581	142,044,171
Application of provisions	(47,561,558)	(37,288,878)	-	-	(735,089)	(85,585,525)
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	**63,936,699**	**55,433,123**	**30,113,973**	**71,433,772**	**4,619,431**	**225,536,998**
Balance at January 1, 2011	63,936,699	55,433,123	30,113,973	71,433,772	4,619,431	225,536,998
Provisions made	76,172,698	47,933,940	5,368,199	24,052,077	2,750,914	156,277,828
Application of provisions	(63,936,699)	(41,892,278)	-	-	(214,555)	(106,043,532)
Release of provisions	-	(840,014)	(149,257)	-	(173,196)	(1,162,467)
Balance at December 31, 2011	**76,172,698**	**60,634,771**	**35,332,915**	**95,485,849**	**6,982,594**	**274,608,827**

(c) Provisions for employee benefits and remuneration:

	2011 ThCh$	2010 ThCh$
Provisions for performance bonuses	28,827,164	25,919,968
Provisions for vacations	20,361,301	18,773,410
Provisions severance payments	8,511,135	7,980,996
Provisions for other employee benefits	2,935,171	2,758,749
Total	**60,634,771**	**55,433,123**

(d) Severance payments:

(i) Movement in severance payments:

	2011 ThCh$	2010 ThCh$
Present value of obligations at start of year	7,980,996	7,955,013
Increase in provision	885,879	842,558
Payments made	(281,754)	(378,635)
Payments advanced	(20,411)	-
Effect of change in discount rate	(53,575)	(437,940)
Total	**8,511,135**	**7,980,996**

(ii) Benefit expenses, net:

	2011 ThCh$	2010 ThCh$
Increase in provision	885,879	842,558
Interest cost of benefit obligations	482,052	470,141
Actuarial gains & losses	(535,627)	(908,081)
Benefit expenses, net	**832,304**	**404,618**

(iii) Factors used in the calculation of the provision:

The principal assumptions used in the determination of severance payments for the Bank's plan are as follows:

	December 31 2011 %	December 31 2010 %
Discount rate	6.04	5.91
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, 2011.

(e) Movement in provision for performance bonuses:

	2011 ThCh$	2010 ThCh$
Balances at January 1	25,919,968	18,639,170
Provisions made	30,654,684	30,871,628
Application of provisions	(27,723,565)	(23,089,830)
Release of provisions	(23,923)	(501,000)
Total	**28,827,164**	**25,919,968**

(f) Movement in provision personnel vacations:

	2011 ThCh$	2010 ThCh$
Balances at January 1	18,773,410	17,168,081
Provisions made	5,821,134	5,092,664
Application of provisions	(4,186,245)	(3,238,048)
Release of provisions	(46,998)	(249,287)
Total	**20,361,301**	**18,773,410**

(g) Provision for employee benefits in shares:

As of December 31, 2011 and 2010, the Company and its subsidiaries have no share compensation plan.

(h) Allowances for contingent credits:

As of December 31, 2011 and 2010, the Company and its subsidiaries maintain allowances for contingent credits of ThCh$35,332,915 in 2011 (ThCh$30,113,973 in 2010), as shown in Note 39.24 (d).

Note 39.23 - Other liabilities

As of December 31, 2011 and 2010, the composition is as follows:

	2011 ThCh$	2010 ThCh$
Accounts & notes payable (*)	79,031,315	53,854,590
Advance payments received	5,378,198	5,727,647
Agreed dividends payable	785,939	779,147
Other liabilities		
Document trading operations (**)	134,819,632	112,924,331
Co-branding	20,893,672	14,350,312
VAT fiscal debit	12,464,793	9,539,529
Deferred leasing earnings	7,038,856	6,355,958
Operations pending	1,941,028	601,832
Insurance premiums	1,156,647	4,357,539
Other	3,329,822	3,352,063
Total	**266,839,902**	**211,842,948**

(*) Include obligations that fall outside the business operations such as withholding taxes, social-security payments, 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 39.24 - Contingencies and Commitments

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 position, they involve credit risks and are therefore part of the Bank's overall risk.

The Bank and its subsidiaries book in memorandum accounts the following balances related to such commitments and business-related responsibilities:

	2011 ThCh$	2010 ThCh$
Contingent liabilities		
Guarantees	216,249,201	203,900,147
Confirmed foreign letters of credit	137,253,062	58,111,673
Documentary letters of credit opened	131,566,567	152,983,396
Performance bonds	1,235,031,186	1,062,020,246
Credit lines available on demand	4,881,219,778	4,146,591,236
Other credit commitments	164,360,620	35,772,229
Operations on behalf of third parties		
Documents in collection	582,089,943	497,369,700
Third-party funds managed by the Bank:		
Financial assets managed on behalf of third parties	2,765,863	4,654,108
Financial assets acquired in own name	62,701,286	22,851,694
Custody of securities		
Valuables held in power of the Bank	5,613,494,649	6,484,397,713
Valuables in custody deposited in other entity	4,088,670,208	4,187,872,964
Total	**17,115,402,363**	**16,856,525,106**

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 issue 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, 2011, allowances have been established amounting to ThCh$736,000 (ThCh$909,196 in 2010), which form part of Provisions in the statement of financial position. The following shows the estimated dates of termination of the lawsuits:

	December 31, 2011					
	2012 ThCh$	2013 ThCh$	2014 ThCh$	2015 ThCh$	2016 ThCh$	Total ThCh$
Judicial contingencies	110,000	359,000	150,000	30,000	87,000	736,000

b.2) Contingencies for significant demands in the courts:

As of December 31, 2011 and 2010, there are no significant demands in the courts that affect or could affect these consolidated financial statements.

c) Guarantees granted for operations:

c.1) 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 2,501,000 expiring on January 6, 2012.

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$104,301,061 as of December 31, 2011 (ThCh$132,110,683 in 2010).

The following is the detail of the performance bonds:

Fund	2011 ThCh$	Bond No.
Fondo Mutuo Banca Americana Voltarget Garantizado	16,073,577	001818-4
Fondo Mutuo Carry Trade Monedas Garantizado	5,898,565	001820-7
Fondo Mutuo Estrategia Commodities Garantizado	8,760,748	001821-5
Fondo Mutuo Muralla China Garantizado	26,308,160	001819-2
Fondo Mutuo Potencias Consolidadas Garantizado	38,490,699	001822-3
Fondo Mutuo Ahorro Estable I Garantizado	7,981,483	001850-8
Fondo Mutuo Ahorro Plus I Garantizado	787,829	001846-9
Total	**104,301,061**	

c.2) 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.

	2011 ThCh$	2010 ThCh$
Securities in guarantee:		
Shares in guarantee of simultaneous transactions on:		
Santiago Stock Exchange	15,980,311	3,425,927
Chilean Electronic Exchange	21,731,372	73,261,089
Money market to Pershing Division of Donaldson, Lufkinn and Jenrette Securities Corporation	63,673	57,329
Performance bond	231,133	225,284
Performance bond covering portfolio management operations	5,127,627	-
Fixed-income securities to guarantee CCLV system, Santiago Stock Exchange	2,986,672	2,983,353
Total	46,120,788	79,952,982

In accordance with the 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 Chilean Electronic Exchange 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, 2012, that covers employee fidelity, physical losses, falsification or adulteration, and currency fraud with a cover equivalent to US$ 10,000,000.

d) Allowances for contingent credits:

The following are the allowances made for the credit risk of contingent operations:

	2011 ThCh$	2010 ThCh$
Lines of credit	20,678,695	16,612,511
Performance bonds	12,519,753	9,722,536
Guarantees	1,525,809	1,011,376
Letters of credit	522,297	2,767,550
Other credit commitments	86,361	-
Total	35,332,915	30,113,973

Note 39.25 - Income and Expenses for Interest and Indexation

(a) The composition of interest and indexation income and expense at the close of the financial statements is as follows:

	2011				2010			
	Interest ThCh$	Indexation ThCh$	Prepaid commissions ThCh$	Total ThCh$	Interest ThCh$	Indexations ThCh$	Prepaid commissions ThCh$	Total ThCh$
Commercial loans	572,409,058	138,729,556	3,506,839	714,645,453	407,765,578	76,212,267	1,420,495	485,398,340
Consumer loans	428,143,149	1,571,862	6,262,084	435,977,095	370,764,997	909,901	5,273,546	376,948,444
Housing loans	138,540,173	123,899,464	4,474,117	266,913,754	117,188,719	64,771,521	5,403,857	187,364,097
Investment instruments	49,422,482	22,000,120	-	71,422,602	30,763,552	12,526,637	-	43,290,189
Repurchase agreements	5,233,503	338	-	5,233,841	1,981,320	3,406,103	-	5,387,423
Loans granted to banks	10,322,690	-	-	10,322,690	7,205,410	-	-	7,205,410
Other interest & indexation income	189,210	2,472,354	-	2,661,564	94,471	273,251	-	367,722
Total	**1,204,260,265**	**288,673,694**	**14,243,040**	**1,507,176,999**	**935,764,047**	**158,099,680**	**12,097,898**	**1,105,961,625**

The amount of interest and indexation income recorded as received on the impaired portfolio during 2011 amounted to ThCh$9,111,978 (ThCh$5,533,798 in 2010).

(b) The detail of interest and indexation income at the year-end not recorded in results is the following:

	2011			2010		
	Interest ThCh$	Indexation ThCh$	Total ThCh$	Interest ThCh$	Indexation ThCh$	Total ThCh$
Commercial loans	5,288,310	1,987,512	7,275,822	5,321,592	967,354	6,288,946
Housing loans	1,590,094	932,328	2,522,422	1,756,058	646,807	2,402,865
Consumer loans	184,893	210	185,103	60,866	2	60,868
Total	**7,063,297**	**2,920,050**	**9,983,347**	**7,138,516**	**1,614,163**	**8,752,679**

(c) The detail of interest and indexation expenses at the year-end, excluding hedge results, is the following:

	2011			2010		
	Interest ThCh$	Indexation ThCh$	Total ThCh$	Interest ThCh$	Indexation ThCh$	Total ThCh$
Time deposits & loans	341,107,576	84,125,781	425,233,357	138,629,415	48,481,848	187,111,263
Debt instruments issued	81,554,354	72,342,066	153,896,420	71,243,261	38,379,773	109,623,034
Other financial obligations	2,269,390	1,553,558	3,822,948	2,022,632	912,049	2,934,681
Repurchase agreements	10,848,781	-	10,848,781	1,640,446	367,408	2,007,854
Obligations with banks	23,784,406	-	23,784,406	18,817,345	4,638	18,821,983
Demand deposits	57,176	5,877,000	5,934,176	304,758	3,133,861	3,438,619
Other interest & indexation expenses	-	140,364	140,364	-	339,693	339,693
Total	**459,621,683**	**164,038,769**	**623,660,452**	**232,657,857**	**91,619,270**	**324,277,127**

(d) As of December 31, 2011 and 2010, the Bank uses interest-rate swaps to hedge through a micro-hedge its position in the fair value of corporate bonds and commercial loans.

	2011			2010		
	Income ThCh$	Expense ThCh$	Total ThCh$	Income ThCh$	Expense ThCh$	Total ThCh$
Accounting hedge gain	249,033	184,772	433,805	2,256,125	-	2,256,125
Accounting hedge loss	(30,521,298)	-	(30,521,298)	(17,980,539)	-	(17,980,539)
Result adjustment hedge element	17,861,439	-	17,861,439	3,118,331	-	3,118,331
Total	**(12,410,826)**	**184,772**	**(12,226,054)**	**(12,606,083)**	**-**	**(12,606,083)**

(e) The summary of interest and indexation at the end of the years was as follows:

	2011 ThCh$	2010 ThCh$
Interest & indexation income	1,507,176,999	1,105,961,625
Interest & indexation expense	(623,660,452)	(324,277,127)
Sub total interest & indexation income	**883,516,547**	**781,684,498**
Result of accounting hedges (net)	(12,226,054)	(12,606,083)
Total net interest & indexation	**871,290,493**	**769,078,415**

Note 39.26 - Fee Income and Expense

The fee income and expense shown in the consolidated statements of comprehensive income refers to the following concepts:

	2011 ThCh$	2010 ThCh$
Fee income		
Card services	90,758,631	76,487,373
Investments in mutual funds or other	63,809,599	61,476,344
Collections & payments	49,763,993	51,371,185
Securities trading & handling	38,600,389	38,723,568
Lines of credit & overdrafts	22,770,415	26,123,981
Remuneration from insurance brokerage	20,480,047	22,908,754
Use of distribution channel & internet	18,429,839	8,726,776
Account management	17,701,849	16,401,232
Guarantees & letters of credit	12,886,731	15,187,343
Use of Banchile name	11,264,076	3,449,214
Financial advisory	3,186,474	4,800,155
Other fees earned	18,314,657	16,562,809
Total fee income	**367,966,700**	**342,218,734**
Fee expenses		
Card operation remuneration	(35,522,293)	(29,569,855)
Sales force	(8,311,601)	(6,047,099)
Collection & payment commissions	(6,619,420)	(6,728,672)
Securities trading commissions	(4,246,396)	(3,531,766)
Sale of mutual fund quotas	(3,038,302)	(3,571,419)
Other commissions	(1,454,890)	(507,933)
Total fee expenses	**(59,192,902)**	**(49,956,744)**

Note 39.27 - Financial Operation Results

The detail of the net gain (loss) on financial operations is as follows:

	2011 ThCh$	2010 ThCh$
Financial instruments for trading	22,758,177	24,053,188
Sale of instruments available for sale	2,287,876	19,177,867
Net result of other operations	(353,085)	505,595
Trading derivatives	44,750,763	(24,263,855)
Credit card sales (*)	(42,517,348)	(148,725)
Total	**26,926,383**	**19,324,070**

(*) Net gain or loss on sale of credits, being the difference between the value in cash and the value recorded on the date of sale, excluding allowances, even when involving the portfolio fully or partially written off. See Note 39.10 (e).

Note 39.28 - Net Exchange Gain (Loss)

The detail of exchange results is as follows:

	2011 ThCh$	2010 ThCh$
Foreign currency indexation	(18,495,030)	69,537,595
Exchange difference, net	11,488,801	(5,776,236)
Result of accounting hedges	(967,450)	-
Total	**(7,973,679)**	**63,761,359**

Note 39.29 - Allowances for credit risk

The movement during 2011 and 2010 in allowances was as follows:

	Due by banks		Loans & Receivables from Customers						Sub-total		Contingent liabilities			
			Commercial loans		Housing loans		Consumer loans							
	2011 ThCh$	2010 ThCh$	2011 ThCh$	2010 ThCh$	2011 ThCh$	2010 ThCh$	2011 ThCh$	2010 ThCh$	2011 ThCh$	2010 ThCh$	2011 ThCh$	2010 ThCh$	2011 ThCh$	2010 ThCh$
Constitution of allowances:														
- Individual	(396,236)	-	-(*)	(63,010,769)	-	-	-	-	-	(63,010,769)	(5,368,199)	(5,902,316)	(5,764,435)	(68,913,085)
- Group	-	-	(42,131,494)	(34,525,737)	(3,553,424)	(3,750,460)	(110,344,469)	(112,900,740)	(156,029,387)	(151,176,937)	-	(151,231)	(156,029,387)	(151,328,168)
Result of constitution of allowances	(396,236)	-	(42,131,494)	(97,536,506)	(3,553,424)	(3,750,460)	(110,344,469)	(112,900,740)	(156,029,387)	(214,187,706)	(5,368,199)	(6,053,547)	(161,793,822)	(220,241,253)
Release of allowances:														
- Individual	-	566,603	14,515,439(*)	-	-	-	-	-	14,515,439	-	-	-	14,515,439	566,603
- Group	-	-	-	-	-	-	-	-	-	-	149,257	-	149,257	-
Result of release of allowances	-	566,603	14,515,439	-	-	-	-	-	14,515,439	-	149,257	-	14,664,696	566,603
Net result of allowances	(396,236)	566,603	(27,616,055)	(97,536,506)	(3,553,424)	(3,750,460)	(110,344,469)	(112,900,740)	(141,513,948)	(214,187,706)	(5,218,942)	(6,053,547)	(147,129,126)	(219,674,650)
Additional allowances	-	-	(24,052,077)	(21,083,668)	-	-	-	-	(24,052,077)	(21,083,668)	-	-	(24,052,077)	(21,083,668)
Recovery of assets written off	-	-	16,789,170	11,172,910	1,106,054	1,386,781	28,445,123	19,608,770	46,340,347	32,168,461	-	-	46,340,347	32,168,461
Net result allowance for credit risk	(396,236)	566,603	(34,878,962)	(107,447,264)	(2,447,370)	(2,363,679)	(81,899,346)	(93,291,970)	(119,225,678)	(203,102,913)	(5,218,942)	(6,053,547)	(124,840,856)	(208,589,857)

(*) See Notes 39.27 & 39.10 (e).

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 the information examined by the Bank.

Note 39.30 - Staff Remuneration and Expenses

The composition of staff remuneration and expenses for the years 2011 and 2010 is as follows:

	2011 ThCh$	2010 ThCh$
Staff remuneration	169,114,029	157,839,275
Bonuses (*)	100,494,327	69,202,958
Meals & health benefits	20,272,341	18,146,476
Severance payments	6,166,779	7,139,702
Training expenses	1,492,971	1,379,886
Other staff expenses	19,639,578	19,318,124
Total	**317,180,025**	**273,026,421**

(*) See Note 39.3 (l).

Note 39.31 – Administrative Expenses

The composition of these as of December 31, 2011 and 2010 is as follows:

	2011 ThCh$	2010 ThCh$
General administrative expenses		
Data processing & communications	47,061,974	40,126,395
Maintenance & repair of property, plant & equipment	28,486,320	25,646,749
Office rentals	18,211,359	16,157,566
Guard & valuables transport services	9,203,299	7,025,340
External consultancy	7,162,772	6,364,844
Office materials	6,555,695	5,734,791
Rental of automated teller machine spaces	6,462,463	4,654,076
Lighting, heating & other utilities	5,984,785	5,657,421
Staff representation & travel expenses	3,849,891	3,480,113
Postage & stamping expenses	3,182,164	2,885,735
Legal & notary costs	2,925,730	2,616,126
Insurance premiums	2,384,251	2,260,671
Donations	1,545,203	3,248,654
Rental of equipment	1,250,594	1,185,101
Professional service fees	653,917	611,561
Other general administrative expenses	8,269,789	9,303,436
Sub total	**153,190,206**	**136,958,579**
Sub-contracted services		
Credit evaluation	22,807,823	13,961,803
Data processing	7,275,073	5,577,317
Sale of products	187	177
Other	7,518,055	7,331,277
Sub total	**37,601,138**	**26,870,574**
Directors' expenses		
Directors' remuneration	2,085,637	2,014,151
Other board expenses	646,880	344,145
Sub total	**2,732,517**	**2,358,296**
Marketing expenses		
Publicity & advertising	26,515,257	22,804,112
Sub total	**26,515,257**	**22,804,112**
Taxes, contributions		
Contribution to the SBIF	5,422,904	4,952,633
Property taxes	2,601,050	2,134,061
Municipal taxes	1,239,910	1,225,885
Other taxes	614,683	365,932
Sub total	**9,878,547**	**8,678,511**
Total	**229,917,665**	**197,670,072**

Note 39.32 - Depreciation, Amortization and Impairment

(a) The charges to results for this concept during 2011 and 2010 were:

	2011 ThCh$	2010 ThCh$
Depreciation & amortization		
Depreciation of property, plant & equipment (Note 39.14 a)	20,543,121	20,909,295
Amortization of intangible assets (Note 39.13 b)	10,168,160	9,635,471
Total	30,711,281	30,544,766

(b) The composition of the charge for impairment for 2011 and 2010 is as follows:

	2011 ThCh$	2010 ThCh$
Impairment		
Impairment of property, plant & equipment (Note 39.14 a)	335,384	1,044,439
Impairment of intangible assets (Note 39.13 b)	295,882	-
Total	631,266	1,044,439

Note 39.33 - Other Operating Income

Other operating income of the Bank and its subsidiaries during 2011 and 2010 was as follows:

	2011 ThCh$	2010 ThCh$
Income from assets received in payment		
Gain on sale of assets received in payment	5,918,319	6,440,046
Other income	114,565	114,001
Sub total	6,032,884	6,554,047
Releases of provisions for contingencies		
Other provisions for contingencies	173,196	293,979
Sub total	173,196	293,979
Other income		
Rentals received	5,613,781	5,367,108
Correspondent bank rebates	2,206,856	2,655,555
Expense reimbursements	1,957,011	2,133,179
Insurance claims	1,593,894	-
Stockbroker company advice abroad	1,473,924	2,130,297
Gain on sales of property, plant & equipment	1,337,504	914,567
Gain on sales of leased assets	1,020,933	534,390
Tax prepayments adjustment	1,005,996	-
Tax refunds	844,275	36,056
Custody & trust services	113,322	113,696
Short sales stockbroker company	98,410	37,426
Foreign trade	47,983	37,791
Other	1,215,134	2,775,488
Sub total	18,529,023	16,735,553
Total	24,735,103	23,583,579

Note 39.34 - Other Operating Expenses

The following were other operating expenses of the Bank and its subsidiaries incurred in 2011 and 2010:

	2011 ThCh$	2010 ThCh$
Allowances and expenses for assets received in payment		
Allowances for assets received in payment	1,124,229	67,851
Write-offs of assets received in payment	3,494,884	4,427,317
Maintenance expenses of assets received in payment	560,856	816,935
Sub total	5,179,969	5,312,103
Allowances for contingencies		
Allowances for country risk	785,141	1,172,369
Other provisions for contingencies	2,494,907	689,213
Sub total	3,280,048	1,861,582
Other expenses		
Co-branding	17,360,154	13,301,934
Operational risk write-offs	3,002,029	10,399,513
Card administration	2,602,059	2,584,478
Leasing operating expenses & write-offs	791,534	2,253,871
Write-offs & provision for frauds	754,071	828,807
Civil lawsuits	387,871	619,374
Mortgage-protection insurance	231,801	429,166
Contribution fiscal organisms	208,004	191,874
Allowance leased assets recovered	50,027	547,556
Losses on sales of property, plant & equipment	25,058	161,701
Previous year expenses	7,069	2,364
Other provisions	-	2,175,718
Other	1,782,484	2,469,729
Sub total	27,202,161	35,966,085
Total	35,662,178	43,139,770

Note 39.35 - Operations with Related Parties

In the case of open corporations and their subsidiaries, related parties are those of the same business group as the company; legal entities which, with respect to the company, 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 the company 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 object 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 receivables, contingent liabilities and assets related to trading and investment securities, corresponding to related entities:

	Productive companies (*)		Investment companies (**)		Individuals (***)		Total	
	2011 ThCh$	2010 ThCh$	2011 ThCh$	2010 ThCh$	2011 ThCh$	2010 ThCh$	2011 ThCh$	2010 ThCh$
Loans & receivables:								
Commercial loans	209,763,689	111,139,911	81,798,318	65,838,874	575,011	567,253	292,137,018	177,546,038
Housing loans	-	-	-	-	13,919,405	9,366,386	13,919,405	9,366,386
Consumer loans	-	-	-	-	3,386,610	2,474,841	3,386,610	2,474,841
Gross loans	209,763,689	111,139,911	81,798,318	65,838,874	17,881,026	12,408,480	309,443,033	189,387,265
Allowances for loans	(602,070)	(573,060)	(294,777)	(410,011)	(68,382)	(59,165)	(965,229)	(1,042,236)
Net Loans	**209,161,619**	**110,566,851**	**81,503,541**	**65,428,863**	**17,812,644**	**12,349,315**	**308,477,804**	**188,345,029**
Contingent liabilities:								
Guarantees	18,669,921	15,744,943	-	58,240	-	-	18,669,921	15,803,183
Letters of credit	157,922	-	-	63,115	-	-	157,922	63,115
Performance bonds	21,313,352	11,729,856	2,037,778	117,887	-	-	23,351,130	11,847,743
Freely-available lines of credit	32,405,852	11,840,496	1,450,912	638,450	9,392,594	2,704,943	43,249,358	15,183,889
Total contingent liabilities	72,547,047	39,315,295	3,488,690	877,692	9,392,594	2,704,943	85,428,331	42,897,930
Allowances for contingent liabilities	(95,293)	(101,575)	(1,915)	(1,219)	-	-	(97,208)	(102,794)
Net contingent liabilities	**72,451,754**	**39,213,720**	**3,486,775**	**876,473**	**9,392,594**	**2,704,943**	**85,331,123**	**42,795,136**
Amounts covered by collateral								
Mortgages	27,958,137	28,243,962	54,778	230,856	15,430,894	10,052,897	43,443,809	38,527,715
Warrants	-	-	-	-	-	-	-	-
Pledges	-	-	-	-	6,500	-	6,500	-
Other (****)	2,855,120	2,092,447	17,299,900	21,884,671	9,505	9,505	20,164,525	23,986,623
Total collateral	**30,813,257**	**30,336,409**	**17,354,678**	**22,115,527**	**15,446,899**	**10,062,402**	**63,614,834**	**62,514,338**
Instruments acquired								
For trading	2,153,716	2,333,026	-	-	-	-	2,153,716	2,333,026
For investment	-	-	-	-	-	-	-	-
Total instruments acquired	**2,153,716**	**2,333,026**	**-**	**-**	**-**	**-**	**2,153,716**	**2,333,026**

(*) For these purposes, productive companies are those that meet the following conditions:
i) they are involved in production activities and generate a separate income 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.

(****) These guarantees relate mainly to shares & other financial assets.

(b) Other assets and liabilities with related parties:

	2011 ThCh$	2010 ThCh$
Assets		
Cash & bank deposits	97,389,859	102,935,654
Financial derivative contracts	116,009,767	139,342,921
Other	2,665,261	2,349,100
Total	**216,064,887**	**244,627,675**
Liabilities		
Demand deposits	69,255,390	62,766,768
Time deposits & other loans	529,732,211	281,170,190
Financial derivative contracts	100,237,748	124,293,085
Obligations with Banks	194,058,449	153,677,486
Other	7,969,108	6,363,831
Total	**901,252,906**	**628,271,360**

(c) Income and expenses on operations with related parties (*):

Type of income or expense recorded	2011		2010	
	Income ThCh$	Expense ThCh$	Income ThCh$	Expense ThCh$
Interest & indexation income & expense	14,786,880	31,189,625	10,619,310	7,585,883
Fees & services income & expense	56,978,919	30,647,282	29,472,075	28,296,800
Results of financial operations	499,960,408	399,773,210	269,382,127	248,363,106
Release or constitution of credits	220,847	-	-	685,553
Operational support costs	-	65,717,920	-	53,377,724
Other income & expense	842,890	52,555	770,349	625,563
Total	572,789,944	527,380,592	310,243,861	338,934,629

(*) This does not constitute a statement of results 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 are not to matched transactions.

(d) Contracts with related parties:

These are no contracts signed during 2011 and 2010 that correspond to habitual transactions with customers in general, when such contracts are for amounts greater than UF 1,000.

(e) Payments to key management personnel:

During 2011 and 2010, key personnel have been paid a total remuneration of ThCh$36,129 (Th$34,908 in 2010).

(f) Directors' Expenses and Remuneration

Name of director	Remuneration		Per diem for Directors' Committee meetings		Committee Adviser		Total	
	2011 ThCh$	2010 ThCh$	2011 ThCh$	2010 ThCh$	2011 ThCh$	2010 ThCh$	2011 ThCh$	2010 ThCh$
Andrónico Luksic Craig	126,493	228,839	-	-	-	-	126,493	228,839
Jorge Awad Mehech	-	-	2,339	2,271	-	-	2,339	2,271
Rodrigo Manubens Moltedo	-	-	781	1,136	-	-	781	1,136
Thomas Fürst Freiwirth	-	-	774	-	-	-	774	-
Total	126,493	228,839	3,894	3,407	-	-	130,387	232,246

As of December 31, 2011, SM-Chile S.A. made payments for concepts related to directors' remuneration of ThCh$ 130,387 (ThCh$232,246 in 2010). Banco de Chile and its subsidiaries have paid and accrued as a charge to income concepts related to directors' remuneration of ThCh$2,013,628 (ThCh$2,358,296 in 2010), as approved by the ordinary shareholders meeting.

Note 39.36 - 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 when valuation methods have to be applied.
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 the 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 has a control framework for measuring fair values. 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 results of trading and investment transactions as well as all fair-value measurements. These controls include verifying factors to determine observable prices and valuation models used, and a review and approval process for new models and changes to models affecting the product control (result) and the Bank's market risk.

Derivatives

With the exception of currency futures, 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 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.

	Level 1		Level 2		Level 3		Total	
	2011 ThCh$	2010 ThCh$	2011 ThCh$	2010 ThCh$	2011 ThCh$	2010 ThCh$	2011 ThCh$	2010 ThCh$
Financial Assets								
Instruments for trading								
State & Banco Central de Chile	72,971,184	150,570,790	4,870,753	6,621,292	-	-	77,841,937	157,192,082
Other instruments issued in Chile	369,609	1,635,327	191,063,440	119,198,470	585,351	1,739,673	192,018,400	122,573,470
Instruments issued abroad	-	-	35,050,855	-	-	-	35,050,855	-
Investments in mutual funds	31,910,159	28,787,159	-	-	-	-	31,910,159	28,787,159
Sub total	**105,250,952**	**180,993,276**	**230,985,048**	**125,819,762**	**585,351**	**1,739,673**	**336,821,351**	**308,552,711**
Derivative contracts for trading								
Forwards	-	-	125,765,260	119,932,574	-	-	125,765,260	119,932,574
Swaps	-	-	258,681,010	367,389,915	-	-	258,681,010	367,389,915
Call options	-	-	1,239,167	133,095	-	-	1,239,167	133,095
Put options	-	-	1,738	-	-	-	1,738	-
Sub total	**-**	**-**	**385,687,175**	**487,455,584**	**-**	**-**	**385,687,175**	**487,455,584**
Accounting hedge derivative contracts								
Swaps	-	-	-	2,126,096	-	-	-	2,126,096
Sub total	**-**	**-**	**-**	**2,126,096**	**-**	**-**	**-**	**2,126,096**
Investment instruments available for sale								
State & Banco Central de Chile	-	-	412,393,978	371,487,342	-	-	412,393,978	371,487,342
Other instruments issued in Chile	-	-	606,723,025	468,843,965	321,377,511	230,479,782	928,100,536	699,323,747
Instruments issued abroad	-	-	-	-	128,403,083	84,071,874	128,403,083	84,071,874
Sub total	**-**	**-**	**1,019,117,003**	**840,331,307**	**449,780,594**	**314,551,656**	**1,468,897,597**	**1,154,882,963**
Total	**105,250,952**	**180,993,276**	**1,635,789,226**	**1,455,732,749**	**450,365,945**	**316,291,329**	**2,191,406,123**	**1,953,017,354**
Financial liabilities								
Derivative contracts for trading								
Forwards	-	-	115,796,977	191,279,869	-	-	115,796,977	191,279,869
Swaps	-	-	272,976,180	325,147,598	-	-	272,976,180	325,147,598
Call options	-	-	1,148,805	108,897	-	-	1,148,805	108,897
Put options	-	-	34,882	428,485	-	-	34,882	428,485
Other	-	-	21,044	21,044	-	-	21,044	21,044
Sub total	**-**	**-**	**389,977,888**	**516,985,893**	**-**	**-**	**389,977,888**	**516,985,893**
Accounting hedge derivative contracts								
Swaps	-	-	39,935,516	11,458,276	-	-	39,935,516	11,458,276
Sub total	**-**	**-**	**39,935,516**	**11,458,276**	**-**	**-**	**39,935,516**	**11,458,276**
Total	**-**	**-**	**429,913,404**	**528,444,169**	**-**	**-**	**429,913,404**	**528,444,169**

There were no transfers between Levels 1 and 2 during 2011 and 2010.

(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:

	As of December 31, 2011						
	Balance at 01/01/10 ThCh$	Gain (Loss) recorded in results 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 12/31/11 ThCh$
Financial assets							
Instruments for trading							
Other instruments issued in Chile	1,739,673	94,710	-	(1,249,032)	-	-	585,351
Instruments issued abroad	-	-	-	-	-	-	-
Sub total	**1,739,673**	**94,710**	**-**	**(1,249,032)**	**-**	**-**	**585,351**
Investment instruments available for sale:							
Other instruments issued in Chile	230,479,782	11,991,753	(2,130,070)	81,036,046	-	-	321,377,511
Instruments issued abroad	84,071,874	16,115,112	(3,896,810)	32,112,907	-	-	128,403,083
Sub total	**314,551,656**	**28,106,865**	**(6,026,880)**	**113,148,953**	**-**	**-**	**449,780,594**
Total	**316,291,329**	**28,201,575**	**(6,026,880)**	**111,899,921**	**-**	**-**	**450,365,945**

	As of December 31, 2010						
	Balance at 01/01/10 ThCh$	Gain (Loss) recorded in results 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$
Financial assets							
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)	116,682,143	-	230,479,782
Instruments issued abroad	202,436,456	868,532	(255,710)	(2,295,261)	(116,682,143)	-	84,071,874
Sub total	**330,721,428**	**1,033,372**	**(1,773,854)**	**(15,429,290)**	**-**	**-**	**314,551,656**
Total	**333,453,297**	**1,284,319**	**(1,773,854)**	**(16,672,433)**	**-**	**-**	**316,291,329**

(*) See Note 39.11

(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, 2011		As of December 31, 2010	
	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$
Financial Assets				
Instruments for traing				
Other instruments issued inChile	585,351	292	1,739,673	5,237
Total	**585,351**	**292**	**1,739,673**	**5,237**
Investment instruments available for sale				
Other instruments issued in Chile	321,377,511	9,553,040	230,479,782	1,715,280
Instruments issued abroad	128,403,083	(6,057,510)	84,071,874	1,261,272
Total	**449,780,594**	**3,495,530**	**314,551,656**	**2,976,552**

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	
	2011 ThCh$	2010 ThCh$	2011 ThCh$	2010 ThCh$
Assets				
Cash & bank deposits	881,147,190	772,329,810	881,147,190	772,329,810
Operations pending settlement	373,640,526	429,752,889	373,640,526	429,752,889
Repurchase agreements & loans of securities	47,980,881	82,787,482	47,980,881	82,787,482
Sub total	1,302,768,597	1,284,870,181	1,302,768,597	1,284,870,181
Due by banks				
Banks in Chile	315,873,439	13,304,934	315,873,439	13,304,934
Foreign banks	332,551,447	336,282,865	332,551,447	336,282,865
Sub total	648,424,886	349,587,799	648,424,886	349,587,799
Loans & receivables from customers				
Commercial loans	10,974,740,028	9,013,670,049	10,973,062,050	8,978,892,073
Housing loans	3,591,529,193	2,911,347,168	3,557,247,818	2,875,377,698
Consumer loans	2,427,032,263	2,032,774,571	2,426,959,393	2,024,250,227
Sub total	16,993,301,484	13,957,791,788	16,957,269,261	13,878,519,998
Total	18,944,494,967	15,592,249,768	18,908,462,744	15,512,977,978
Liabilities				
Demand deposits & other obligations	4,895,278,998	4,445,997,442	4,895,278,998	4,445,997,442
Operations pending settlement	155,424,373	208,750,621	155,424,373	208,750,621
Repurchase agreements & loans of securities	223,201,947	81,754,465	223,201,947	81,754,465
Time deposits & other loans	9,280,608,020	7,696,652,471	9,271,293,688	7,652,129,671
Obligations with Banks	1,690,937,343	1,281,372,736	1,689,172,339	1,280,758,782
Other financial obligations	184,783,502	179,159,370	184,783,502	179,159,370
Sub total	16,430,234,184	13,893,687,105	16,419,154,847	13,848,550,351
Debt instruments issued				
Mortgage-funding notes	106,965,451	133,709,432	115,824,637	142,709,398
General-funding notes	45,133,357	65,159,028	48,871,251	69,545,069
Straight bonds	1,488,368,881	820,330,682	1,459,144,995	809,689,465
Subordinated bonds	747,874,344	744,965,583	728,329,847	740,333,861
Sub total	2,388,342,033	1,764,164,725	2,352,170,730	1,762,277,793
Total	18,818,576,217	15,657,851,830	18,771,325,577	15,610,828,144

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 without maturity.

The Bank has incurred no one-day gain or loss during the period reported.

Note 39.37 - 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, 2011 and 2010. Instruments for trading or available for sale are included at their fair value.

Assets	2011						
	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	881,147,190	-	-	-	-	-	881,147,190
Operations pending settlement	373,640,526	-	-	-	-	-	373,640,526
Instruments for trading	336,821,351	-	-	-	-	-	336,821,351
Repurchase agreements & loans of securities	40,211,845	6,269,947	1,499,089	-		-	47,980,881
Financial derivative contracts	28,739,641	32,789,036	107,867,224	88,708,793	59,061,447	68,521,034	385,687,175
Due by banks (**)	300,819,404	-	348,611,888	-	-	-	649,431,292
Loans & receivables from customers (*) (**)	2,130,409,117	2,190,492,093	3,906,372,049	3,243,769,824	1,477,636,733	3,536,944,460	16,485,624,276
Investment instruments available for sale	136,619,917	231,809,635	267,520,544	118,722,214	222,782,352	491,442,935	1,468,897,597
Investment instruments held to maturity	-	-	-	-	-	-	-
Total financial assets	**4,228,408,991**	**2,461,360,711**	**4,631,870,794**	**3,451,200,831**	**1,759,480,532**	**4,096,908,429**	**20,629,230,288**

Assets	2010						
	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	429,752,889	-	-	-	-	-	429,752,889
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 by banks (**)	99,684,317	71,001,453	79,714,748	99,797,451	-	-	350,197,969
Loans & receivables from customers (*) (**)	1,920,016,470	1,330,938,024	2,492,060,643	2,910,881,185	1,784,315,868	3,275,393,352	13,713,605,542
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
Investment instruments held to maturity	-	-	-	-	-	-	-
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**

(*) This only includes loans that are current as of the year end. It therefore excludes overdue loans amounting to ThCh$892,167,101 (ThCh$652,227,474 in 2010) of which ThCh$500,603,487 (ThCh$261,870,357 in 2010) were less than 30 days overdue.

(**) The respective allowances, amounting to ThCh$384,489,893 (ThCh$376,986,547 in 2010) for loans and receivables from customers and ThCh$1,006,406 (ThCh$610,170 in 2010) for loans to banks have not been deducted from these balances.

Liabilities	2011						
	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	4,895,396,163	-	-	-	-	-	4,895,396,163
Operations pending settlement	155,424,373	-	-	-	-	-	155,424,373
Repurchase agreements & loans of securities	218,578,249	4,553,181	70,517	-	-	-	223,201,947
Time deposits & other obligations (***)	4,331,973,422	1,937,012,328	2,540,910,731	292,426,456	355,343	29,744	9,102,708,024
Financial derivative contracts	36,738,984	34,975,681	91,148,425	98,012,779	58,077,444	110,960,091	429,913,404
Obligations with Banks	138,549,123	200,786,187	1,079,317,467	220,367,816	51,916,750	-	1,690,937,343
Debt instruments issued:							
Funding notes	6,190,889	7,062,862	19,699,440	44,373,835	30,581,009	44,190,773	152,098,808
Straight bonds	3,150,338	350,671	7,655,665	261,718,635	370,151,608	845,341,964	1,488,368,881
Subordinated bonds	2,639,077	2,068,055	42,598,573	45,081,965	162,619,456	492,867,218	747,874,344
Other financial obligations	123,509,228	1,009,460	5,370,975	12,355,184	8,191,460	34,347,195	184,783,502
Total financial liabilities	**9,912,149,846**	**2,187,818,425**	**3,786,771,793**	**974,336,670**	**681,893,070**	**1,527,736,985**	**19,070,706,789**

Liabilities	2010						
	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**

(***) Excludes term saving accounts, which amount to ThCh$177,99,996 (ThCh$173,404,883 in 2010).

Note 39.38 - Risk Management

(1) Introduction:

The Bank's risk management is based on the 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 of directors

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 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 staff understand their roles and obligations.

(ii) Finance, International and Financial Risk Committees

These meet monthly to review the evolution and the current state of financial positions and market, price and liquidity risks. It particularly reviews the estimated results of financial positions in order to measure the risk/return ratio of the Treasury business, as well as the evolution of and forecasts regarding the use of capital. 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 whom 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 largest 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, revising 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 revises 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) Corporate Risk Division

During 2011, Banco de Chile placed in a new Corporate Risk Division the responsibilities for the integral management of risks, whether credit, market or operational. The consolidation of the management of the different risks in one division will strengthen the transmission of the specific capabilities and knowledge of the areas throughout the organization, thus securing improvements in their monitoring and management. This new division reports directly to the Bank's chief executive.

With respect to the management of credit risks, this division monitors the quality of the portfolio and optimization of risk-return ratio for all retail and corporate segments, managing the admission, follow up and recovery phases of loans granted.

(vii) Operating Risk Executive Committee

This committee revises periodically the state of operating risks, analyzing the causes of losses and progress in the adopted corrective measures. Its members are the chief executive, the managers of the operations & technology and financial management & control divisions, plus the comptroller and manager of operating risks.

Operating Risks Management: monitors cases of loss through operational, administrative or technical factors or frauds, checks controls and recommends corrective measures. Reporting to the Corporate Risk Division, this area has a group of operative committees that meet regularly and cover the implementation of the policies approved by the above-mentioned executive committee.

(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 prepared to accept, with additional emphasis on selected industries.

The Bank's chief executive receives daily, and the Finance, International and Market Risk Committee monthly, 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 an allowances sufficiency test. This test attempts to show whether the Bank's present level of allowances, both for the individual and group portfolios is sufficient, based on historic losses or impairments suffered by the portfolio. The board has to formally pronounce on thier 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 their contractual obligations, which arise mainly from receivables 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 operate under a differentiated focus according to each market segment, 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 people.

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 parametrization 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 recognizing risk early, identifying business opportunities and detecting possible impairment in advance.

In the company market, control and follow-up is focused on a combination of revisions, the most important being:

- Structured portfolio fast-revision 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 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 collection processes and policies, managing to advance in the greater integration of the processes of granting and follow-up, aligned to a same vision of customers' credits 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, 2011 and 2010 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, 2011:

	Chile MCh$	United States MCh$	Brazil MCh$	Other MCh$	Total MCh$
Financial assets					
Cash & bank deposits	622,082	228,796	-	30,268	881,146
Instruments for trading					
State & Banco Central de Chile	77,842	-	-	-	77,842
Other instruments issued in Chile	191,857	-	-	162	192,019
Instruments issued abroad	35,051	-	-	-	35,051
Investments in mutual funds	31,910	-	-	-	31,910
Sub total	**336,660**	**-**	**-**	**162**	**336,822**
Repurchase agreements & loans of securities	**47,945**	**-**	**-**	**36**	**47,981**
Derivative contracts for trading					
Forwards	101,356	10,490	-	13,920	125,766
Swaps	110,203	117,592	-	30,886	258,681
Call options	1,239	-	-	-	1,239
Put options	2	-	-	-	2
Futures	-	-	-	-	-
Sub total	**212,800**	**128,082**	**-**	**44,806**	**385,688**
Due by Banks					
Banco Central de Chile	300,819	-	-	-	300,819
Banks in Chile	15,059	-	-	-	15,059
Banks abroad	182,429	-	91,530	59,594	333,553
Sub total	**498,307**	**-**	**91,530**	**59,594**	**649,431**
Loans & receivables from customers					
Commercial loans	11,011,933	8,952	18,400	165,454	11,204,739
Housing loans	3,508,169	3,984	3,135	92,146	3,607,434
Consumer loans	2,528,655	1,960	1,243	33,762	2,565,620
Sub total	**17,048,757**	**14,896**	**22,778**	**291,362**	**17,377,793**
Investment instruments available for sale					
State & Banco Central de Chile	412,394	-	-	-	412,394
Other instruments issued in Chile	928,101	-	-	-	928,101
Instruments issued abroad	21,870	71,740	4,712	30,081	128,403
Sub total	**1,362,365**	**71,740**	**4,712**	**30,081**	**1,468,898**
Investment instruments held to maturity	**-**	**-**	**-**	**-**	**-**

	Financial services MCh$	Govern-ment MCh$	Indivi-duals MCh$	Com-merce MCh$	Manu-facturing MCh$	Mining MCh$	Electricity, Gas & Water MCh$	Agriculture & livestock MCh$	Fores-try MCh$	Fis-hing MCh$	Transport & Tele-communications MCh$	Construction MCh$	Services MCh$	Other MCh$	Total MCh$
Financial assets															
Cash & bank deposits	328,933	-	-	-	-	-	-	-	-	-	-	-	72,759	479,454	881,146
Instruments for trading															
State & Banco Central de Chile	-	-	-	-	-	-	-	-	-	-	-	-	-	77,842	77,842
Other instruments issued in Chile	191,999	-	-	-	-	-	-	-	-	-	-	-	-	20	192,019
Instruments issued abroad	35,051	-	-	-	-	-	-	-	-	-	-	-	-	-	35,051
Investments in mutual funds	30,626	-	-	-	-	-	-	-	-	-	-	-	-	1,284	31,910
Sub total	257,676	-	-	-	-	-	-	-	-	-	-	-	-	79,146	336,822
Repurchase agreements & loans of securities	13,619	-	-	2,780	92	512	21,045	-	57	118	5,959	76	156	3,567	47,981
Derivative contracts for trading															
Forwards	60,037	-	9	2,006	5,787	1,457	160	5,337	151	326	148	313	101	49,934	125,766
Swaps	185,892	672	-	3,933	4,333	59	8,394	18,241	34	906	2,136	909	230	32,942	258,681
Call options	1,167	-	-	68	-	-	-	-	-	-	-	-	-	4	1,239
Put options	-	-	-	2	-	-	-	-	-	-	-	-	-	-	2
Futures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sub total	247,096	672	9	6,009	10,120	1,516	8,554	23,578	185	1,232	2,284	1,222	331	82,880	385,688
Accounting hedge derivative contracts															
Forwards	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Swaps	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Call options	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Put options	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Futures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sub total	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Due by banks															
Banco Central de Chile	300,819	-	-	-	-	-	-	-	-	-	-	-	-	-	300,819
Banks in Chile	15,059	-	-	-	-	-	-	-	-	-	-	-	-	-	15,059
Banks abroad	333,404	-	-	-	-	-	-	-	-	-	-	-	-	149	333,553
Sub total	649,282	-	-	-	-	-	-	-	-	-	-	-	-	149	649,431
Loans & receivables from customers															
Commercial loans (*)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing loans	5,175	-	3,101,327	71,639	14,687	2,506	-	21,524	2,819	1,442	22,073	15,208	95,712	253,322	3,607,434
Consumer loans	3,250	-	1,957,143	40,137	8,599	1,573	9	28,208	1,557	728	16,433	8,022	40,244	459,717	2,565,620
Investment instruments available for sale															
State & Banco Central de Chile	217,429	-	-	-	-	-	-	-	-	-	-	-	-	194,965	412,394
Other instruments issued in Chile	892,287	-	-	2,393	-	67	6,097	-	3,247	-	15,009	2,307	-	6,694	928,101
Instruments issued abroad	113,497	-	-	-	-	-	-	14,906	-	-	-	-	-	-	128,403
Sub total	1,223,213	-	-	2,393	-	67	6,097	14,906	3,247	-	15,009	2,307	-	201,659	1,468,898
Investment instruments held to maturity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

(*) See commercial loans by economic activity in Note 39.10 (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, 2010:

	Chile MCh$	United States MCh$	Brazil MCh$	Other MCh$	Total MCh$
Financial assets					
Cash & bank deposits	729,706	24,733	-	17,890	772,329
Instruments 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 for trading					
Forwards	96,388	18,409	-	5,136	119,933
Swaps	168,566	159,635	-	39,189	367,390
Call options	133	-	-	-	133
Put options	-	-	-	-	-
Futures	-	-	-	-	-
Other	-	-	-	-	-
Sub total	265,087	178,044	-	44,325	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 by banks					
Banco Central de Chile	156	-	-	-	156
Banks in Chile	13,149	-	-	-	13,149
Banks abroad	-	-	154,509	182,384	336,893
Sub total	13,305	-	154,509	182,384	350,198
Loans & receivables from customers					
Commercial loans	9,198,885	1,191	21,211	63,955	9,285,242
Housing loans	2,926,621	-	-	-	2,926,621
Consumer loans	2,153,969	-	-	-	2,153,969
Sub total	14,279,475	1,191	21,211	63,955	14,365,832
Investment instruments available for sale					
State & Banco Central de Chile	371,487	-	-	-	371,487
Other instruments issued in Chile	699,324	-	-	-	699,324
Instruments issued abroad	7,968	71,805	4,299	-	84,072
Sub total	1,078,779	71,805	4,299	-	1,154,883
Investment instruments held to maturity	-	-	-	-	-

	Financial services MCh$	Govern-ment MCh$	Indivi-duals MCh$	Com-merce MCh$	Manu-facturing MCh$	Mining MCh$	Electricity, Gas & Water MCh$	Agriculture & livestock MCh$	Fores-try MCh$	Fis-hing MCh$	Transport & Tele-communications MCh$	Construction MCh$	Services MCh$	Others MCh$	Total MCh$
Financial assets															
Cash & bank deposits	264,714	310,359	-	-	-	-	-	-	-	-	-	-	197,256	-	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 by banks															
Banco Central de Chile	156	-	-	-	-	-	-	-	-	-	-	-	-	-	156
Banks in Chile	13,149	-	-	-	-	-	-	-	-	-	-	-	-	-	13,149
Banks abroad	336,893	-	-	-	-	-	-	-	-	-	-	-	-	-	336,893
Sub total	350,198	-	-	-	-	-	-	-	-	-	-	-	-	-	350,198
Loans & receivables from customers															
Commercial loans (*)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing loans	3,403	-	183,053	57,504	13,550	2,374	209	20,623	-	1,385	18,232	15,823	62,625	2,547,840	2,926,621
Consumer loans	1,481	-	73,682	35,176	10,118	1,470	127	26,336	-	809	13,921	8,714	26,428	1,955,707	2,153,969
Investment instruments available for sale															
State & Banco Central de Chile	-	371,487	-	-	-	-	-	-	-	-	-	-	-	-	371,487
Other instruments issued in Chile	656,207	7,968	-	-	5,457	-	8,666	-	5,146	-	-	1,545	12,939	1,396	699,324
Instruments issued abroad	-	-	-	-	39,086	4,880	36,895	-	-	-	-	-	-	3,211	84,072
Sub total	656,207	379,455	-	-	44,543	4,880	45,561	-	5,146	-	-	1,545	12,939	4,607	1,154,883
Investment instruments held to maturity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

(*) See commercial loans by economic activity in Note 39.10 (d).

(e) Security and other credit 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 to have security acceptable according to external regulations and in accordance with internal policy guidelines and parameters. The Bank has around 131,000 separate security instruments constituted, with the greatest concentration in properties in terms of valuation.

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 in 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 class 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 the customers and their environment, considering commercial and payment behavior as well as financial information.

The Bank also makes focalized revisions of companies in specific economic sectors that are affected by macroeconomic or the sector's own variables. It is thus possible to make the sufficient and necessary allowances in good time for covering losses in the event of non-payment of the loans granted.

The following tables show the credit quality by class of asset for each of the lines of the statement of financial position, based on the Bank's loan classification system.

As of December 31, 2011:

	Individual Portfolio			Group Portfolio		
	Normal MCh$	Substandard MCh$	Impaired MCh$	Normal MCh$	Impaired MCh$	Total MCh$
Financial Assets (*)						
Due by banks						
Banco Central de Chile	300,819	-	-	-	-	300,819
Banks in Chile	15,059	-	-	-	-	15,059
Banks abroad	333,553	-	-	-	-	333,553
Sub total	**649,431**	**-**	**-**	**-**	**-**	**649,431**
Loans & Receivables from Customers (excluding allowance for credit risk)						
Commercial loans	9,401,508	56,405	163,859	1,443,208	137,812	11,202,792
Housing loans	-	-	-	3,543,520	63,914	3,607,434
Consumer loans	-	-	-	2,439,495	126,125	2,565,620
Sub total	**9,401,508**	**56,405**	**163,859**	**7,426,223**	**327,851**	**17,375,846**

(*) On January 1, 2010, the risk classification criteria for debtors evaluated individually changed, separating the portfolio into Normal (Letters A1 - A6), Sub Standard (B1-B4) and Impaired (C1-C6), as shown in the above table. The Individual Sub-Standard portfolio includes categories B3 and B4 for total loans of Ch$8,058 million, which form parte of the impaired portfolio. There are also accounting hedge loans equivalent to Ch$1,947 million.

As of December 31, 2010:

	A1 MCh$	A2 MCh$	A3 MCh$	B MCh$	Impaired portfolio MCh$	Other MCh$	Total MCh$
Financial Assets							
Due by banks							
Banco Central de Chile	156	-	-	-	-	-	156
Banks in Chile	13,149	-	-	-	-	-	13,149
Banks abroad	10,391	255,633	70,866	-	-	3	336,893
Sub total	**23,696**	**255,633**	**70,866**	**-**	**-**	**3**	**350,198**
Loans & Receivables from Customers (excluding allowance for credit risk)							
Commercial loans	27,857	2,275,687	2,037,975	3,281,850	599,925	1,061,948	9,285,242
Housing loans	-	-	-	-	71,758	2,854,863	2,926,621
Consumer loans	-	-	-	-	113,386	2,040,583	2,153,969
Sub total	**27,857**	**2,275,687**	**2,037,975**	**3,281,850**	**785,069**	**5,957,394**	**14,365,832**

Analysis of ageing of past-due but not impaired loans by class of financial asset:

TERM:
Overdue 1: 1 to 29 days
Overdue 2: 30 to 59 days
Overdue 3: 60 to 89 days

As of December 31, 2011:

	Overdue 1 MCh$	Overdue 2 MCh$	Overdue 3 MCh$	Total MCh$
Due by banks	19,694	-	-	19,694
Commercial loans	16,797	6,206	6,718	29,721
Foreign trade finance	15,802	962	406	17,170
Factoring operations	32,623	4,701	532	37,856
Commercial leasing operations	2,201	594	292	3,087
Other loans & receivables	1,213	1,115	929	3,257
Housing loans	205	400	379	984
Consumer loans	13,732	6,815	5,575	26,122
Total	**102,267**	**20,793**	**14,831**	**137,891**

As of December 31, 2010:

	Overdue 1 MCh$	Overdue 2 MCh$	Overdue 3 MCh$	Total MCh$
Due by 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	1,717	519	386	2,622
Other loans & receivables	1,211	706	427	2,344
Housing loans	399	347	10	756
Consumer loans	11,583	5,507	3,676	20,766
Total	**92,706**	**17,429**	**7,794**	**117,929**

The value of the security held by the Bank relating to loans individually classified as impaired as of December 31, 2011 and 2010 is Ch$35,186 million and Ch$191,083 million respectively.

The value of the security held by the Bank relating to non-impaired overdue loans as of December 31, 2011 and 2010 is Ch$104,543 million and Ch$2,667 million respectively.

(g) Assets Received in Payment

The Bank has assets received in lieu of payment amounting to Ch$4,608 million and Ch$3,344 million as of December 31, 2011 and 2010 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 where the corresponding financial commitments have been restructured and where the Bank considers that the probability of recovery is sufficiently high.

The following shows the book value by class of financial asset whose terms have been renegotiated:

	2011 MCh$	2010 MCh$
Financial Assets		
Due by banks		
Banco Central de Chile	-	-
Banks in Chile	-	-
Banks abroad	-	-
Sub total	**-**	**-**
Loans & receivables from customers, net		
Commercial loans	119,637	137,576
Housing loans	26,286	10,216
Consumer loans	192,802	180,578
Sub total	**338,725**	**328,370**
Total renegotiated financial assets	**338,725**	**328,370**

The Bank approaches the evaluation of allowances through two areas: allowances individually evaluated and those evaluated by groups.

(i) Evaluation of Impairment

The principal considerations for evaluating impaired loans and receivables from customers are the analysis as to whether payments of principal or interest are overdue for more than 90 days or there is any difficulty known in the cash flows of the counterparties, reduction in credit ratings, or default under the original terms of the contract.

(j) Contingencies in Memorandum Accounts

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.

(3) Market Risk

Market risk refers to the potential loss that the Bank could face due to adverse movements in market variables (Pricing Risk) or insufficient liquidity (Liquidity Risk).

(a) Liquidity risk

Measurement and limits of liquidity risk

The Bank measures and controls its trading liquidity risk of derivative instruments and the debt of the trading book through DV01 limits to certain specific maturities for each curve traded on the market. The trading liquidity of debt instruments of the banking book is not limited explicitly, understanding that in this case it is sought to obtain returns to maturity or medium term.

Funding liquidity is controlled and limited by the regulatory report C08 ratio.

The SBIF 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 < 2

The SBIF authorized Banco de Chile to use the Adjusted C08 Ratio report, which includes 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 defines as stable and are therefore considered as not drawn, etc.

As of December 31, 2011, the Adjusted C08 Ratio up to 30 days for foreign currency assets and liabilities was slightly below 0.1 and the Adjusted C08 Ratio up to 30 days for total assets and liabilities was slightly below 0.4.

The maturity profile of the consolidated financial liabilities of Banco de Chile and its subsidiaries is as follows:

	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, 2011							
Demand deposits & other obligations	4,895,426	-	-	-	-	-	4,895,426
Operations pending settlement	155,424	-	-	-	-	-	155,424
Repurchase agreements & loans of securities	222,756	446	-	-	-	-	223,202
Time deposits & other loans	4,441,786	1,951,047	2,607,906	290,481	355	30	9,291,605
Financial derivative contracts (E. Física)	515,787	439,237	244,021	48,804	-	-	1,247,849
Obligations with Banks	483,189	800,101	407,649	-	-	-	1,690,939
Other obligations	89,141	13,738	149,234	423,070	603,744	1,559,965	2,838,892
Total gross financial liabilities (excluding derivatives to be compensated)	**10,803,509**	**3,204,569**	**3,408,810**	**762,355**	**604,099**	**1,559,995**	**20,343,337**
Derivatives under compensation agreements	**671,072**	**1,066,890**	**3,637,260**	**4,068,859**	**2,616,022**	**944,230**	**13,004,333**

	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							
Demand deposits & other obligations	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 loans	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

The loans to deposits ratios for 2011 and 2010 are as follows:

Loans to deposits ratio

	December 31, 2011	December 31, 2010
Maximum	2.05	1.47
Minimum	1.93	0.99
Average	1.98	1.39

Banco de Chile has internal ratios in addition to those required by the regulators in order to guard against the concentration of providers of funds, ensure the diversification of sources of funds, avoid the concentration of maturities on any one day, etc. The Bank also sees the evolution over time of financial ratios that can detect structural changes in the characteristics of the statement of financial position.

(b) Pricing Risk

Measurement and Limits of Pricing Risk

The measurement of pricing risk is carried out through reports, both regulatory and internal, and also separately for the Trading Book and Banking Book.

For the Trading Book, the regulatory report is obtained from standardized methodology which allows the Bank to estimate the potential loss it might face resulting from standardized fluctuations in tables for the regulator (relating to the Basle Agreement for the standardized measurement of this risk for the Trading Book). The SBIF has set no formal limit for this risk in particular but a global one that includes this risk (also called Market Risk Equivalent or MRE) and 10% of risk-weighted assets; the sum of both must not exceed the Bank's effective equity. In the future, the amount corresponding to operational risk will also be added to the above.

The Bank has also established for the Trading Book internal limits for net exchange-rate positions (Delta FX), limits of sensitivity of the positions to interest rates (DV01 or Rho) and limits of sensitivity of volatility in options (Vega); these are called Griegas, among other names, in financial literature.

Starting December 2010, the Bank measures and controls the value at risk (Value-at-Risk or 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 methods; a year of observed market values is considered, taken at the close of each day and an escalation of 22 days (a calendar month).

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.

The regulatory report of the Banking Book permits estimating the potential loss the Bank could have in the face of an adverse movement, obtained from tables provided by the controller organism. 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 2011 is shown as follows:

	Banking Book Risk Short Term	Banking Book Risk Long Term
Maximum use	11.7%	18.4%
Average use	10.3%	17.1%
Minimum use	9.3%	15.9%

The Bank in 2011 also formalized the measurements, limits and reports of positions (IRE) and interest-rate risks (EaR) according to internal models. For this, the Bank's whole 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 & equipment), and is also developing an impact study of fluctuations in interest rates, exchange rates and inflation which is more complete and real than that required by the regulators.

Finally, internal policies require daily stress tests for Trading Book positions, including a comparison of potential losses with respect to defined alert levels, and of the effective losses during a calendar month with respect to alert levels. These policies require the carrying out of monthly tension tests for the Banking Book positions, including a comparison of their results with the alert levels established by the Bank's management.

The following shows the exposure to interest-rate risks by maturity for the Banking Book of Banco de Chile on individual bases as of December 31, 2011 and 2010:

	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, 2011							
Cash & bank deposits	827,381	-	-	-	-	-	827,381
Operations pending settlement	295,420	-	-	-	-	-	295,420
Repurchase agreements & loans of securities	10,021	-	-	-	-	-	10,021
Hedge derivatives	173,624	64,468	195,555	-	-	-	433,647
Due by banks	52,870	188,642	198,068	38,127	61,469	109,249	648,425
Loans & receivables from customers	2,063,967	2,371,825	4,516,013	4,123,675	1,920,759	4,537,489	19,533,728
Investment instruments available for sale	112,181	229,613	260,827	119,412	225,218	492,407	1,439,658
Investment instruments held to maturity	-	-	-	-	-	-	-
Total assets	**3,535,464**	**2,854,548**	**5,170,463**	**4,281,214**	**2,207,446**	**5,139,145**	**23,188,280**

	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 by banks	95,236	71,094	128,536	54,722	-	-	349,588
Loans & receivables 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$
Liabilities as of December 31, 2011							
Demand deposits & other obligations	4,906,774	-	-	-	-	-	4,906,774
Operations pending settlement	87,821	-	-	-	-	-	87,821
Repurchase agreements & loans of securities	48,560	-	-	-	-	-	48,560
Time deposits & other loans	4,488,511	1,999,990	2,546,130	346,907	397	41	9,381,976
Hedge derivatives	1,739	3,119	20,276	167,445	78,059	246,035	516,673
Obligations with banks	609,849	789,386	408,950	17,548	12,650	39,466	1,877,849
Debt instruments issued	12	15	164	465	664	1,714	3,034
Other financial obligations	104,265	11,117	56,986	109,687	118,978	44,926	445,959
Total liabilities	**10,247,531**	**2,803,627**	**3,032,506**	**642,052**	**210,748**	**332,182**	**17,268,646**

	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							
Demand deposits & other obligations	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 loans	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

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 adopts this tool as perceiving it as more reliable and useful than the normal evaluations of distribution fluctuations (like VaR) as:

(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.

For implementing the stress tests, the Bank controls daily a follow-up of the evolution of the potential losses or gains of the Trading Book, and their causes.

An updated 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 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.

This 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 bond interest rates, derivatives curve, volatility of pesos/USD and inflation. Fluctuations in the prices of equities in the positions held by the Bank's stockbroking firm (Banchile Corredores de Bolsa) are not included as they are not considered material. Moreover, these positions are generally very small as this company is mainly focused on customer share transactions.

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							
	CLP Derivatives (bps)	CLP Bonds (bps)	UF Derivatives (bps)	UF 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 (%)
3 m	54	75	-190	-173	5	-7	-11.9%	0.19%
6 m	46	84	-70	-47	9	-41	-9.8%	0.01%
9 m	48	89	-29	-3	12	-49	-8.1%	0.,01%
1 year	49	91	-34	8	14	-52	-7.2%	0.05%
2 years	56	79	-8	18	33	-60	-	0.03%
4 years	50	56	-1	6	48	-23	-	0.03%
6 years	48	48	2	3	51	-23	-	0.02%
10 years	47	49	1	2	51	-24	-	0.03%
16 years	48	49	2	1	46	-24	-	0.03%
20 years	49	49	1	0	45	-24	-	0.04%

bps = basis points

The impact on the Bank's Trading Book as of December 31, 2011 is as follows:

EXPECTATION OF GAIN OR LOSS IN TRADING BOOK	
	BCh (CLP MM)
Rates in CLP	38
Derivatives	512
Investments	(474)
Rates in UF	(600)
Derivatives	(568)
Investments	(32)
USD, EUR, JPY offshore	217
USD, EUR, JPY on/off spread	146
Total interest rates	(199)
Total FX	58
Total Vega Options FX	(155)
Overall result: rates + FX + Vega	(296)
Estimated Result Next 12 Months	460,000
Basic Capital (or Liquid Equity)	1,739,175
Result/(Basic Capital + Estimated P&L 12 m)	0.0%
Result/Estimated P&L 12 months annualized	-0.1%

The modeled scenario 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 Accruals Book, 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 ACCRUALS BOOK	
MCh$	12 MONTHS
Higher/Lower Income	**(14,538)**
CLP TOTAL	78,800
UF TOTAL	(91,466)
FCY TOTAL	(1,872)

The positive impact in the book denominated in non-indexed pesos (CLP) is compensated by the negative impact on the book in UF in a scenario of a rise in nominal rates. The lower marginal income in the next 12 months are less than a month of the budgeted gain.

The next table shows the impact on capital as a result of the potential change in market value of the portfolio of instruments available for sale due to fluctuations in the interest rate:

Impact on Capital of Portfolio Available for Sale			
Instrument	DV01 at 1 bps (USD)	Impact for change in interest rates (USD)	Impact for change in interest rates (MCh$)
CLP	-106,970	-7,166,990	-3,726
CLF	-466,668	-2,333,340	-1,213
USD	-261,774	-5,235,480	-2,722
Total	**-**	**-14,735,810**	**-7,661**

The modeled scenario would generate losses on the portfolio available for sale, mainly due to the rise in the rates for terms greater than a year.

(4) Capital Requirements and Management of Capital:

The primary objectives of the Bank's capital management are to ensure compliance with regulatory capital requirements and maintain a solid credit rating and healthy capital ratios. The capital management policy has therefore established certain alerts related to the ratios established by the SBIF which are monitored permanently. During 2011, the Bank has fully complied with the capital requirements demanded.

The Bank manages the capital by making adjustments in the light of changes in economic conditions and the risk characteristics of its activities. For this, the Bank can adjust the amount paid as dividends, return capital to its shareholders or issue capital instruments.

Regulatory ratios

According to the General Banking Law, banks should maintain a minimum effective equity to risk-weighted assets ratio of 8%, net of required allowances, and a minimum basic capital to total consolidated assets ratio of 3%, net of required allowances. As a result of 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 obliged to maintain an effective equity to risk-weighted assets ratio of no less than 10%. The regulator thus ratified the minimum of 10% that it had set in December 2001 when authorizing the merger by absorption of Banco Edwards into Banco de Chile.

The Bank maintains and actively manages the basic capital to cover the risks inherent in its businesses. Its capital sufficiency is monitored by employing, among other measures, the ratios and rules of the SBIF. During 2011, and also 2010, the Bank has fully complied with external capital requirements demanded.

Capital Requirement

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 the 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 2011 and 2010 are as follows:

	Consolidated Assets		Risk-Weighted Assets	
	2011 MCh$	2010 MCh$	2011 MCh$	2010 MCh$
Balance sheet assets (net of allowances)				
Cash & bank deposits	881,146	772,329	16,472	767
Operations pending settlement	373,639	429,753	100,236	60,922
Instruments for trading	336,822	308,552	78,314	65,540
Repurchase agreements & loans of securities	47,981	82,787	47,981	82,787
Financial derivative contracts	385,688	489,582	378,788	396,511
Due by banks	648,425	349,588	335,562	338,913
Loans & receivables from customers	16,993,303	13,988,846	15,555,760	12,841,904
Investment instruments available for sale	1,468,898	1,154,883	488,760	358,740
Investments in companies	15,418	13,294	15,418	13,294
Intangible assets	35,517	36,373	33,757	33,992
Property, plant & equipment	207,888	206,513	207,887	206,513
Current taxes	1,407	5,654	141	565
Deferred taxes	116,282	111,201	11,628	11,120
Other assets	228,533	286,021	229,650	286,021
Sub total			**17,500,354**	**14,697,589**
Assets off the balance sheet				
Contingent liabilities	3,484,007	2,913,689	2,084,517	1,748,106
Total risk-weighted assets			**19,584,871**	**16,445,695**

	December 31, 2011		December 31, 2010	
	MCh$	%	MCh$	%
Basic Capital (*)	1,739,173	6.85	1,404,125	6.60
Effective Equity	2,529,135	12.91	2,201,324	13.39

(*) Basic capital refers to the equity of the owners of the Bank in the consolidated statement of financial position.

Note 39.39 - Subsequent Events

The board of Banco de Chile, at its meeting No.2,748 of January 26, 2012, agreed to call the ordinary shareholders meeting for March 22, 2012 to propose, among other things, the distribution of dividend No.200 for Ch$2.984740 for each of the 86,942,514,973 shares issued by Banco de Chile, payable against the distributable earnings for the year 2011, corresponding to 70% of those earnings.

The board also agreed to call an extraordinary shareholders meeting for the same date in order to propose, among other things, the capitalization of 30% of the Bank's distributable earnings for 2011 through the issue of bonus shares of no par value, determined at a value of Ch$67.48 each share, distributed between shareholders on the basis of 0.018956 shares for each share, and to adopt the necessary agreements, subject to the exercise of the options foreseen in article 31 of Law 19,396.

In the opinion of the management of the subsidiary LQIF, 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, 2011 and the date of issue of these consolidated financial statements.

NOTE 40 – Material information

On March 29, 2011, Quiñenco informed the SVS as follows:

"In accordance with articles 9 and 10.2 of the Securities Market Law 18,045 and SVS General Rule No.30, I, duly authorized, report that the board meeting of Quiñenco S.A. ("Quiñenco") held on this date, agreed to propose to the next ordinary shareholders meeting the distribution of a final dividend of Ch$145,803,024,205, being 50% of the earnings attributable to the owners of the controller for 2010 (the "earnings of 2010"), comprising: (a) a minimum obligatory dividend of Ch$87,481,819,101, equivalent to 30% of the earnings for 2010 and (b) an additional dividend of Ch$58,321,205,104, equivalent to 20% of the earnings for 2010.

This final dividend would be for the sum of Ch$127.38586 per share which it is proposed be payable from May 9, 2011 to shareholders in the respective register five business days prior to that date."

On March 31, 2011, Quiñenco informed the SVS as follows:

"In accordance with articles 9 and 10.2 of the Securities Market Law 18,045 and SVS General Rule No.30, I, duly authorized, report with respect to Quiñenco that:

Final contracts were signed in Santiago on March 31, 2011 by which Quiñenco committed to acquire from Royal Dutch Shell PLC ("Shell") an indirect participation in its Chilean subsidiaries Enex S.A. Sociedad Anónima Comercial e Industrial, Inversiones Enex S.A. and Enex Trading Chile S.A. (the "Companies") which involves the transfer of the fuel distribution business through the service stations that Enex operates throughout the country, the lubricants distribution business and other related businesses.

The value agreed for this transaction is 523 million US dollars ("dollars") plus working capital at the closing (whose referential amount at December 2010 equates to 91 million dollars).

The closing of the transaction is subject to compliance with conditions normal for this kind of negotiation, including a transition period for the orderly transfer of the operations of an ongoing company, so the closing should take place no later than September 30, 2011, having stipulated certain usual restrictions affecting corporate governance and the management of the Companies in the intervening period, in particular with reference to activities outside the ordinary business or inconsistent with past practices. The contracts also contemplate declarations and warranties by the parties that are normal in this kind of transaction.

It was also agreed to sign a brand licensing contract with Shell Brands International A.G., to reproduce, use and exhibit in Chile in the designated places, assets and equipment the registered brands "Shell" and other manifestations related to those brands, in relation to the activities mentioned above. The term of this license is five years, which may be extended for another five by agreement between the parties.

This transaction means for Quiñenco the entry into a new business area, consistent with its long-term strategy centered on the constant search for new opportunities for creating value, generating synergies and driving the growth of its investments."

On April 6, 2011, Quiñenco informed the SVS as follows:

"In accordance with articles 9 and 10.2 of the Securities Market Law 18,045 and SVS General Rule No.30, I, duly authorized, report with respect to Quiñenco that:

On this date, the subsidiary of Quiñenco, Inmobiliaria Norte Verde S.A., acquired from Marítima de Inversiones S.A. ("Marinsa") 162,340,712 shares in Compañía Sud Americana de Vapores S.A. ("CSAV"), representing 8% of that company's share capital. The price per share was Ch$350.50, which produced a total price of Ch$56,900,419,556.

It is Quiñenco's intention to participate in equal parts with Marinsa in the holding of shares in CSAV. Quiñenco and Marinsa have also shown their intention to propose a capital increase to be resolved at the next extraordinary shareholders meeting of CSAV on April 8, for an amount of US$1,000 million, both parties expressing their intention to subscribe and pay their parts. The parties will attempt to ensure that this increase is placed in two stages for the equivalent of US$500 million each, at the time and on the conditions the meeting and board of CSAV define. Each time that CSAV commences a pre-emptive offer period for its shareholders, it is each party's intention to pay for all the shares to which they are entitled under such pre-emptive subscription rights.

While there is no obligation at this time, Quiñenco and Marinsa intend to negotiate a joint-action shareholders' agreement within 60 days from this date, as appears in the referential note with the terms to be discussed by the parties, attached to this report. In accordance with Paragraph II of Section I of SVS Rule No.104, once the parties agree to the text of the shareholders agreement and it is signed, this will be reported."

On May 31, 2011, Quiñenco informed the SVS as follows:

"With reference to the material information report of Quiñenco date March 31, 2011, relating to the signing of contracts whereby Quiñenco committed to acquire from Royal Dutch Shell PLC ("Shell") an indirect participation in its Chilean subsidiaries Enex S.A. Sociedad Anónima Comercial e Industrial, Inversiones Enex S.A. and Enex Trading Chile S.A. (the "Companies") which involves the transfer of the fuel distribution business through the service stations that Enex operates throughout the country, the lubricants distribution business and other related businesses.

"In accordance with articles 9 and 10.2 of the Securities Market Law 18,045 and SVS General Rule No.30, I, duly authorized, report with respect to Quiñenco that:

The closing of this transaction took place in Santiago on May 31, 2011 in accordance with the stipulations of the share sale contract of the Companies. The price paid at the closing after the adjustments made was 633 million dollars, which includes working capital and cash resources".

On September 30, 2011, Quiñenco informed the SVS as follows:

"In accordance with articles 9 and 10.2 of the Securities Market Law 18,045 and SVS General Rule No.30, I, duly authorized, report with respect to Quiñenco that:

Compañía Sud Americana de Vapores S.A. ("CSAV") has requested Quiñenco to grant it a line of credit to enable it to resolve its cash needs for the rest of 2011.

Quiñenco agrees to open the line of credit requested by CSAV of up to US$ 250,000,000. This line will be prepaid from the proceeds of the capital increase of CSAV, referred to below.

The board of CSAV has also approved, as reported as material information on this date, a financial strengthening plan which it intends to carry out through (i) a capital increase of USS$ 1,200 million and (ii) the division of the company in order to separate the shipping business from the shipping and cargo services business. As a result, the shipping business will remain with CSAV while the ships and cargo services business will be placed in a new company to be created from the division.

Quiñenco intends to participate in CSAV's capital increase, not only for the part it is entitled to pro rata, but also to subscribe for shares that were not subscribed by other shareholders or their assignees (and which are offered in the respective preferential offer periods and remaining shares subscription offer period), for a total of up to US$ 1,000 million, all however subject to the respective shareholders meeting approving the division of CSAV as part of the financial strengthening plan approved by its board."

On September 2, 2011, Quiñenco informed the SVS as follows:

"In accordance with articles 9 and 10.2 of the Securities Market Law 18,045 and SVS General Rule No.30, I, duly authorized, report with respect to Quiñenco that:

Contracts were signed in Santiago on September 2, 2011 whereby Quiñenco, directly or through one or more of its subsidiaries, has committed to acquire from Organización Terpel Chile S.A. and Petrolera Nacional S.A. (together "Terpel") all of their participations in their Chilean subsidiaries Petroleos Transandinos S.A. and Operaciones y Servicios Terpel Limitada (together the "Companies"), involving the transfer of the fuel distribution business through service stations that the Companies operates throughout the country, and other related businesses.

The agreed price for the assets is UF 6,706,951, subject to an adjustment at the closing for working capital variations. Deducted from this price will be the Companies' net financial debt, when defining the final price payable for these shares at the closing.

The closing of the transaction is subject to compliance with certain normal conditions in this type of operation, especially the prior approval of the Tribunal de Defensa de la Libre Competencia (Chilean Antitrust Court) of the consultation to be made to that organism, in accordance with its Resolution No.34/2011.

This will permit Quiñenco to increase its competitiveness in the fuel and lubricants distribution and commercialization business, an industry in which it has been present for some months through Enex S.A., the company that concentrates the assets acquired by Quiñenco from The Shell Petroleum Company last May and which is the licensee of the Shell brand for fuel commercialization and distribution through service stations.

Once the Antitrust Court authorizes the operation, this will add more than 200 service stations and 91 convenience stores to the present network, thus improving the value proposal for consumers."

The subsidiary Madeco reported on November 15, 2011 that the board of Nexans agreed to the entry of the director of Madeco, Francisco Pérez Mackenna, on to its compensation and appointments committee, to be assumed from January 2012.

There have been no other events of a relevant or important nature occurring in the period January to December 31, 2011, as defined in General Rule No. 30 of the SVS.

Management's Analysis of the Consolidated Financial Statements

As of December 31, 2011

I. Summary

During 2011 Quiñenco obtained net income[4] of Ch$87,966 million, 69.8% below the level of the previous year. This is mainly due to the non-recurring gain in 2010 on the sale of a shareholding in LQIF to Citigroup and the sale of Telsur to GTD. In 2011, earnings were affected by the incorporation of the investment in CSAV which contributed a loss of Ch$70,181 million. This was partially offset by greater financial income, mainly obtained by Quiñenco, reflecting the higher market value of its financial investments at the corporate level.

The positive results of Banco de Chile should however be noted, which were 13.3% more than the previous year, reflecting improved economic conditions. The result of CCU rose due to growth at the operational level. Madeco improved both its non-operating result, reflecting a gain on the sale of Nexans Colombia and the absence of non-recurring expenses incurred in 2010 as a result of the agreement with Nexans, and its operating result, due to the positive performance of the profiles and flexible packaging units.

The results of Enex, ex-Shell Chile, which was acquired on May 31, 2011, are incorporated as of June 2011.

II. Analysis of Comprehensive Income

For a better understanding of Quiñenco's results, the analysis and the financial statements, separate the results between banking and non-banking (industrial sector) activities.

1. Analysis of Industrial Sector Results

The following segments are included in the results of the industrial (non-banking) sector:

a) Manufacturing
- Madeco

b) Financial
- LQ Inversiones Financieras Holding (LQIF Holding)

c) Energy
- Enex

d) Others
- Quiñenco and others (includes CCU, Compañía Sud Americana de Vapores (CSAV) and eliminations)

The above companies present their financial statements in accordance with IFRS, except for 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 in a public share offering all its direct and indirect shareholding of 74.43% in Telsur to GTD Grupo Teleducto.

On March 22, 2011 Quiñenco acquired directly a 10% shareholding in Compañía Sud Americana de Vapores from Marinsa de Inversiones. On April 6, 2011 it acquired directly, and through its direct subsidiary Inv. Río Bravo and its indirect subsidiary Inmobiliaria Norte Verde, an additional 8% shareholding. During June and July, it participated in the capital increase of CSAV, acquiring an additional 2.6% shareholding. As of December 31, 2011 Quiñenco holds a direct and indirect shareholding of 20.6% in its associate CSAV.

4 Net income refers to the Net income attributable to owners of the controller.

On May 31, 2011 Quiñenco acquired, through its indirect subsidiary Inversiones Río Cobre Ltda., the companies Shell Chile S.A.C. e I., Inversiones Shell S.A. and Shell Trading Chile S.A. from Royal Dutch Shell plc for US$633 million, including working capital and cash. The operations acquired include the fuel distribution business through approximately 300 service stations throughout the country, plus 60 convenience stores, lubricants distribution and other related businesses.

In August 2011, the companies Shell Chile S.A.C. e I., Inversiones Shell S.A. and Shell Trading Chile S.A., changed their names to Enex S.A., Inversiones Enex S.A. and Enex Trading S.A., respectively. The energy sector, herein after Enex, includes the consolidation of these three companies, plus Inversiones Río Cobre Ltda., in Inversiones Río Aurum S.A., a 100% indirect subsidiary of Quiñenco S.A.

It should be noted that the results of Enex are included from May 31 and therefore correspond to a period of seven months. Inversiones Río Aurum S.A. obtained US$155 million in bank debt with the guarantee of Quiñenco S.A. as part of the financing of this acquisition.

Figure No.1: Industrial sector results

	MCh$	
	12-31-2011	12-31-2010
Operating income [5]	16,748	(3,354)
Non-operating income [6]	(33,176)	193,400
Income tax	1,011	(8,782)
Net income (loss) from discontinued operations	-	-
Consolidated net income industrial sector	**(15,416)**	**181,264**

Revenues from ordinary activitiess

Ordinary revenues in 2011 increased by 246.5% to Ch$1,055,401 million, mainly due to the incorporation of the energy sector on May 31, 2011 and, to a lesser extent, the increase in revenues of Banchile Seguros de Vida, included in Quiñenco and others. The composition of consolidated ordinary revenue is shown in comparative terms in Figure No.2:

Figure No.2: Composition of ordinary revenues

	MCh$	
	12-31-2011	12-31-2010
Manufacturing		
Madeco	210,878	212,789
Financial		
LQIF holding	-	-
Energy		
Enex	731,728	-
Other		
Quiñenco and others	112,795	91,843
Ordinary revenues	**1,055,401**	**304,632**

The seven month's revenues of Enex amounted to Ch$731,728 million, being mainly revenues from sales of fuel products, followed by lubricants, asphalts, chemicals and services.

The variation in Quiñenco and others is mainly due to a 23.0% increase in the revenues of Banchile Seguros de Vida.

5 Operating income is the result of Ordinary revenues less Distribution costs, Administrative expenses, Other revenues by function, Other expenses by function, and the Cost of sales.

6 Non-operating income includes the following accounts: Other gains (losses), Financial income, Financial costs, Participation in the earnings (losses) of associates and joint ventures booked using the equity method, Exchange differences and Result of indexation adjustments.

Madeco's revenues in 2011 fell slightly by 0.9% compared to the year before, mainly due to reduced sales of the brass mills unit as a result of the closure of the lamination area in the last quarter of 2010 and the sale of coin blanks in the second quarter of 2011, thus reducing sales volumes, which was partially compensated by a higher average price in Chilean peso terms. This reduction was partially compensated by the increase in sales of the packaging unit in Chile, Peru and Argentina and, to a smaller degree, greater revenues in the profiles unit, reflecting increased sales volumes due to an increase in activity and the consolidation of the change in commercial strategy begun in 2010.

Cost of sales

The cost of sales in 2011 rose by 305.1% over the previous year, mainly explained by the incorporation of the energy sector on May 31, 2011, and, to a lesser extent, by Quiñenco and others, mainly corresponding to Banchile Seguros de Vida whose cost of sales increased by 7.8%, partially offset by the reduced cost of sales of Madeco.

The costs for the seven-month period of Enex amounted to Ch$671,087 million, mainly related to cost of sales of fuel products, followed by lubricants, asphalts, chemicals and services.

Madeco reported a 2.5% decline in cost of sales, mainly reflecting the reduced cost of sales of the brass mills unit following the closure of the lamination unit in the last quarter of 2010, thus reducing sales volume. This was partially compensated by the higher cost of sales of the packaging and, to a smaller extent, the profiles units, as a result of the smaller volumes sold by both units.

The composition of consolidated cost of sales in comparative terms is shown in Figure No.3:

Figure No.3: Composition of cost of sales

	MCh$	
	12-31-2011	12-31-2010
Manufacturing		
Madeco	(173,842)	(178,245)
Financial		
LQIF holding	-	-
Energy		
Enex	(671,087)	-
Others		
Quiñenco and others	(43,885)	(41,159)
Cost of sales	(888,814)	(219,404)

Gross margin

The gross margin was Ch$166,587 million in 2011, 95.5% higher than that reported for 2010, mainly due to the incorporation of the new energy sector which contributed Ch$60,640 million, due to the sales margin on fuels, followed by lubricants, asphalts, chemicals and services. Quiñenco and others mainly corresponds to Banchile Seguros de Vida which saw growth of Ch$17,766 million, or 35.2%. The gross margin of Madeco rose by Ch$2,492 million, or 7.2%, based on the good performance of the packaging unit and an increase in the profiles unit. In the brass mills unit, the lower level of revenue was partly mitigated by a higher gross margin in 2011 (gross margin as a percentage of sales), the product of a greater margin on the cost of the raw material in Chile.

In addition, production expenses declined as a consequence of the closing of the lamination unit in late 2010. The composition of the gross margin in comparative terms is shown in Figure No.4:

Figure No.4: Gross margin

	MCh$	
	12-31-2011	12-31-2010
Manufacturing		
Madeco	37,036	34,544
Financial		
LQIF holding	-	-
Energy		
Enex	60,640	-
Others		
Quiñenco and others	68,911	50,684
Gross margin	166,587	85,229

Net operating expenses [7]

Net operating expenses totaled Ch$149,839 million in 2011, 69.2% higher than the year before, mainly explained by the new energy sector, whose operating expenses, mostly corresponding to administrative expenses of Ch$57,423 million, amounted to Ch$53,360 million. The administrative expenses were partially compensated by other income by function, mainly composed of dividends received from Sonacol for Ch$2,127 million. Banchile Seguros de Vida, included in Quiñenco and others, reported an increase of 32.0% in its net operating expenses. The latter was partially compensated by Quiñenco and its intermediate companies, with a decrease of 47.3% in its net operating expenses, due to dividend income from CSAV of Ch$2,810 million. As of December 31, 2011, Quiñenco's share in CSAV amounted to 20.6%.

Madeco's net operating expenses declined by 5.9%, mainly the result of an increase in other revenues by function, corresponding to the dividend from Nexans (Ch$1,946 million in 2011 vs Ch$1,777 million in 2010), a non-recurring gain on a sale of land for Ch$947 million and larger taxes recovered due to the absorption of tax losses of Ch$936 million. There were also reduced expenses in the brass mills unit as a result of a reduced structure following the sale of the blank coins business in the second quarter of 2011. In addition, there were reduced other expenses by function due to lower restructuring costs. On the other hand, there were increased distribution costs and administrative expenses due to greater activity, a higher level of freight costs with respect to exports of the packaging and brass mills units, a reclassification of costs associated with warehousing from cost of sales to administrative and distribution expenses of the packaging unit, and due to the start-up of the new plant in Peru.

The composition of net operating expenses in comparative terms is shown in Figure No.5:

Figure No.5: Composition of net operating expenses

	MCh$	
	12-31-2011	12-31-2010
Manufacturing		
Madeco	(22,781)	(24,206)
Financial		
LQIF holding	(9,625)	(9,513)
Energy		
Enex	(53,360)	-
Others		
Quiñenco and others	(64,072)	(54,864)
Net operating expenses	(149,839)	(88,583)

7 Net operating expenses include Other revenues by function, Distribution costs, Administrative expenses and Other expenses by function.

Operating income

Operating income was Ch$16,748 million for the year 2011, in contrast with an operating loss of Ch$3,354 million in 2010, mainly reflecting the improved operating income of Quiñenco and others, Madeco, and the incorporation of the new energy sector.

Quiñenco and others reversed the operating loss and generated operating income of Ch$4,838 million, mainly due to Banchile Seguros de Vida which increased its operating income by 58.3%. In addition, Quiñenco and intermediate companies reduced their operating loss following the receipt of dividends from CSAV.

The operating income of Enex for the seven-month period amounted to Ch$7,280 million, reflecting a significant contribution of fuels, followed by lubricants, asphalts, chemicals, services and the dividend received from Sonacol.

Madeco's operating income increased by 37.9% to Ch$14,255 million as a result of the higher gross margin, principally from the packaging and profiles units, and reduced net operating expenses, as explained above.

The comparative composition of operating income is shown in Figure No.6:

Figure No.6: Composition of operating income

	MCh$	
	12-31-2011	12-31-2010
Manufacturing		
Madeco	14,255	10,339
Financial		
LQIF holding	(9,625)	(9,513)
Energy		
Enex	7,280	-
Others		
Quiñenco and others	4,838	(4,180)
Operating income	16,748	(3,354)

Non-operating income

Non-operating income in 2011 was a loss of Ch$33,176 million, which contrasts negatively with income of Ch$193,400 million in 2010. This change is mainly due to (i) the gain in 2010 of Ch$169,513 million on the sale of an 8.52% shareholding in LQIF to Citigroup and a gain of Ch$8,725 million on the sale of the shareholding in Telsur, versus a gain in 2011 of Ch$2,324 million on the sale of Nexans Colombia by Madeco; and, to a lesser extent, (ii) the loss in the participation of associates for Ch$29,574 million in 2011 versus a gain of Ch$35,312 million in 2010, mainly due to the incorporation of the participation in the results of CSAV, which generated a loss of Ch$70,181 million, which was partially offset by income from the participation in the results of IRSA, the parent of CCU, which increased its contribution by 11.0%, reflecting the improved result of CCU during the year; (iii) a higher financial cost in 2011, mainly explained by Enex due to the bank debt acquired by Inversiones Río Aurum, by Quiñenco due to its bonds placement and, to a lesser degree, by Madeco, partially compensated by the reduced financial cost booked by LQIF holding; and (iv) the increase in the loss in indexation adjustments, mainly explained by LQIF and by Quiñenco due to the higher inflation in 2011 compared to 2010.

The charges to the non-operating result were partially compensated by (i) higher financial income, principally of Quiñenco, reflecting the higher market value of its financial investments. It should be noted that Quiñenco has valued its financial assets related to its corporate-level liquidity position, to fair value with changes to results since the second quarter of 2010; (ii) the exchange differences gain of Ch$3,756 million in 2011 versus a loss of Ch$134 million in 2010, mainly explained by the exchange gain on the loan granted by Quiñenco to CSAV in dollars, partially compensated by the exchange loss of Madeco due to its liability position in reales and euros, and the depreciation of those currencies against the dollar in 2011; and (iii) the non-recurring gain of LQIF due to the extraordinary partial payment of subordinated debt made due to the sale of the share-option rights of SAOS in the capital increase of Banco de Chile.

Figure No.7 shows the comparative composition of the non-operating result.

Figure No.7: Composition of non-operating income

	MCh$	
	12-31-2011	12-31-2010
Other revenues (losses)	973	163,995
Financial income	22,618	14,527
Financial costs	(19,966)	(13,849)
Participations in results associates & joint ventures	(29,574)	35,312
Exchange differences	3,756	(134)
Indexation results	(10,981)	(6,451)
Non-operating income	**(33,176)**	**193,400**

Net income for the year industrial sector

The consolidated loss of the industrial sector was Ch$15,416 million in 2011, contrasting negatively with consolidated industrial sector earnings of Ch$181,264 million in 2010, mainly due to the non-recurring gain of Ch$178,238 million in 2010 on the sale of a shareholding in LQIF to Citigroup and, to a lesser extent, on the sale of Telsur. In addition, 2011 includes the loss contributed by CSAV. However, 2011 registered higher financial income and a better operating result in Banchile Seguros de Vida, Enex and Madeco.

Figure No.8: Net income for the year industrial sector

	MCh$	
	12-31-2011	12-31-2010
Net income from continuing operations before taxes	(16,427)	190,046
Charge for income taxes	1,011	(8,782)
Consolidated net income industrial sector	**(15,416)**	**181,264**

2. Analysis of Banking Sector Results

The following companies are included in the banking results: Banco de Chile and SM Chile, which present their financial statements partially under IFRS for the years 2011 and 2010.

Figure No.9: Banking sector results

	MCh$	
	12-31-2011	12-31-2010
Operating income	487,271	412,164
Non-operating result	(77,995)	(71,052)
Consolidated net income banking sector	**349,612**	**302,561**

Operating revenue [8]

Operating revenue increased by 5.1% to Ch$1,226,214 million, mainly explained by (a) a 13.2% increase in net interest income due to the increase in nominal interest rates as a result of an average monetary-policy rate of 4.7% in 2011 vs 1.4% in 2010, which increased the contribution of non-interest-bearing liabilities and replaced more expensive sources of funds; (b) an annual increase of 21.0% in total loans which more than compensated reduced loan spreads; (c) higher income related to the Bank's structural asset position in UF as a consequence of higher inflation in 2011 than in 2010; (d) the 5.6% increase in net fee income due to greater commercial activity in insurance brokerage, plus credit and charge cards; and (e) a reduced net gain on financial and exchange operations, due to the booking of a loss of approximately Ch$42,500 million on the sale of overdue corporate loans during the last quarter of 2011, which was compensated by the release of portfolio allowances of Ch$45,400 million.

8 Operating revenues correspond to Total net operating revenues, excluding the allowance for credit risks.

Allowances for credit risk

Banco de Chile's allowances for credit risk amounted to Ch$124,840 million, a reduction of 40.2% compared to Ch$208,590 million in 2010. This improvement is due to the incorporation of non-recurring effects such as (a) the sale of an overdue loan portfolio that allowed a release of allowances of approximately Ch$45,400 million in the fourth quarter of 2011; (b) additional allowances made in 2011 amounting to approximately Ch$24,000 million, in line with a conservative focus in managing business risks; and (c) contingent and additional allowances made in 2010, amounting to approximately Ch$22,000 million and Ch$21,000 million respectively, to reflect the effect of the new regulations concerning allowances for loans evaluated individually and possible systemic risks.

The allowances for recurrent credit risk (net of additional allowances and extraordinary effects) therefore showed a fall of 11.9% to close at Ch$146,215 million in 2011. This positive trend benefited the retail divisions whose allowances declined by 15.1% and, to a lesser extent, the wholesale divisions which saw their recurrent allowances fall by 9.8%. This positive behavior was mainly the result of (a) the improved economic situation in 2011, which resulted in lower unemployment and an increase in real wages, which drove consumption and the commercial activity of local businesses; and (b) more efficient and continually-improving credit processes (evaluation, granting and recovery) that enabled the Bank to reduce its recurrent charges for credit risk, despite the significant increase in loans.

Operating expenses

Operating expenses rose by 12.6% to Ch$614,102 million, explained by the 12.6% increase in the operating expenses of Banco de Chile to Ch$613,848 million in 2011. This was due to the 16.2% increase in personnel remunerations and expenses, mainly explained by a charge of Ch$28,100 million related to the collective-bargaining agreements reached by the Bank with its unions and the higher staff expense, which reflects adjustments for inflation and productivity incentives.

Operating expenses were also affected by the 16.3% increase in administrative expenses, mainly explained by (a) a greater expense of approximately Ch$11,000 million related to the expansion of the external sales force contracted to face the greater commercial activity in the retail segment; (b) additional expenses related to the expansion and optimization of the distribution network, which added 25 new branches, for around Ch$9,000 million; (c) higher expenses in technology and communications of around Ch$7,000 million, in line with increased transaction processing, software licenses and the IT strategic plan; and (d) higher marketing expenses of approximately Ch$4,000 million, in line with the Bank's efforts to strengthen its brand in various segments.

Non-operating result [9]

A non-operating loss of Ch$77,995 million was generated in 2011, 9.8% higher than the non-operating loss of Ch$71,052 million for 2010, mainly explained by higher interest accrued on the subordinated debt with Banco Central de Chile in 2011 due to the effect of higher inflation during the period, which was partially offset by improved results in associates.

Net income for the year banking sector

Banking sector net income rose by 15.6% to Ch$349,612 million during 2011, mainly the result of higher net operating income and the reduction in allowances for credit risks, partially compensated by the increase in operating expenses and a larger provision for taxes.

9 The non-operating result includes the results of investments in companies and interest on the subordinated debt with Banco Central de Chile.

3. Analysis of Results by Segment

The following shows the composition of the results by segment and sector.

Sector /Segment	MCh$									
	Manufacturing		Financial		Energy		Others		Total	
	As of December 31									
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Industrial Sector										
Net income from continuing operations before taxes	12,031	(740)	(17,871)	(20,970)	3,294	-	(13,881)	211,756	(16,427)	190,046
(Charge) credits for income taxes	115	(2,084)	1,867	1,515	(266)	-	(705)	(8,213)	1,011	(8,782)
Net income from discontinued operations	-	-	-	-	-	-	-	-	-	-
Consolidated net income (loss) industrial sector	**12,146**	**(2,824)**	**(16,005)**	**(19,455)**	**3,028**	**-**	**(14,586)**	**203,543**	**(15,416)**	**181,264**
Banking Sector										
Income before income tax	-	-	409,276	341,112	-	-	-	-	409,276	341,112
Income tax	-	-	(59,664)	(38,551)	-	-	-	-	(59,664)	(38,551)
Consolidated net income banking sector	**-**	**-**	**349,612**	**302,561**	**-**	**-**	**-**	**-**	**349,612**	**302,561**
Consolidated net income (loss)	**12,146**	**(2,824)**	**333,607**	**283,106**	**3,028**	**-**	**(14,586)**	**203,543**	**334,196**	**483,825**
Net income attributable to non-controlling interests	7,491	(495)	237,420	188,144	-	-	1,319	4,569	246,230	192,219
Net income (loss) attributable to owners of the controller*	**4,656**	**(2,329)**	**96,187**	**94,962**	**3,028**	**-**	**(15,904)**	**198,973**	**87,966**	**291,606**

* Net income attributable to owners of the controller for each segment corresponds to the final contribution of each segment, and of the companies comprising them, to the earnings of Quiñenco S.A.

Manufacturing Segment

	MCh$	
	31-12-2011	31-12-2010
Madeco[10]	4,656	(2,329)
Net income manufacturing segment	**4,656**	**(2,329)**

The manufacturing segment contributed Ch$4,656 million to the earnings of Quiñenco in 2011, which contrasts positively with the loss of Ch$2,329 million the previous year, reflecting Madeco's improved performance during the year.

Madeco obtained net income of Ch$9,329[11] million, compared to the loss of Ch$4,888 million the year before. This improvement is explained by the increase in both the operating and non-operating results.

Madeco's revenues in 2011 declined slightly by 0.9%, mainly due to reduced sales of the brass mills unit as a result of the closure of the lamination unit area in the last quarter of 2010, thus reducing sales volumes, which was partially compensated by a higher average price in Chilean peso terms. This reduction was partially compensated by the increase in sales of the packaging unit in Chile, Peru and Argentina and, to a smaller degree, greater revenues in the profiles unit, reflecting increased sales volumes due to an increase in activity and the consolidation of the change in commercial strategy begun in 2010.

The gross margin of Madeco rose by 7.2% to Ch$37,036 million, based on the good performance of the packaging unit and an increase in the profiles unit. In the brass mills unit, the lower level of revenue was partly mitigated by a higher gross margin in 2011 (gross margin as a percentage of sales), the product of a greater margin on the cost of the raw material in Chile. Production expenses also fell as a result of the closure of the lamination unit in late 2010.

10 Corresponds to the participation of Quiñenco in the earnings of Madeco.

11 The analysis of Madeco is based on its 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.

Madeco's operating income increased by 37.9% to Ch$14,255 million as a result of the 7.2% improvement in the gross margin and a reduction of 5.9% in net operating expenses, mainly the result of the increase in other income by function, corresponding to the dividend from Nexans (Ch$1,946 million in 2011 vs Ch$1,777 million in 2010) and a non-recurring gain on a sale of land for Ch$947 million. There were also reduced expenses by function due to the fall in restructuring costs. On the other hand, there were higher distribution costs and administrative expenses due to the greater activity, a higher level of freight costs with respect to exports of the packaging and brass mills units, a reclassification of costs associated with warehousing from cost of sales to administrative and distribution expenses of the packaging unit, and due to the start-up of the new plant in Peru.

The recovery in the non-operating result, which moved from a loss of Ch$11,078 million in 2010 to one of Ch$2,224 million, a reduction of 79.9%, is explained because charges were made in 2010 of Ch$7,210 million associated with price adjustments relating to the sale of the cable unit under an arbitration with Nexans and charges of Ch$2,101 million associated with the impairment of the sheet business of the brass mills unit, partially compensated by the gain on the sale of shares in Nexans Colombia for Ch$2,324 million in 2011. The sale of Nexans Colombia forms part of the agreement with Nexans.

On June 1, 2011 Madeco sold part of its coin-blanks subsidiary (Armat) to Amera International A.G., including the brand, customer portfolio, industrial equipment, machinery and part of the working capital. Excluded from the deal were property, industrial installations and other assets not directly related to the coin-blanks business. The sale price was US$3.3 million. This transaction had no significant impact on Madeco's income statement.

Financial Segment

	MCh$	
	12-31-2011	12-31-2010
LQIF holding[12]	(7,991)	(10,371)
Banking sector[13]	104,178	105,333
Net income financial segment	**96,187**	**94,962**

The financial segment contributed Ch$96,187 million to the earnings of Quiñenco in 2011, a 1.3% increase over the year before.

The banking sector consists of Banco de Chile and SM Chile, whose most important item is the subordinated debt with the Chilean Central Bank.

LQIF holding booked a loss of Ch$16,005 million in 2011, 17.7% lower than the loss of Ch$19,455 million in 2010, mainly due to other gains resulting from the extraordinary partial payment of the subordinated debt from the higher value obtained on the sale of the rights of SAOS's options in the capital increase of Banco de Chile in 2011. It also showed an increase in financial income due to a greater availability of surplus funds than in 2010 and reduced financing costs following the reduction in financial obligations as a result of amortizations. This was partially compensated by a larger loss from indexation adjustments than the year before due to the effect of higher inflation on financial debt in UF and higher administrative expenses.

Banco de Chile reported earnings of Ch$428,805 million in 2011, a rise of 13.3% over the year before, reflecting the solid bases of the Bank's business strategy and Chile's clear economic recovery. This change is mainly explained by (a) larger interest and indexation revenue, growing by 13.2% due to the increase in nominal interest rates, the product of an average monetary-policy interest rate of 4.7% in 2011 vs 1.4% in 2010, which increased the contribution of non-interest-bearing liabilities and replaced more expensive sources of funds; (b) an annual increase of 21.0% in total loans which more than compensated reduced loan spreads; (c) higher income related to the Bank's structural asset position in UF as a consequence of higher inflation in 2011 than in 2010; (d) the 5.6% increase in net fee income due to greater commercial activity in insurance brokerage, plus credit and charge cards; and (e) a reduced net gain on financial and exchange operations, due to the booking of a loss of approximately Ch$42,500 million on the sale of an overdue corporate loan portfolio during the last quarter of 2011, which was compensated by the release of portfolio allowances of Ch$45,400 million.

12 Refers to the participation of Quiñenco in the earnings of LQIF Holding.
13 Refers to the participation of Quiñenco in the earnings of Banco de Chile and SM Chile.

These increases were partially offset by higher operating expenses and a larger provision for income tax.

The accrued interest on the subordinated debt with Banco Central de Chile was 11.4% higher in 2011 than the previous year due to the effect of higher inflation in 2011.

Energy Segment

	MCh$	
	12-31-2011	12-31-2010
Enex [14]	3,028	-
Net income energy segment	**3,028**	**-**

The energy segment contributed earnings of Ch$3,028 million to the earnings of Quiñenco in the seven-month period of 2011. The energy sector results are consolidated as of June 2011.

Enex obtained earnings of Ch$3,028 million during the seven month period in 2011. Revenue amounted to Ch$731,728 million, mainly relating to sales of fuels, followed by lubricants, asphalts, chemicals and services. Total volumes of fuel delivered in the seven-month period were 1,164 thousand cubic meters. The gross margin of Ch$60,640 million is explained by the margin on sales of fuels, followed by lubricants, asphalts, chemicals and services. The operating income of Enex amounted to Ch$7,280 million, the product of the gross margin and net operating expenses which amounted to Ch$53,360 million, mainly composed of administrative expenses partially compensated by the dividend received from Sonacol. It should be mentioned that the results for the period were affected by a generalized market contraction, plus other unusual factors that affected the volumes traded such as weather problems in the south, reduced volumes related to power generation, and the stoppage of operations at mines in which Enex has a large participation.

The non-operating result was a loss of Ch$3,986 million, mainly due to financial costs related to bank debt required to finance the acquisition of Enex.

Other Segment

	MCh$	
	31-12-2011	31-12-2010
IRSA [15]	39,921	35,979
CSAV [16]	(70,181)	-
Quiñenco and others	14,356	162,994
Net income other segment	**(15,904)**	**198,973**

The others segment contributed a loss of Ch$15,904 million to the earnings of Quiñenco in 2011, which contrasts negatively with earnings of Ch$198,973 million contributed the year before, principally due to the non-recurring gain reported in 2010 on the sale of a shareholding in LQIF and to the loss contributed by CSAV.

The 11.0% greater contribution of IRSA, the parent of CCU, to Quiñenco was the result of an increase in CCU's earnings in the year.

CCU reported earnings of Ch$122,752 million, 10.9% more than in the year before, due both to an improved operating income and a reduced non-operating loss, partially compensated by the increased charge for income taxes.

CCU obtained increased sales in 2011 in all its business segments, driven by greater volumes sold and higher average prices.

14 Enex refers to Inversiones Rio Aurum S.A. and subsidiaries which includes Enex S.A., Inversiones Enex S.A., Enex Trading S.A. and Inversiones Rio Cobre Ltda.
15 Refers to the participation of Quiñenco in tbe earnings of IRSA.
16 Refers to the participation of Quiñenco in the earnings of CSAV.

Operating income rose by 17.7% due to the higher gross margin, the product of sales growth in the year partially offset by a higher cost of sales, principally in raw materials, fuels and energy. The increase in operating income was partially compensated by higher net operating expenses. However, these were partly mitigated by increased other revenues by function, due mainly to the booking of Ch$13,289 million from an insurance claim with respect to the earthquake of 2010, partially offset by Ch$384 million due to the cider business restructuring in Argentina. In 2010, other revenues by function included the gain before taxes of Ch$6,791 million on the sale of land in Lima.

The variation in Quiñenco and others is mainly due to a larger gain on sales of participations made in 2010 of Ch$169,513 million on the sale of 8.52% of LQIF and Ch$8.725 million on the sale of Telsur, compared to the Ch$2,324 million obtained in 2011 from the sale of Nexans Colombia by Madeco. This was partially offset in 2011 by greater financial income, reflecting the higher market value of the financial investments at the corporate level and a reduced provision for income taxes.

The contribution of CSAV to Quiñenco was a loss of Ch$70,181 million as a result of CSAV's loss in the second half of the year (CSAV was booked at its equity value with effect from July 2011).

CSAV[17] reported a loss of US$1,250 million, which contrasts negatively with earnings of US$171 million the previous year, mainly due to the deterioration in the operating result.

CSAV's revenues in 2011 declined slightly by 1.2% with respect to the year before, mainly the result of large falls in freight rates and a reduced use of assets. The rise in the volume carried in the containership traffics was more than offset by the reduced freight rates.

CSAV produced a negative gross margin of US$725 million, compared to a positive margin of US$473 million in 2010, mainly due the higher cost of sales, the product of the company's larger carrying capacity in its different services, the increase in costs produced by a larger volume carried and the significant increase in the average fuel price.

The operating loss was US$1,041 million, contrasting negatively with the operating income of US$218 million the year before, mainly due to the 18.8% increase in administrative expenses reflecting the growth in the organizational structure between late 2010 and mid 2011, the increase in the company's activity and higher inflation in CSAV's principal markets.

The non-operating result was income of US$39 thousand, significantly lower than income of US$11 million in 2010. The variation is principally due to the loss on the sale of the vessel Maule of US$10.3 million in 2011 and a gain in 2010 of US$2.3 million on the sale of shares in CCNI, and the booking of negative goodwill of US$6.8 million.

The bottom line for 2011 was a loss of US$1,250 million as a result of the weaker performance at both the operating and non-operating levels. There was also a non-recurring loss on discontinued operations of US$280 million (net of tax) as a result of the measures taken under the restructuring plan implemented by the company.

It should be mentioned that CSAV in 2011 embarked on a deep restructuring plan and a redefinition of its strategy. As a result, the company substantially reduced its operating capacity, also reducing the volumes carried during the fourth quarter and focusing on its most important markets. Important progress has also been made in joint-operating agreements with other shipping companies.

The principal objectives of this restructuring point to (i) reducing CSAV's exposure to the volatility in the shipping industry, (ii) increasing efficiency, operating larger ships on each of its traffics and services, with strategic associations with leading companies in the industry, (iii) increasing the proportion of own fleet through a reduction in the capacity operated, and support for the ship investment plan, and (iv) substantially improving the company's organizational structure and implementing processes and information systems that improve visibility, increase responsibilities and decentralize the structure, and the company's capacity in its processes of decision-taking and customer integration.

17 CSAV reports in US$.

III. Analysis of the Statement of Financial Position

Assets

The consolidated assets of Quiñenco as of December 31, 2011 amounted to Ch$24,250,742 million, a figure 18.7% higher than that at the end of 2010, reflecting increased assets in both the industrial and banking sectors.

Figure No.10 shows in comparative terms the composition of the consolidated assets at the end of each year:

Figure No.10: Composition of consolidated assets

	MCh$	
	12-31-2011	12-31-2010
Manufacturing		
Madeco	384,919	330,672
Financial		
LQIF holding	944,995	951,093
Energy		
Enex	438,886	-
Others		
Quiñenco and others	738,812	940,783
Assets held for sale	2,185	2,106
Sub total others	740,997	942,889
Total assets industrial sector	**2,509,797**	**2,224,654**
Banking sector assets	21,740,945	18,200,363
Total consolidated assets	**24,250,742**	**20,425,018**

	MCh$	
	12-31-2011	12-31-2010
Current assets industrial sector	532,325	772,872
Non-current assets industrial sector	1,977,472	1,451,783
Total assets industrial sector	**2,509,797**	**2,224,654**
Banking sector assets	21,740,945	18,200,363
Total consolidated assets	**24,250,742**	**20,425,018**

Current assets industrial sector

The current assets of the industrial sector amounted to Ch$532,325 million, which represents a fall of 31.1% compared to December 31, 2010. This is mainly due to the use of funds for the acquisition of Enex for Ch$304,251 million, the investment in CSAV shares equivalent to 20.6% of its share capital for Ch$178,212 million, and shares in Nexans by Madeco for Ch$119,661 million, plus the payment of dividends and bond obligations.

This reduction in funds was partially offset by the proceeds of the bond issue for UF7,000,000 made by Quiñenco, bank loans by Inv. Río Aurum for the financing of Enex (these bank loans are guaranteed by Quiñenco), bank loans obtained by Madeco to finance the additional percentage holding in Nexans and the bond issue for UF1,500,000 made by LQIF. Funds were also provided from the dividends received by LQIF from Banco de Chile and by IRSA from CCU, plus the sale of the assets held for sale (shares in Nexans Colombia). Both trade debtors and other accounts receivable, as well as inventories, rose mainly as a result of the acquisition of 100% of Enex on May 31, 2011. There was also an increase in accounts receivable from related entities, mainly due to the loan granted by Quiñenco to CSAV.

Non-current assets industrial sector

The non-current assets of the industrial sector amounted to Ch$1,977,472 million, which represents an increase of 36.2% over the end of 2010. This is mainly due the additional investment in Nexans shares, increasing Madeco's shareholding to 19.86%. It is also due to the investment in the associate CSAV, in which it has a 20.6% shareholding. The increase in property, plant and equipment is the result of the acquisition of Enex in 2011, and goodwill increased following the acquisitions of Enex and CSAV in 2011.

Banking sector assets

Banking assets as of December 31, 2011 are Ch$21,740,945 million, representing an increase of 19.5% over December 2010.

Liabilities

Figure No.11 shows a comparison of the consolidated liabilities of Quiñenco at the end of each year.

Figure No.11: Composition of consolidated liabilities:

	MCh$	
	12-31-2011	12-31-2010
Current liabilities industrial sector	253,693	248,196
Non-current liabilities industrial sector	658,223	327,363
Total liabilities industrial sector	**911,916**	**575,559**
Banking sector liabilities	20,284,941	17,123,683
Total consolidated liabilities	**21,196,857**	**17,699,242**
Equity	3,053,885	2,725,775
Total equity & liabilities	**24,250,742**	**20,425,018**

The liabilities of the industrial sector as of December 31, 2011 amounted to Ch$911,916 million, 58.4% more than at December 31, 2010. This increase is mainly due to larger other financial liabilities, mostly explained by new financial debt in the form of bonds (Quiñenco and LQIF) and bank loans (Madeco and financing of Enex; this particular bank debt is guaranteed by Quiñenco) and the increase in trade creditors and other accounts payable, corresponding mainly to Enex. At the end of June 2011 Quiñenco made a bond placement of UF7,000,000. The bank debt for financing Enex and guaranteed by Quiñenco amounts to Ch$71,856 million as of December 31, 2011. In October 2011 LQIF placed a bond issue for UF1,500,000.

The increase in liabilities was partially compensated by decreases in both other non-financial liabilities, mainly reflecting dividend payments, and in tax liabilities, following their payment.

Banking sector liabilities rose by 18.5% compared to December 31, 2010.

Figure no.12 shows a comparison of the composition of liabilities as of the end of each year:

Figure No.12: Composition of liabilities

	MCh$	
	12-31-2011	12-31-2010
Manufacturing		
Madeco	129,396	83,173
Financial		
LQIF holding	217,503	204,113
Energy		
Enex*	209,824	-
Others		
Quiñenco and others	355,193	288,273
Total liabilities industrial sector	**911,916**	**575,559**
Banking sector liabilities	20,284,941	17,123,683
Total consolidated liabilities	**21,196,857**	**17,699,242**

* Includes bank debt of Ch$71,856 million as of December 31, 2011, guaranteed by Quiñenco.

The industrial sector debt ratio rose from 0.38% as of December 31, 2010 to 0.58% in December 2011. This is mainly explained by the 58.4% increase in liabilities against an increase of just 2.6% in the equity of the controller. In comparative terms, current liabilities at December 31, 2011 were 27.8% of total liabilities, whereas they represented 43.1% as of December 31, 2010.

Equity [18]

As of December 31, 2011 the equity of Quiñenco amounts to Ch$1,559,940 million, 2.6% higher than at December 31, 2010. This is explained by the earnings for the year and the change in other reserves, mainly due to the change caused by the capital increase of Banco de Chile and the translation difference produced mainly by Madeco and CSAV, partially compensated by the valuation of financial assets available for sale, relating mainly to Nexans, and the provision for dividends.

IV. Indicator Trends

Financial Indicators		12-31-2011	12-31-2010
LIQUIDITY*			
Current ratio	times	2.1	3.1
(Current assets/Current liabilities)			
Acid test	times	0.3	1.3
(Cash & cash equivalents/Current liabilities)			
DEBT*			
Leverage	times	0.58	0.38
(Total liabilities/Equity attributable to owners of the controller)			
Current debt/Total debt	%	27.82%	43.12%
(Current liabilities/Total liabilities)			
Non-current debt/Total debt	%	72.18%	56.88%
(Non-current liabilities/Total liabilities)			
Interest coverage	times	0.18	14.72
((Non-banking earnings + Income tax + Financial costs)/Financial costs)			
PROFITABILITY			
Return on equity	%	5.7%	20.9%
(Net income controller/Average equity attributable to owners of the controller)			
Earnings per share	$	76.85	254.77
(Net income controller /No. of shares)			
Dividend yield	%	10.2%	5.6%
(Dividend payments last 12 months per share/Closing share price)			

* Excludes banking sector assets & liabilities

18 Equity is the equity attributable to the owners of the controller.

V. Summarized Statement of Cash Flows

Industrial sector cash flow	MCh$	
	12-31-2011	12-31-2010
Net cash flow from (used in) operating activities	(37,246)	(2,686)
Net cash flow from (used in) financing activities	64,397	(161,843)
Net cash flow from (used in) investment activities	(347,712)	192,638
Total net cash flow for the year	**(320,561)**	**28,109**

As of December 31, 2011 Quiñenco reported for the industrial sector a negative cash flow of Ch$320,561 million due to investment activities of Ch$347,712 million and, to a smaller degree, the negative flow used in operating activities of Ch$37,246 million, partially compensated by the positive cash flow from financing activities of Ch$64,397 million.

The negative investment cash flow is mainly explained by the acquisition of the subsidiary Enex for Ch$304,251 million and the investments in Compañía Sud Americana de Vapores, equivalent to 20.6% of its share capital, for Ch$178,212 million, and in Nexans for Ch$119,661 million by Madeco. Quiñenco also granted a loan to CSAV of Ch$123,976 million. These outflows were partially compensated by inflows from the liquidation of time deposits and others at more than 90 days (net) for Ch$325,498 million and, to a lesser extent, the sale by Madeco of Nexans Colombia and the return of guarantees by Nexans that totaled Ch$12,605 million. In addition, dividends were received of Ch$22,215 million, mainly from IRSA, Sonacol and CSAV.

The negative operating cash flow is mainly composed of payments to suppliers of Ch$1,080,286 million, mainly by Enex, Madeco and Banchile, payments of income tax for Ch$43,428 million and personnel remuneration of Ch$39,973 million, mainly by Madeco, Enex and Quiñenco, partially offset by customer collections of Ch$1,127,137 million by Enex, Madeco and, to a lesser extent, Banchile.

The positive financing cash flow mainly comprises the proceeds of the bond issues of Quiñenco and LQIF holding and of bank loans obtained to finance Enex (guaranteed by Quiñenco) and by Madeco to finance the increased shareholding in Nexans, for a total of Ch$607,656 million. This was partially offset by the payment of obligations totaling Ch$359,661 million made by Enex, Madeco, Quiñenco and, to a lesser extent, by LQIF holding, and dividend payments of Ch$176,368 million.

Banking sector cash flows	MCh$	
	12-31-2011	12-31-2010
Net cash flow from (used in) operating activities	(285,041)	216,785
Net cash flow from (used in) financing activities	631,472	45,610
Net cash flow from (used in) investment activities	(313,287)	115,713
Total net cash flow for the year	**33,144**	**378,108**

As of December 31, 2011 Quiñenco reported for the banking sector a total positive net cash flow of Ch33,144 million, explained by the positive flow from financing activities of Ch$631,472 million, partially offset by the negative flow used in investment activities amounting to Ch$313,287 million and the negative flow used in operating activities of Ch$285,041 million.

VI. Summarized Statement of Comprehensive Income

	MCh$	
	12-31-2011	12-31-2010
Results Industrial Sector		
Revenues from ordinary activities	**1,055,401**	**304,632**
Manufacturing	210,878	212,789
Financial	-	-
Energy	731,728	-
Others	112,795	91,843
Cost of sales	**(888,814)**	**(219,404)**
Manufacturing	(173,842)	(178,245)
Financial	-	-
Energy	(671,087)	-
Others	(43,885)	(41,159)
Net operating expenses	**(149,839)**	**(88,583)**
Manufacturing	(22,781)	(24,206)
Financial	(9,625)	(9,513)
Energy	(53,360)	-
Others	(64,072)	(54,864)
Operating income	**16,748**	**(3,354)**
Manufacturing	14,255	10,339
Financial	(9,625)	(9,513)
Energy	7,280	-
Others	4,838	(4,180)
Non-operating result	**(33,176)**	**193,400**
Financial income	22,618	14,527
Financial costs	(19,966)	(13,849)
Participations in results of associates & joint ventures	(29,574)	35,312
Exchange differences	3,756	(134)
Indexation adjustment results	(10,981)	(6,451)
Other gains (losses)	973	163,995
Income tax recovery (charge)	1,011	(8,782)
Net income from discontinued operations	-	-
Consolidated net income industrial sector	(15,416)	181,264
Banking Sector Results		
Operating revenues	1,226,214	1,166,179
Allowances for credit risks	(124,841)	(208,590)
Operating expenses	(614,102)	(545,425)
Operating income	487,271	412,164
Non-operating result	(77,995)	(71,052)
Income tax	(59,664)	(38,551)
Consolidated net income banking sector	349,612	302,561
Consolidated earnings	334,196	483,825
Net income attributable to non-controlling interests	246,230	192,219
Net income attributable to owners of the controller	87,966	291,606

VII. Analysis of Risk Factors

Quiñenco and its subsidiary and associate companies face risks inherent to the markets and economies in which it participates, in Chile and abroad. These risks reflect the prices, costs and sales volumes of the products and services manufactured and commercialized.

Economic environment

The Company carries out its business mainly in Chile, so its operating results and financial position are, to a large degree, dependent on the general level of domestic economic activity. While it is believed that the Chilean economy grew by 6.3% in 2011, there is no assurance about whether it will grow in the future. The factors that might have an adverse effect on the Company's business and results include future recessions 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 that in turn operate and export to Argentina, Peru and other Latin American countries and the rest of the world, which on several occasions in the past have suffered from volatile, or at least unfavorable, economic, political and social conditions. The business, results and assets of the Company may be severely and adversely affected by events relating to inflation, interest rates, currency fluctuations, government policies, price and wage controls, exchange control regulations, taxes, expropriation, social instability 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 is reflected in the prices, costs and sales volumes of the products and services produced and sold by Quiñenco's businesses. While the Company expects, based on its past experience and 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 trend of consolidation in some industries. Greater competition could affect profit margins and the operating results of Quiñenco's businesses which, as a result, might significantly and adversely affect the dividend flows that Quiñenco receives from its businesses.

Risk of raw materials

In the subsidiary Madeco, oil derivatives (polyethylene resins, polypropylene, PVC, etc.) and copper are the principal raw materials. The financial result of Madeco is linked to the capacity to acquire an adequate supply, pass on prices quickly, manage stock efficiently and mitigate the risks of variations in its prices through hedges.

When price transfers are not quick or adverse effects are produced due to the absence of operating hedges, Madeco adopts different strategies that mitigate the effects of possible variations in the prices of its raw materials:

- In the management of oil derivatives, Madeco does not use financial hedges due to the difficulty of associating them with the different raw materials. Instead, it fixes the prices of its products with its principal customers through polynomials (adjustment methods), which take into account the principal variations of their components. These polynomials are adjusted between Madeco and its customers periodically in order to mitigate the risks with respect to variations in the process of its raw materials.
- Regarding the management of the copper-price risk, Madeco uses financial derivatives that are assigned according to the case, to cover cash flows or existing items (fair value).

In the subsidiary Enex, the fuels sold are mainly bought from Enap under annual supply contracts that regulate the conditions or formulas for the indexation of the prices of each product to relevant international market benchmarks which, in the case of liquid fuels, is the United States Gulf Coast. As a general rule, these conditions are passed on and considered in the sales pricing policy in order to minimize the exposure to the price. Enex maintains average stocks to cover 7 days of sale, which reduces the exposure to price changes.

The Shell and Pennzoil brand lubricants sold by Enex are supplied by the Shell supply chain which sets the purchase prices based on the evolution of the raw materials, production costs and local market conditions. Price changes are notified in advance, which are generally transferred to commercial conditions. Enex maintains an average stock of 2 to 3 month's sales, which reduces the exposure to price changes.

Banking sector risks

The subsidiary Banco de Chile manages credit and market risks according to its risk-management policies and procedures and in accordance with the rules and regulations of the SBIF. Credit risk is managed through a global and unified strategy, providing each segment with the pertinent credit treatment, using an automated model for individuals, a parametric model for small and medium businesses and individuals with commercial businesses, and a case-by-case model for large companies and corporations. The management of market risk, which covers liquidity and pricing risks, is carried out under 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 surplus cash are made with first-class Chilean and foreign financial entities under limits established for each entity, and which have a credit rating of at least the levels pre-established for each type of instrument.

In the subsidiary Madeco, the risk related to customers is managed according to its established policies and procedures. In granting credit to customers, these are evaluated in order to reduce the risk of non-payment. The credit lines granted are revised periodically in order to apply the controls defined by Madeco's policies and to monitor the state of accounts pending collection. [19]

The risk related to liabilities or assets of a financial nature is managed by Madeco according to its defined policies. Cash surpluses or funds available for investment are invested, in accordance with the policy, in low-risk instruments (mainly time deposits) with institutions having strong credit ratings and within the limits established for each of the institutions (funds are placed in a diversified manner).

Regarding the management of the copper-related risk, Madeco uses financial derivatives that are assigned according to the case, to cover cash flows or existing items (fair value). These instruments are contracted according to the policies defined by the management of Madeco which sets the levels of hedge according to copper's market price (the higher the price, the greater the hedge). In addition, the derivatives have to comply with the necessary documentation (definition of relationship between derivative and item hedged, risk management objectives, efficiency test, etc.). For contracting financial hedges, Madeco selects institutions with strong credit ratings in order to ensure payments in the event of possible compensations in its favor. As of December 31, 2010 Madeco had 1,950 tons, and as of December 31, 2011 1,100 tons, of copper hedged by derivative contracts.

The subsidiary LQ Inversiones Financieras has no accounts receivable subject to credit risk. Regarding its investments of cash surpluses, these are made on market conditions in fixed-income instruments, according to the maturities of financial commitments and operating expenses.

In the subsidiary Enex, the risk related to customers is managed within its credit policy and its authorizations manual. Sales on credit terms are controlled by the management system through the blocking of purchase orders when the customer's credit shows overdue debt and/or exceeds their previously agreed and approved credit limit. The approvals of customer credit lines are made by Enex's administration and finance management, with support and recommendation from the commercial areas, in accordance with a credit assessment model that takes into account both commercial and technical aspects. When considered appropriate, collateral and/or other requirements are requested in support of the credit. Should the credit granted be insufficient to meet commercial needs, the case is taken to the credit committee.

Enex's investments of cash surpluses are limited to fixed-income instruments and made with financial entities evaluated once a year, with exposure limits assigned by entity according to credit-rating agency reports and opinions, in line with the current treasury policy.

See the Note Classes of financial assets and liabilities for details of the balances.

Liquidity risk

Quiñenco finances its activities and investments with dividend and profit distributions of the companies in which it participates and with funds obtained from the sale of assets and/or the issuance of debt and shares.

19 For further detail with respect to the impairment of Madeco's financial assets, see the Note Other non-current financial assets.

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.

The subsidiary Madeco estimates periodically the projected needs for liquidity for each period, between the amounts of cash to be received (balances of customer receivables, dividends, etc.), the respective payments (commercial, financial, payment of hedge compensations, etc.) and available amounts of cash, in order not to have to call on short-term external financing. Madeco's financing policy seeks that its funding sources have a balanced structure between short and long term, a low risk exposure and that are in line with the cash flows generated by each of its companies.

The subsidiary LQIF distributes dividends as a function of its free cash flows taking into account the expenses and forecasts indispensable for the company, which include financial debt. The principal source of funds for the payment of interest and principal on the obligations of LQIF are the payment of dividends on its direct and indirect shareholding in Banco de Chile. Consequently, the capacity to meet the scheduled payments of interest and principal depends entirely on the capacity of Banco de Chile to generate a positive net income from its operations and the agreements adopted annually at its shareholders meeting with respect to the distribution of dividends.

The subsidiary Enex estimates its short-term cash flow projections periodically based on information received from the commercial areas. Enex has credit lines available with the principal banks it works with in order to cover possible unexpected cash deficits.

See Note Other current and non-current financial liabilities for details of the balance and maturities of the financial debt.

Market risk

Exchange rate risk

The exposure at the corporate level at December 2011 to the exchange rate derives mainly from the positions held in receivables indexed to currencies other than the functional currency, i.e. Chilean pesos. There are no hedge mechanisms contracted at the corporate level at December 2011 or 2010. Exchange differences are produced in translating to pesos the balances of the functional currencies of consolidated entities whose functional currency is other than the peso, and are booked as a credit or charge to equity until the corresponding item is removed from the balance sheet, when they are booked to income.

As of December 31, 2011 the net exposure to exchange rate risk of Quiñenco, at the corporate level, is an asset equivalent to Ch$130,835 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 comprehensive income an estimated effect of Ch$6,542 million.

In the subsidiary Madeco, the exposure to exchange rate risk derives from the positions held in cash and cash equivalents, bank debt, bonds and other assets and liabilities indexed to currencies other than its functional currency, i.e. US dollar, and the relative appreciations/depreciations between both currencies. Both the board and management of Madeco revise its net exposure periodically, projecting, based on variations in the currencies other than the functional currency, the financial effects that would be generated by balances of assets or liabilities held in those currencies at the time of evaluation. Should significant and adverse effects be projected for Madeco, financial derivatives may be contracted (mainly cross-currency swaps) in order to mitigate these possible risks.

As of December 31, 2011 Madeco's net exposure to exchange rate risk (excluding the investment in Nexans) is an asset equivalent to Ch$639 million. If a 5% variation is assumed in currencies other than the functional currency on this exposure, an estimated effect of Ch$32 million would be generated in the statement of comprehensive income at the consolidated level. The exposure to exchange rate risk due to the investment in Nexans as of December 31, 2011 is Ch$153,930 million. A 5% variation in the exchange rate (dollar/euro) would generate an effect on equity of Ch$7,697 million.

The subsidiary LQIF has no exchange rate exposure as it has no assets or liabilities in foreign currency as of December 31, 2011 or 2010. It is worth noting that two bank loans in US dollars were converted to UF through cross currency swaps.

The subsidiary Enex has no exposure to exchange rate risk as it has no significant assets or liabilities in foreign currency as of December 31, 2011.

Interest-rate risk

As of December 31, 2011, Quiñenco at the corporate level has financial asserts at fair value with changes to results of Ch$94,179 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 in the twelve-month period of Ch$5 million.

As of December 31, 2011, Quiñenco at the corporate level has accounts receivable of Ch$130,835 million which are with a fixed interest rate.

At the parent-company level, Quiñenco has all its obligations with fixed rates.

Madeco has 28% of its debt at fixed rates and 72% at variable rates.

LQIF has all its financial commitments at fixed rates, which implies a low exposure to interest rate risk.

Enex has 4% of its obligations at fixed rates and 96% at variable rates (including the debt contracted by its parent Inv. Río Aurum for Ch$71,856 million guaranteed by Quiñenco).

The following figure shows the interest-rate structure at the consolidated level. As can be seen, the interest-rate risk at the consolidated level is reduced as 76% of the debt is structured at fixed rates.

Net position	12-31-2011	12-31-2010
Fixed interest rate	75.9%	94.0%
Hedged interest rate	0.0%	0.5%
Variable interest rate	24.1%	5.5%
Total	100.0%	100.0%

As of December 31, 2011, the consolidated exposure to variable interest rates amounts to Ch$132,523 million. A 100 basis point variation in the interest rate would generate an effect on financial costs in the twelve-month period of Ch$1,325 million.

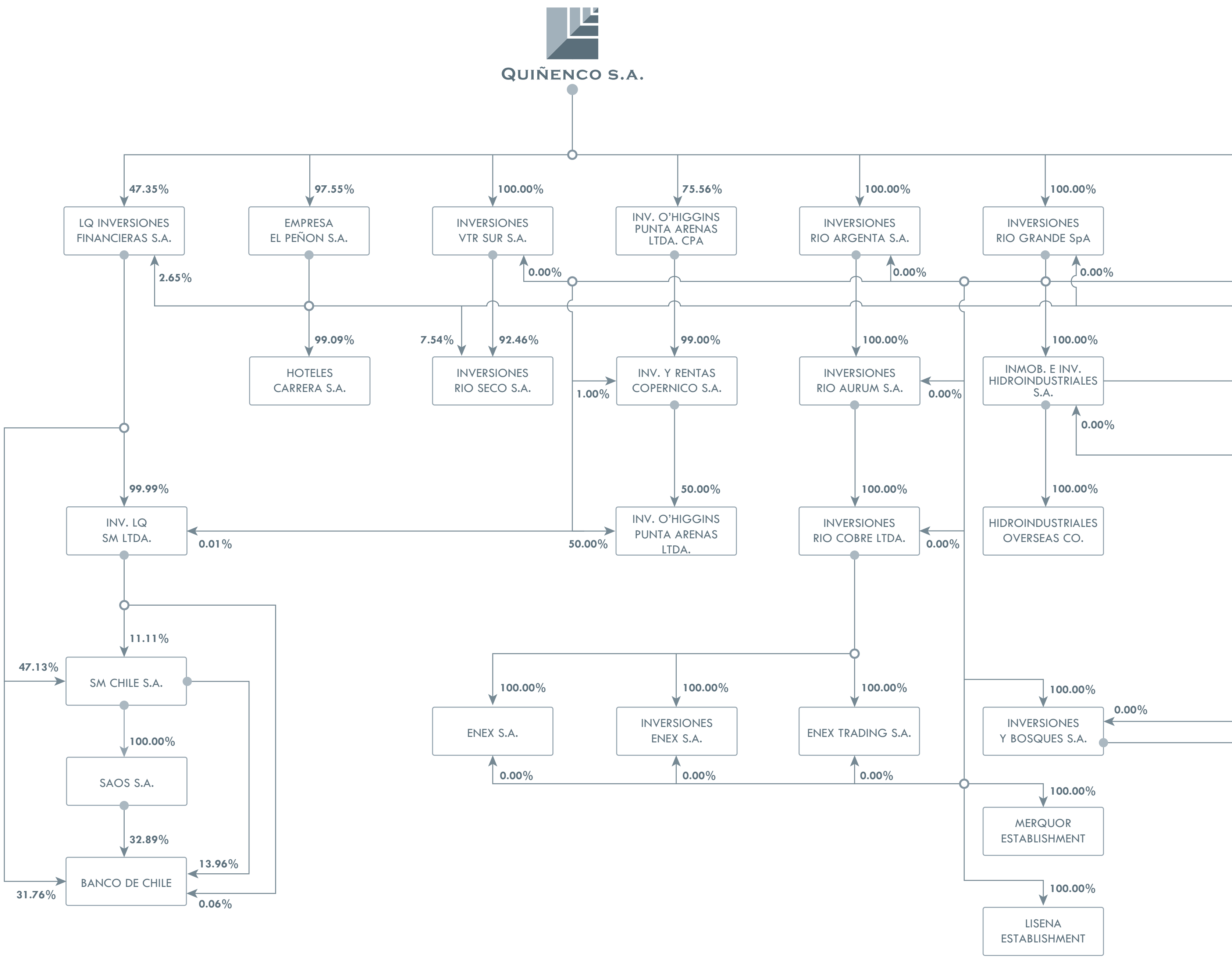
Risk of investment in Nexans

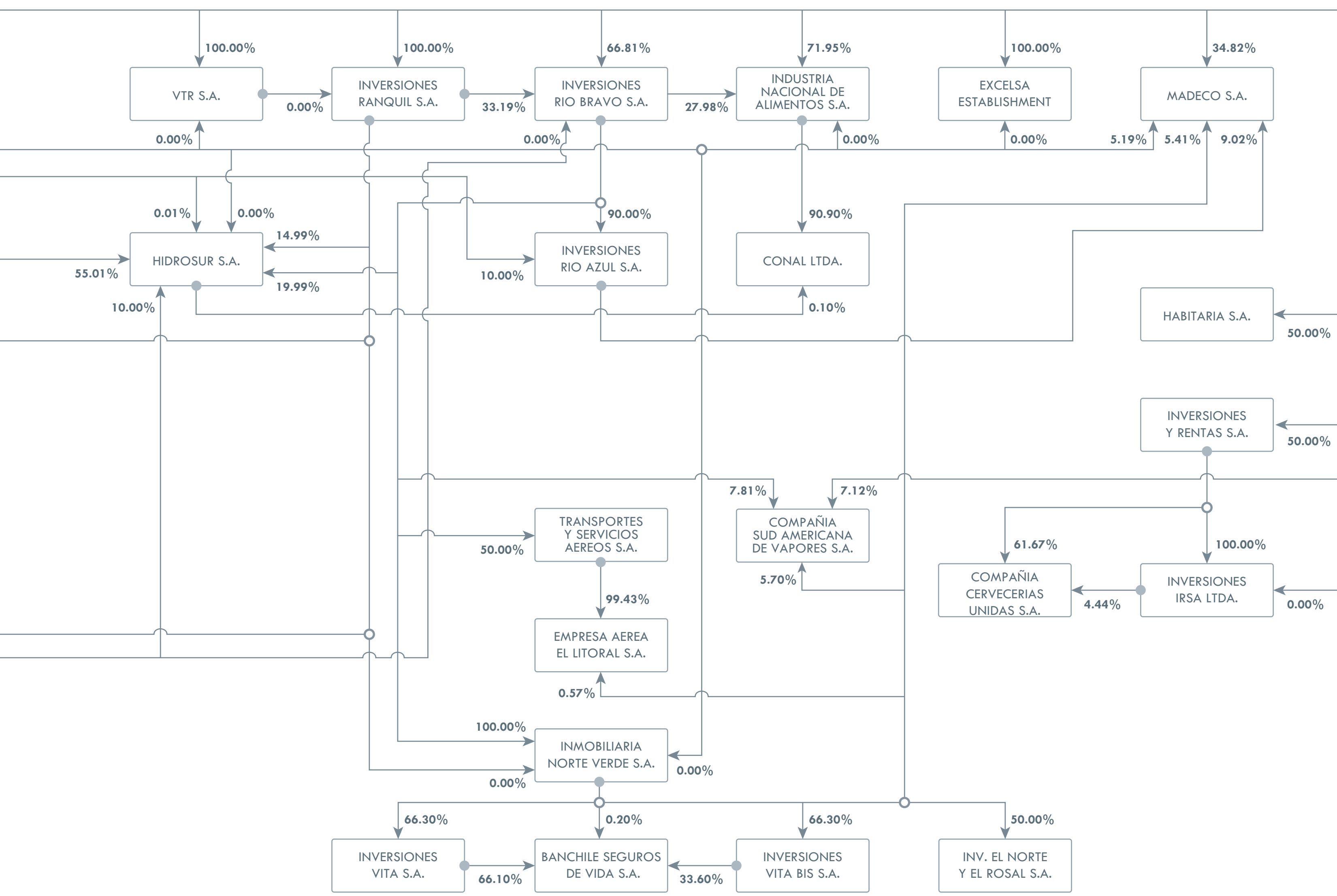
The subsidiary Madeco has a shareholding in the French company Nexans, received as part of the sale price of its cables unit. Later, in March 2011 Madeco and Nexans signed an agreement whereby Madeco has the option to increase its participation in Nexans up to 20%. The term for exercising this option is 18 months to reach a participation of 15% and three years to reach the total of 20%. Between the date of the agreement and December 31, 2011, Madeco had acquired 3,135,333 additional shares; this implied reaching a participation of 19.86% in Nexans. These shares have been booked as a financial investment and are therefore subject to two types of market risk: price, due to fluctuations in the Nexans share price, and exchange rate, due to variations between the euro (the base currency of these shares) and the currency of presentation in the financial statements. The exposure to variations in the Nexans share price is Ch$153,930 million as of December 31, 2011. A 5% variation in that share price would generate an effect on equity of Ch$7,697 million.

Corporate Structure

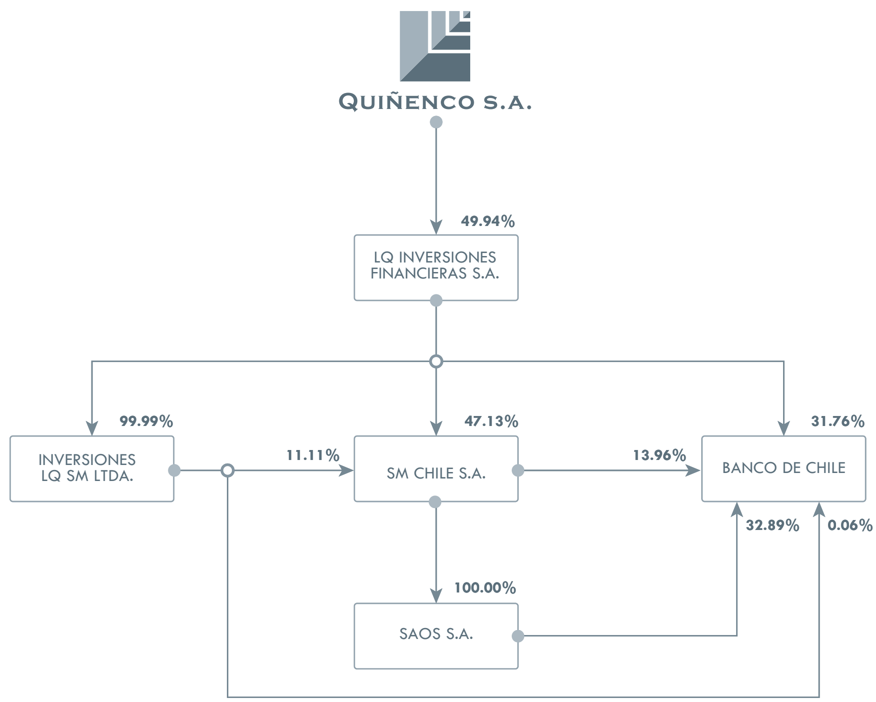
Subsidiaries and Affiliate Companies
As of December 31, 2011

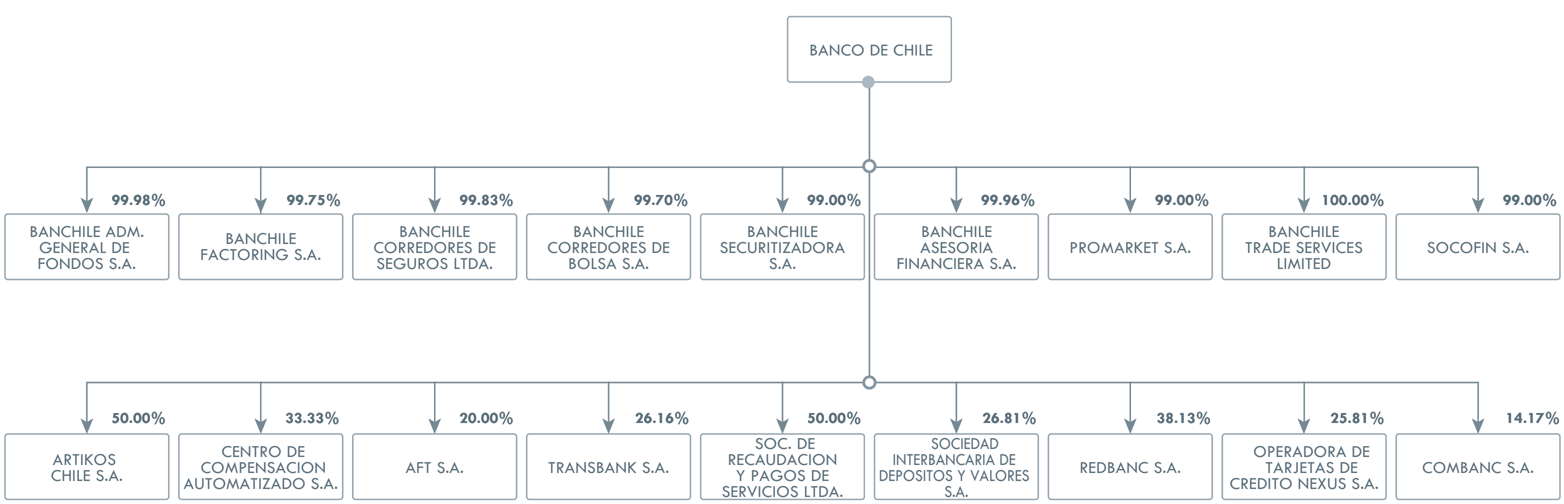
QUIÑENCO S.A. SUBSIDIARIES AND AFFILIATES



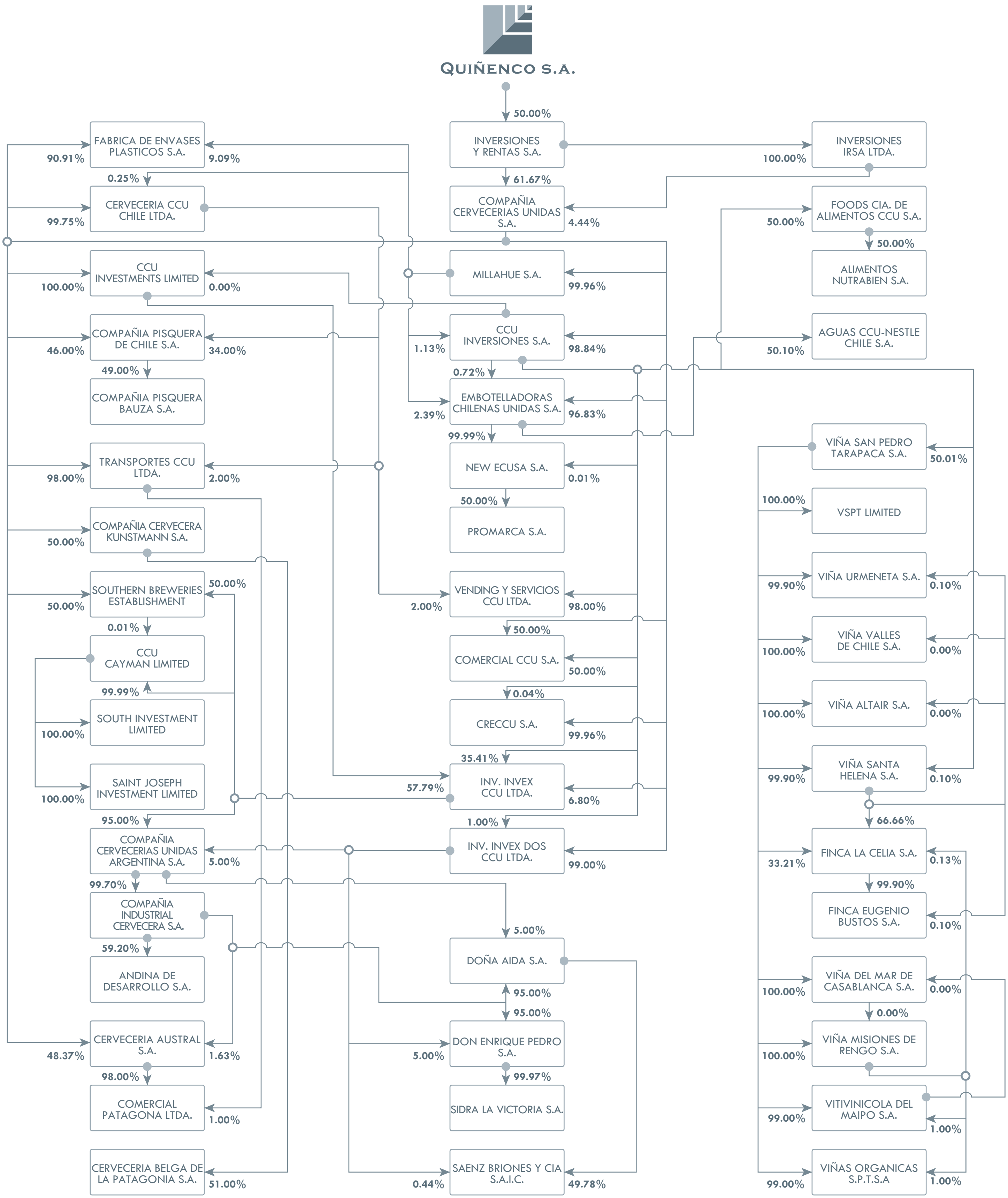

100.00%
100.00%
66.81%
71.95%
100.00%
34.82%
VTR S.A.
0.00%
INVERSIONES RANQUIL S.A.
33.19%
INVERSIONES RIO BRAVO S.A.
27.98%
INDUSTRIA NACIONAL DE ALIMENTOS S.A.
EXCELSA ESTABLISHMENT
MADECO S.A.
0.00%
0.00%
0.00%
0.00%
5.19%
5.41%
9.02%
0.01%
0.00%
90.00%
90.90%
14.99%
HIDROSUR S.A.
55.01%
19.99%
INVERSIONES RIO AZUL S.A.
10.00%
CONAL LTDA.
10.00%
0.10%
HABITARIA S.A.
50.00%
INVERSIONES Y RENTAS S.A.
50.00%
7.81%
7.12%
COMPAÑIA SUD AMERICANA DE VAPORES S.A.
TRANSPORTES Y SERVICIOS AEREOS S.A.
50.00%
61.67%
100.00%
COMPAÑIA CERVECERIAS UNIDAS S.A.
4.44%
INVERSIONES IRSA LTDA.
0.00%
5.70%
99.43%
EMPRESA AEREA EL LITORAL S.A.
0.57%
100.00%
INMOBILIARIA NORTE VERDE S.A.
0.00%
0.00%
66.30%
0.20%
66.30%
50.00%
INVERSIONES VITA S.A.
66.10%
BANCHILE SEGUROS DE VIDA S.A.
33.60%
INVERSIONES VITA BIS S.A.
INV. EL NORTE Y EL ROSAL S.A.

LQ INVERSIONES FINANCIERAS S.A. SUBSIDIARIES AND AFFILIATES

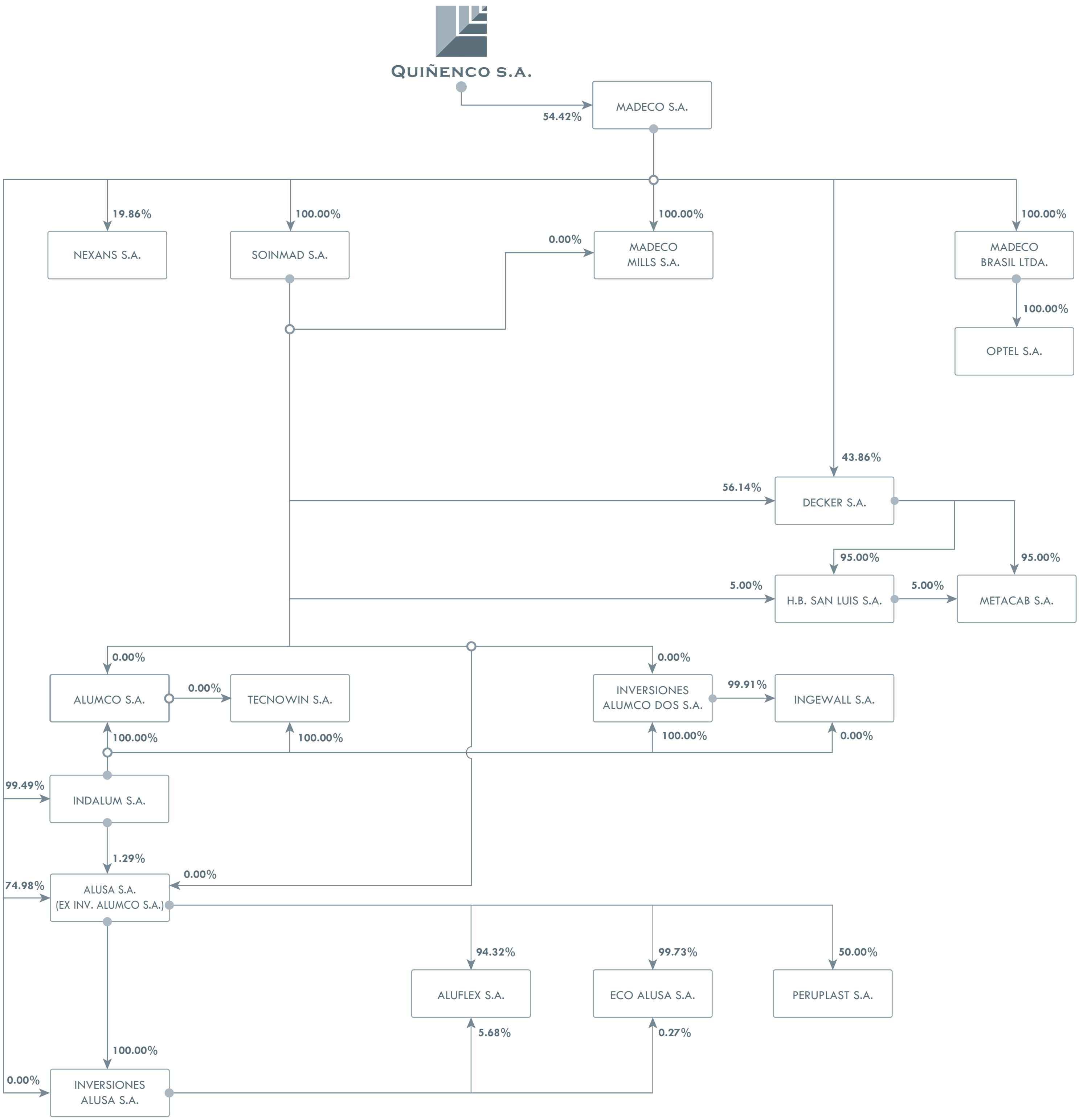




COMPAÑIA CERVECERIAS UNIDAS S.A. SUBSIDIARIES AND AFFILIATES



MADECO S.A. SUBSIDIARIES AND AFFILIATES



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