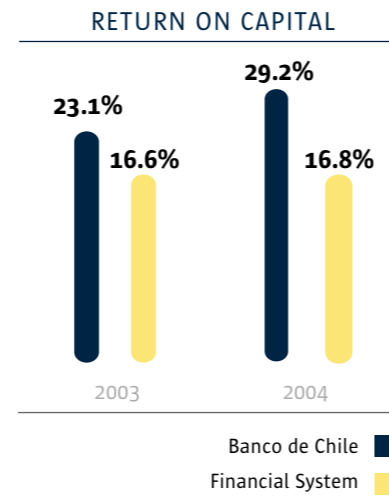


# MANAGEMENT REPORT



“The achievements of every one of our divisions and subsidiaries, built on the confidence of our customers, have positioned us as the most profitable institution in the financial sector”.

Within the mission of the Banco de Chile Corporation, the targets contained in the 2004 plan that defined our actions during the year, were focused on consolidating ourselves as our customers' principal bank, building up the best place to work and for providing our shareholders with the most profitable investment option. In order to achieve these demanding objectives, we emphasized our efforts with the explicit commitment of delivering them under the common denominator of service quality.

It is with satisfaction that I can say that 2004 has been a year of great successes. The achievements of every one of our divisions and subsidiaries, as well as the confidence of our customers, have not only positioned us as the most profitable institution in the financial sector but have gained us the recognition of the prestigious international media as “The Best Bank in Chile”.

The focus of our asset portfolio on the segments offering the greatest potential, the diversification of products and services, as well as the integration of the products of our subsidiaries into the Bank's distribution network, formed part of our priorities in the commercial arena. These priorities, based on a business model that has enabled us to consolidate expenses control, and the development and implementation -still in progress- of an ambitious business model intensive in technological solutions, permitted us to obtain a record net income for Banco de Chile, thus consolidating our leadership in the Chilean banking industry.

The launching of the new Banco CrediChile brand, associated with a complete range of bank products and services anchored to the retail banking segment, as well as the strategic alliance with Standard Chartered Bank which will allow us to serve our companies in their trade with Asia, are creative responses to the needs of our customers.

I invite you to read this report which includes, among other things, a financial analysis of our results, progress made with our technological transformation plan and commercial performance by business area.

I would like to thank and congratulate everyone forming part of the Banco de Chile corporation team for their commitment, dedication and professionalism, qualities that have enabled us to complete the great achievements of this year and which will certainly constitute our greatest strength in successfully facing the challenges of 2005.

Pablo Granifo L.  
Chief Executive Officer



## ANALYSIS OF BANCO DE CHILE RESULTS

Banco de Chile produced a record net income in 2004 of Ch\$152,628 million, an increase of 14.1% over 2003 which resulted in a return on capital of 29.2%, the highest of the financial sector which averaged 16.8%. The improvement is mainly explained by the increase in net financial income and net fee income, which grew by 7.0% and 17.9% respectively.

The higher results of the Bank's subsidiaries in 2004, which totaled Ch\$23,655 million, represent an increase of 26.2%. Of particular note are the improvements in the General Funds Management, Financial Advisory services and Stockbroking companies which have consolidated their market leadership positions during the year and whose contribution to the Bank's results was 13.5%.

The notable performance of the General Funds Management (Administradora General de Fondos), reflects its capacity to earn fees through capturing new customers and the development of innovative products and services such as guaranteed minimum income funds and dollar-denominated funds. The improvement in the results of the Stock Broker Company (Corredora de Bolsa), is related to the higher volume of stock traded backed by the greater trading activity on the Chilean stock market.

## PRINCIPAL INCOME STATEMENTS LINES

millions of Ch\$ of December 2004	2003	2004	% change
Net financial income <sup>(1)</sup>	323,420	346,132	7.0%
Net fees	100,313	118,315	17.9%
Gross margin	427,480	469,823	9.9%
Operating expenses	-229,870	-241,629	5.1%
Provisions for loan losses	-38,845	-42,120	8.4%
Net income	133,817	152,628	14.1%

(1) Includes net interest and adjustments, and net exchange gains

The above two subsidiaries continue to lead the market with shares of 27.1% and 27.0% in terms of assets under management and stock transactions respectively. The increase of the Financial Advisory Company (Asesoría Financiera), is related to its participation in several kinds of transactions like syndicated loans, debt restructuring and advice provided to large companies in Chile.

The profit from foreign branches reached Ch\$3,794 million, which represents a fall of 67.5% compared to 2003. This is related mainly to the extraordinary income obtained in 2003 from the sale of Argentine corporate securities (Latin American investors) held by New York branch.

#### NET INCOME: BANK, SUBSIDIARIES AND FOREIGN BRANCHES

(millions of Ch\$ of December 2004)	2003	2004	% change
Bank <sup>(1)</sup>	103,400	125,179	21.1%
Stockbroker	9,235	9,803	6.1%
General Funds Management	5,911	9,081	53.6%
Insurance Broker	736	671	-8.8%
Financial Advisory	802	1,756	119.1%
Factoring	1,959	2,109	7.7%
Securitization	27	59	121.4%
Trade Services	-	-7	-
Promarket	-74	46	-
Socofin	141	137	-3.1%
Foreign branches	11,680	3,794	-67.5%
<b>Total Net Income</b>	<b>133,817</b>	<b>152,628</b>	<b>14.1%</b>

(1) The minority interest has been deducted from the Bank line

#### Net Financial Income

The Bank increased its net financial income by 7.0% over the year before, to Ch\$346,132 million. This was mainly due to the 18 base points increase in the Net Financial Margin and to the 2.2% growth in interest-earning assets.

#### NET FINANCIAL INCOME

(millions of Ch\$ of December 2004)	2003	2004	% change
Interest revenue	439,422	543,372	23.7%
Interest expense	-209,339	-214,900	2.7%
Foreign exchange transactions, net	93,337	17,660	-81.1%
<b>Net financial income</b>	<b>323,420</b>	<b>346,132</b>	<b>7.0%</b>
Average interest-earning assets	8,379,084	8,560,739	2.2%
<b>Net financial margin</b>	<b>3.86%</b>	<b>4.04%</b>	-

## Banco de Chile in 2004

produced **23%** of  
the total net income of the  
financial system,  
a return on capital of over **29%**,  
with **51%** efficiency,  
a **22%** reduction in  
past due loans  
and **399,000** checking accounts  
representing **24%** of the  
accounts in the market

The net financial margin in 2004 benefited from a higher inflation rate than that of the previous year (1.1% in 2003 v/s 2.4% in 2004), which implied that the Bank obtained greater income from interest-earning assets denominated in UF, financed by liabilities that accrued nominal interest rates or were interest-free. In addition, there was an increase in spreads in 2004 as a result of the Bank's strategy of expanding and preferring higher yielding loans and strengthening growth in the retail segment.

The negative impact should be noted of the increases in the official reference interest rate during 2004, concentrated in the last quarter of the year (25 basis points in September and 25 basis points in November) on the net financial margin, as liabilities re-price faster than interest-earning assets.

With respect to the higher volume of interest-earning assets, this is concentrated mainly in consumer loans and mortgage transactions funded with own resources.

#### Fees

The Bank continued during 2004 to consolidate its successful performance in generating fees, which reached a record level of Ch\$118,315 million. This represents an increase of 17.9% over 2003 and is mainly explained by an increase in fees related to current accounts and lines of credit, related in turn to the increase of more than 22,200 current accounts. Higher fee income was also obtained from credit cards, ATMs and other liability products. The greatest increase in fee income was contributed by general funds management and stockbroking. As a result, the Fees Earned to Gross Margin ratio improved from 29.3% in 2003 to 31.0% in 2004.

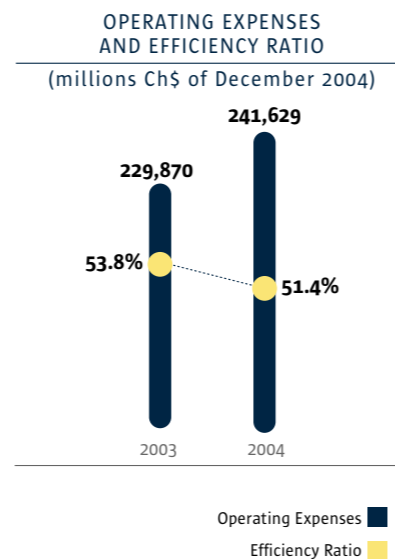
#### Income From Sale of Financial Investments

The result from securities trading was a loss of Ch\$3,150 million in 2004, compared to income of Ch\$5,810 million in 2003. This change is mainly explained by the extraordinary gain obtained in 2003 related to the sale of Argentine securities, losses in the last quarter of 2004 for the marking to market of cross currency swap derivatives associated with the low interest rates in the period, and the negative effect on the gross margin of the sale of two loans in the manufacturing and retail sectors which had been partially allowed for.

#### Operating Expenses

Operating expenses amounted to Ch\$241,629 million during 2004, an increase of 5.1% over 2003. Nevertheless, because of the increase in the gross margin, the efficiency ratio improved from 53.8% in 2003 to 51.4% in 2004.

The increase in operating expenses is partly explained by an increase in remunerations as a consequence of higher variable compensation paid with respect to the improved results of the Bank and its subsidiaries in 2004. The number of employees has also increased by 234 to cover the greater activity in commercial banking and the subsidiaries (principally the Stock Broker Company). The Bank also paid its staff, in December 2004, a special bonus relating to the completion of the collective bargaining process with the unions which resulted in an agreement covering a four-year term.



Administrative expenses also showed a rise of 7.2% in 2004 mainly as a result of higher advertising expenses and premises and equipment maintenance.

Finally, the charge for depreciation and amortization reached Ch\$17,304 million, which implies a fall of 12.1% compared to 2003.

#### Allowances

The provisions for loan losses amounted to Ch\$42,120 million in 2004, representing an increase of 8.4% over 2003. This change relates mainly to the expansion of the loan portfolio, the one-off effect of the introduction of new guidelines for allowances with respect to lines of credit and credit cards and the reduction in the credit ratings of some customers. On the other hand, recoveries of loans previously written off increased by 29.6%, mainly as a result of those of large companies. The provisions for loan losses to average loans ratio thus increased slightly from 0.60% in 2003 to 0.64% in 2004, remaining at one of its lowest levels in the last seven years. This follows from a conservative Bank risk management policy and the country's favorable economic conditions.

#### Monetary Correction and Income Tax

The loss for monetary correction (price-level restatements) amounted to Ch\$7,466 million in 2004, compared to Ch\$4,137 million in 2003, reflecting the increase in the inflation rate used for adjustment purposes (1.0% in 2003 against 2.5% in 2004).

The Bank's charge for income tax was Ch\$18,354 million in 2004 compared to Ch\$14,250 million the year before. This is mainly the consequence of a higher taxable income as a result of the 15.5% increase in income before taxes.

#### Loan Portfolio

The Bank's loan portfolio, net of interbank lending, amounted to Ch\$6,873,713 million at December 2004, representing an expansion of 7.4% with respect to December 2003 and equivalent to a market share of 17.8% (on an unconsolidated basis).

In line with the Bank's strategy of improving the return on its loan portfolio, the greater business volume compared to 2003 arises mainly from the retail segment and to a lesser extent from the middle market segment. The large corporations segment has shown slower growth mainly because of the stringent competition in the market, producing terms and pricings where the Bank was not willing to participate.

In terms of products, growth was mainly driven by commercial, contingent and consumer loans. The reduction in mortgage lending funded through mortgage bonds, reflects the Bank's strategy to expand such lending using its own funds to improve the return. A large part of mortgage refinancing operations, as well as new housing loans during the year, were funded from the Bank's own resources. This strategy is reflected in the 107.1% increase in Other loans, of which 77% represent general borrowing-funded mortgage loans.

#### COMPOSITION OF THE LOAN PORTFOLIO

(millions of Ch\$ of December 2004)	2003	2004	% change
Commercial loans	2,708,178	2,867,288	5.9%
Foreign trade loans	674,737	599,051	-11.2%
Consumer loans	603,402	691,851	14.7%
Mortgage loans	1,156,230	819,882	-29.1%
Leasing	275,680	343,853	24.7%
Contingent loans	419,853	530,901	26.4%
Other	452,017	936,202	107.1%
Past due loans	108,141	84,685	-21.7%
<b>Total loans net of interbank loans</b>	<b>6,398,238</b>	<b>6,873,713</b>	<b>7.4%</b>

Consumer loans also increased strongly in 2004, both in the high and middle-income retail segment and in the low-income one, as a result of the Bank's efforts to increase its participation in this segment through different promotional campaigns, in particular through the new brand "Banco CrediChile". The Bank's market share in consumer products thus increased from 15.1% in 2003 to 15.9% in 2004 (unconsolidated basis).

Contingent loans reached Ch\$530,901 million, representing growth of 26.4% which was driven mainly by the expansions in financial services and the retail sectors. The share of contingent loans in total loans therefore increased from 6.6% in 2003 to 7.7% in 2004.

For their part, commercial loans grew by 5.9%, equivalent to Ch\$159,110 million, led principally by the middle-market companies. It should be noted that these represent one of the Bank's main products, making a 14% contribution to total loans.

Past-due loans declined by 21.7%, mainly related to commercial loans and to a lesser extent to housing mortgage loans. The reduction in the past-due loan portfolio is partly explained by the write-offs of loans made in 2004 and the improvement in the general quality of the loan portfolio.

#### Financing

The Bank's total liabilities increased by 2.4% in 2004, mainly driven by non interest bearing funds. This is principally attributed to the increase in checking accounts and bankers drafts, partly the result of historically low interest rates, and the 20.5% growth in other liabilities, mainly related to contingent liabilities.

#### COMPOSITION AND CHANGES IN LIABILITIES

(millions of Ch\$ of December 2004)	2003	2004	% change
<b>Non Interest-bearing liabilities</b>			
Current accounts	1,258,574	1,424,569	13.2%
Other sight deposits	680,037	697,476	2.6%
Other liabilities	686,248	826,782	20.5%
<b>Total</b>	<b>2,624,859</b>	<b>2,948,827</b>	<b>12.3%</b>
<b>Interest-bearing liabilities</b>			
Time and savings deposits	3,508,098	3,663,682	4.4%
Loans from Central Bank	28,578	109,573	283.4%
Repurchase agreements	437,410	349,086	-20.2%
Mortgage-bonds	1,039,813	788,888	-24.1%
Subordinated bonds	277,977	266,304	-4.2%
Other bonds	3,205	181,515	5,563.5%
Borrowings from domestic financial institutions	51,129	26,399	-48.4%
Foreign borrowings	735,918	595,548	-19.1%
<b>Other obligations</b>	<b>61,090</b>	<b>44,847</b>	<b>-26.6%</b>
<b>Total</b>	<b>6,143,218</b>	<b>6,025,842</b>	<b>-1.9%</b>
<b>Total liabilities</b>	<b>8,768,077</b>	<b>8,974,669</b>	<b>2.4%</b>

The increase in other bonds and repurchase agreements was offset by the reduction in borrowings from abroad and mortgage-bonds. The increase in other bonds reflects the successful issue made by the Bank on September 1, 2004 of three series of bonds for a total amount of around UF 10 million in order to fund the expected growth in lending and reduce its exposure to market risk, in line with the Bank's asset and liability management policies.

The importance of this issue was not only related to the large volume of transactions but to the low risk premium on the issue, the lowest obtained for this kind of instrument in the Chilean financial sector, a fact that confirms the trust of investors in Banco de Chile.

#### Financial Investment Portfolio

The Bank's investment portfolio amounted to Ch\$1,580,964 million, representing a fall of 18.2%, principally associated with Central Bank documents, investments in Chilean financial institutions and investments abroad. The bond issue mentioned above implied the replacement of short-term liabilities by long-term liabilities, which improved the Bank's liquidity and allowed it to reduce its short-term, low-yielding investments. In terms of composition, and in the context of the start of a rising trend in interest rates, the Bank has reduced the term of its investment portfolio. At December 2004, the composition of the Bank's financial investments was:

Central Bank documents	68.5%
Chilean financial institutions	13.2%
Investments abroad	10.5%
Other investments	7.8%

#### Shareholders' Equity

The shareholders' equity of the Bank amounted to Ch\$674,533 million at the close of 2004, which represents a decline of 5.4% compared to the end of 2003, mainly due to a reduction in capital and reserves as a result of the buy-back of shares (2.5% of the total capital). While these shares are maintained by the Bank, the value of the repurchased shares should be deducted from the basic capital.

The Bank's Basle ratio (Total Capital / risk-advised assets) was 11.7% at the end of 2004, above the minimum requirements applicable to the Banco de Chile of 10%, which will sustain an important part of the future growth of Banco de Chile.

#### MODERNIZATION OF CUSTOMER SERVICES

During 2004, we continued to successfully implement the project called "Neos", designed to improve the standards of customer attention, add value to our institution and consolidate our leadership with renewed competitive strengths.

Begun in mid 2003, this plan involves the whole organization and includes new operating, technological and business models for improving response time to customer needs and requirements and increasing the effectiveness of the sales force. At the same time, it provides the institution with more efficient systems, technological infrastructure and internal processes. It also includes the provision of modern management tools to meet the current demands of a competitive and globalized market.

The gradual implementation of this project has introduced changes and innovations, both internally and in facing the customer, which have required considerable training and perfectioning at all levels of the organization. During the year, the administrative phase of the Enterprise Resource Planning (ERP) project was also implemented, with new management control platforms for the administrative processes. We also started up the first stage of a new customer attention application through a Customer Relationship Management (CRM) type system. Finally, we replaced the Bank's accounting system, introducing a new platform that will administer the Bank's principal products and which should be fully operating by 2006.

PRIME OPERATING AND TECHNOLOGICAL SUPPORT

The year 2004 has been one of consolidation of technological solution for providing value-added services to our customers, achieving important levels of acceptance in our different markets.

We have continued to expand and improve our differentiating offer of high value-added solutions that, grounded on technology, facilitate communications between the customer and the Bank, focusing on convenience, time saving, ease of use and support for the customer, and at the same time providing cost savings for the Bank.

Among the innovations requiring additional operating and technological support are the new Liquidity Management model, the introduction of the new Customer Risk Classification model, the Nominal Savings Card Account, the new Visa Platinum Credit Card with chip for Private Banking, the automation of leasing agreements, and various services related to electronic channels.

In addition, the payments administration of the Real-Time Gross Settlement system, by which the Central Bank has driven the modernization of high-value payments, incorporates these operations in the transactional technology area.

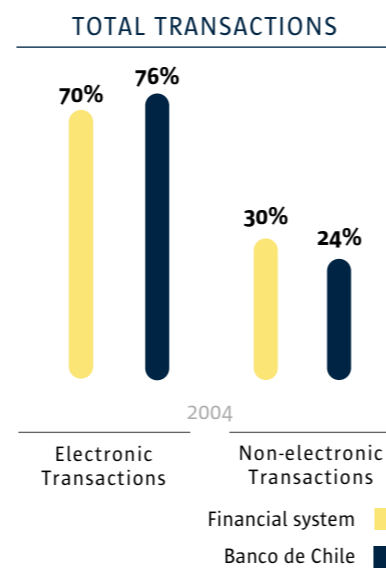
The Bank's day-to-day internet service is consolidated as one of the most important means of communication with our customers, showing strong growth in the penetration of the service and also in its intensity of use in the different market segments. This is the result of continued development and renovation, especially in the transactional area and also in the principal pages of the different access portals.

Renewed focus and strengthening of the transactional area enables the Bank to offer more than 125 services, especially the new DigiPass – high security service which, by using a personal and dynamic code, provides high reliability for the electronic transfer of funds to third parties, making the Bank one of the leaders in terms of security within Latin America.

The consolidation of the E-Mail Banking Service, which replaces the traditional and physical provision of information on current accounts, lines of credit, credit card statements and promotional information (On-line Banking and Travel News) electronically, has continued to grow in acceptance, reaching 45,500 registered customers at November 2004.

The electronic channels have thus grown in acceptance and flexibility, accumulating by the end of 2004, 76% of all transactions (monetary and non-monetary) handled by the Bank, compared with an average of 70% for the banking system as a whole.

As a result of the development of these many functions, the Bank continued to lead in the Adimark bank image survey, conducted in the second half of 2004, in which it held the largest share of customer preferences (26%) for navigating on the bank's web sites (bancochile.cl plus bancoedwards.cl).



THE STAFF OF BANCO DE CHILE: KEY TO ACHIEVING OUR GOARLS

We understand that the success of our business is based on the dedication of our staff whom we recognize and develop as one of our principal assets. We therefore focus our efforts on developing efficient, pro-active and flexible working conditions that enable us to direct the actions of our staff as a function of business objectives, thus creating a culture of excellence in the context of transparent relations and trust.

Instances were developed and implemented in 2004 for the integral support for the quality of life of the staff and their families including various health programs and recreational, sports and cultural activities.

Training during the year was not only concentrated on supporting each of the divisions in achieving their objectives and targets but on three fundamental corporate programs: the "Cumbres" project in which 3,300 people took part in order to improve commercial skills; the Leaders for Chile program in which 750 heads reinforced their personnel leadership skills; and the Neos plan in which more than 4,000 people took part for supporting the Bank's technological transformation. These three programs alone involved a total of more than 106,000 hours of training.

Our efforts to create the best place to work for our staff have been recognized in a survey made by the American research and consultancy firm, A Great Place to Work Institute, when, taking part for the first time this year, the Bank was placed among the 15 best companies to work for in Chile, with more than 500 employees.

STRONG PRESENCE IN OUR COMMUNITY

Corporate social responsibility is a response to the need for balancing the inherent needs of the company and its shareholders with support for the country's development in areas such as social, cultural, the arts, sport and education.

In line with the values that constantly inspire our business, Banco de Chile every year provides concrete support for various activities in this field of action, thus contributing to the country's integral development and reiterating the statement set out in our message of being "the Chile that you long for".

The year 2004 was again notable for the Bank's proximity to the country's regions. An example of this was the carrying out of meetings and other events in all parts of the country; from the Board meeting held in Antofagasta, which gave us the opportunity to strengthen our business relations with customers in the region, the seminars conducted by well-known professionals, to the outstanding concerts of the Chilean pianist, Roberto Bravo, and the presentation given by the Georgian ballet company.

We were also the organizers in 2004, jointly with the Institute of International Finance, of the VI Latin American Bankers Meeting, and an official sponsor of the 2004 APEC CEO's Summit.

In the field of education, we have given for some twelve years now the Banco de Chile Scholarship for the student obtaining the highest marks in the University Selection Test, completely financing their tuition. We also sponsored top-level seminars and regional economic conferences in order to maintain our customers up-to-date in matters of interest.

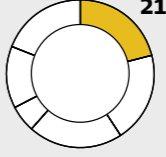
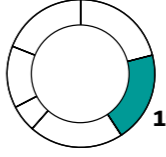
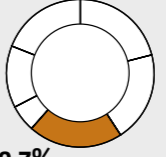
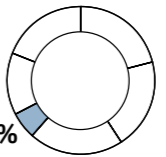
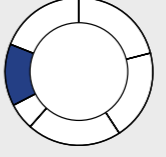
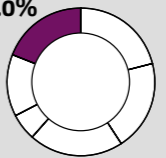
In the context of sports support, it is worth mentioning the Adolfo Rojas Gandulfo Golf Tournament, the sponsorship for High Performance Center of the Chilean Tennis Federation and the organization of the "Banco de Chile Open" championship for young tennis players, carrying points for world rankings. We also organized the seventh international tennis tournament for the disabled "Chilean Open 2004 Banco de Chile Cup".

Apart from the above, our active participation in the country's great charity fund-raising events is well recognized. Banco de Chile again took part in the Teletón 2004, as in all the previous versions since the first crusade in 1978. For 26 years now, we have made available to Teletón over 500 collection points throughout Chile, all our technological capacity and the outstanding work of more than 6,000 staff who gave of their time voluntarily in order to achieve, once again, the target necessary for the rehabilitation of many disabled adults and children.

# BUSINESS AREAS

Banco de Chile

## SUBSIDIARIES AND FOREIGN BRANCHES

Business Area	Target Market	Strategy	Results 2004	Contribution to Income pre-tax	
<b>LARGE CORPORATIONS</b>	Companies with annual sales of over Ch\$ 12 billion, subsidiaries of multinationals, public-sector companies, construction and real-estate companies.	Area that generates business for the rest of the organization, particularly subsidiaries. Focused on increasing margins and cross-selling.	<ul style="list-style-type: none"> <li>• 39% of the Bank's total loans.</li> <li>• 23% yearly increase in average demand deposits</li> <li>• 25% of the Bank's total demand deposits</li> </ul>	 <b>21.0%</b>	<ul style="list-style-type: none"> <li>• Subsidiary companies offering complementary financial services to those of the Bank. Include securities trading, investments and mutual funds, insurance, financial advice, factoring, debt collections, securitization and sales.</li> <li>• Banchile Corredores de Bolsa, the leading market broker in volumes traded, with a market share of 27%.</li> <li>• First Chilean member of the Madrid Stock Exchange.</li> <li>• Banchile Administradora General de Fondos, market leader with a 27% share.</li> <li>• Banchile Asesoría Financiera, the only Chilean entity in the Bloomberg 2004 ranking of the 20 principal Latin American companies dedicated to mergers and acquisitions.</li> <li>• Banchile Factoring structured the largest transaction in the Chilean factoring business (UF 3.9 million).</li> <li>• Operating branches in New York and Miami with over 20 years experience in the US market.</li> </ul>
<b>MIDDLE MARKET COMPANIES</b>	Commercial entities and individuals: <ul style="list-style-type: none"> <li>• 24%, medium-sized businesses with annual sales between Ch\$ 300 million and Ch\$ 12 billion.</li> <li>• 76%, small businesses with annual sales between Ch\$ 45 million and Ch\$ 300 million.</li> </ul>	Emphasis on value-added services like electronic banking, foreign trade and financial advice. Integral offer of products based on a strong distribution network.	<ul style="list-style-type: none"> <li>• 24.5% of the Bank's total loans</li> <li>• 6% growth in loans in the year</li> <li>• First place in foreign trade financing and factoring in the market segment</li> </ul>	 <b>19.8%</b>	
<b>RETAIL</b>	Individuals of the medium and high income segments with annual income of over Ch\$ 5.4 million.	Strong segmentation and multi-brand positioning. Focus on cross-selling of products and quality of service.	<ul style="list-style-type: none"> <li>• 27.3% of the Bank's total loans</li> <li>• 13% yearly increase in consumer loans to this segment</li> <li>• 10% annual increase in the number of customers</li> </ul>	 <b>20.7%</b>	
<b>CREDICHILE</b>	Individuals with annual income of Ch\$ 1.8 million and Ch\$ 5.4 million.	Product range that introduces the customer into using bank services. Focus on distribution network and sales force.	<ul style="list-style-type: none"> <li>• 2.8% of the Bank's loans</li> <li>• 16% yearly increase in loans</li> <li>• 70% annual increase in sales of consumer loans to the segment</li> </ul>	 <b>5.9%</b>	
<b>TREASURY</b>	Large and medium-sized corporations intensive in the use of highly transactional products like derivatives and investments.	Long-term commercial relations, providing the customer with specialized financial guidance, focused on adding value to the respective business.	<ul style="list-style-type: none"> <li>• Over 30% increase in the stock of derivative products</li> <li>• First bank to be authorized to use own models for liquidity optimization purposes.</li> </ul>	 <b>13.6%</b>	
				 <b>19.0%</b>	

BANCO EDWARDS

Banchile

LEASING ANDINO  
del Banco de Chile

Banco CrediChile

An income before taxes of Ch\$ 184,367 millions was considered, before adjustments and eliminations.

LARGE CORPORATIONS

CLOSER TO THE SPECIFIC NEEDS OF LARGE CORPORATIONS

The Large Corporations area forms part of Banco de Chile's Corporate Banking Division and serves the financial needs of companies with annual sales of over Ch\$12,000 million, comprising public companies, financial institutions and subsidiaries of multinationals. The Corporate Banking Division also caters for the financial needs abroad of its customers and also includes the Real Estate and Construction area designed to meet the needs of those construction and real estate companies whose financial requirements exceed UF 50,000<sup>(1)</sup>. This segmentation provides a greater specialization in the respective businesses in order to detect opportunities and to identify early warnings in the case of systemic risk.

INTEGRAL OFFER OF PRODUCTS AND SERVICES

During 2004, Corporate Banking focused on non-traditional products such as interest rate and currency hedging, payment services and cross selling in general. This division has thus placed an important role on the spreading of business to the Bank's other units through the provision among its customers of a wide range of services and products under an integral offer concept. In particular, this includes investment banking, remuneration payment services, transactional network connection, access to specialist executives and, in general, products that add value to specific financial needs. With highly-trained executives promoting the Bank's own services and those of its subsidiaries, heavy emphasis has been placed on the quality of service in order to give full satisfaction to our customers.

The focus on solutions using the latest technologies has strengthened relationships with companies in this segment by providing them with an effective solution for their specific needs. An example is the introduction of electronic signatures with digital certificates in "Portal Empresas", oriented to supporting value-added transactions for the customer such as funds transfers to third parties, transfers of large amounts in real time and payments based on customer-prepared lists.

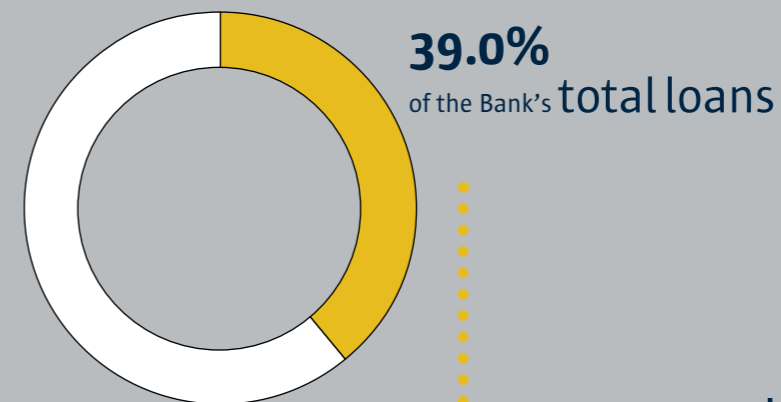
The Bank's internet Tax Payment Service is a market leader with a share above 29% during 2004. The new web sites of the Banchile subsidiaries also provide direct and fast access to banking complementary services.

Following this strategy, the companies and large corporations segment in 2004 contributed 39% of the Bank's total loans while demand deposit balances generated by these contributed 25% of the total, with a 23% increase in average annual balances in current accounts.

The focus on the cross selling of products like leasing, factoring, financial advice, derivatives, securitizations, foreign trade, current accounts abroad and corporate services also explains the increase in the contribution made by fees and the 64% growth in the Real Estate area. The substantial 17% increase in leasing business generated by large corporations during the year is also due to the same reasons.

Among the most important operations carried out during the year were the financing, re-financing and/or restructuring of large highway, industrial, mining, fishing sector and service projects.

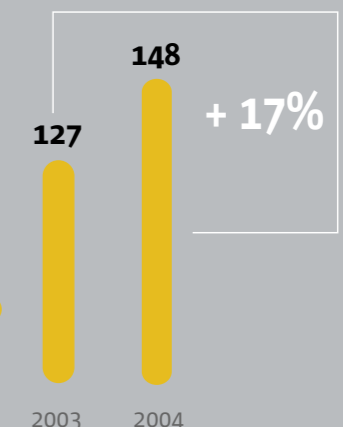
LOANS TO LARGE CORPORATIONS



Composition by business line

millions of Ch\$	2004	%
Commercial	1,734,212	64.6%
Foreign Trade	349,155	13.0%
Leasing	147,509	5.5%
Mortgage	45,422	1.7%
Past Due	25,319	0.9%
Others	382,688	14.3%
<b>Large Corporations' Total Loans</b>	<b>2,684,305</b>	<b>100.0%</b>

Large Corporations Leasing Loans  
billions of Ch\$ of December 2004



RESULTS

Large corporations	millions of Ch\$
Gross Margin	79,712
Operating Expenses	-28,346
Gross Charge for Loan Losses	-14,456
Contribution before taxes	38,794
Gross Margin/Loans	3.0%

<sup>(1)</sup> 1 UF (Unidad de Fomento) equalled Ch\$ 17,317.05 at December 31, 2004.

MIDDLE MARKET AND SMALL COMPANIES

Banco de Chile is one of the largest providers of banking and financial services to middle market companies and small businesses in Chile, having commercial relations with approximately 62% of all medium sized corporations and 40% of the small ones.

The addition of new customers with business potential and the improved profitability of our present customers through closer relationships generated real growth in 2004 of 6% in the loan portfolio of this segment and a 3.7% increase in the customer base. The constant development of these two strategic lines, coupled with the support of the subsidiary companies in order to take advantage of synergies and offer an integral service as a Corporation, will allow us to further enhance our solid position in this market which represents 24.5% of Banco de Chile's total loan portfolio.

The constant development of services and products, always focused on detecting and satisfying customer needs with products of specific value for each segment, has also been an essential factor in this successful performance. The possibility of various financing alternatives, at fixed or floating rates and with terms that match customers' cash flows, reflects the broad flexibility that companies in this segment require. This permanent support for their needs is demonstrated by the leadership sustained in the placing of loans associated with the "Fondo de Garantía para el Pequeño Empresario (FOGAPE)" (small business guarantee fund) in the period January-September 2004, with a market share of 24.6% of all the funds of this kind tendered to the banks by CORFO.

Customers also have the specialized support they need in all their import and export transactions, at competitive prices, based on a broad network of correspondent banks throughout the world and our own offices in Miami and New York. Our efforts in this respect are seen reflected in the important position achieved in the foreign trade business generated by companies in these segments, with a market share of 22.5% and an increase of over 6% during the year.

We also promoted our "Fonobank Empresas" and "Portal de Empresas" internet services, always conscious of adding value with the latest-generation technology that provides access to timely and up-to-date information for carrying out banking transactions at any time of the day.

The "Banconexión Web" solution, the electronic channel for business customers of all sizes, was consolidated in 2004 as the leading business portal in the Chilean financial system, as recognized in the last customer satisfaction survey. The number of corporate customers using the services directed to this segment rose to 27,194, an increase of 12% during the year.

As part of our global offer, we have invested in technology for allowing our customers to delegate administrative functions to the Bank in order to be able to concentrate their attention on their businesses. We therefore significantly strengthened the use of payment and collection services that allow, among other things, the payment of remunerations, social-security contributions, suppliers and taxes.

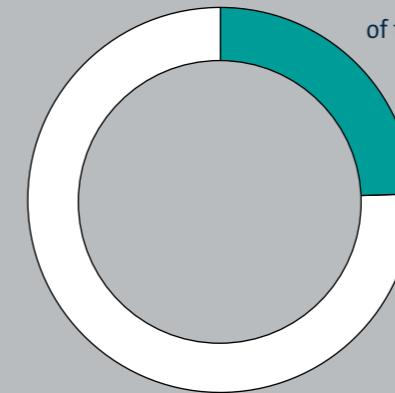
Our emphasis on retaining customers and business is permanent. We arrange quality programs throughout the country in the search for excellence in the service and public relations programs for gaining customer loyalty. This year, 14% of our customers took part in these events.

This strategy has been supported by a solid distribution network in which branches specialized in middle-market companies are a fundamental part of the customer service. We have strengthened our network during 2004, opening new attention points and locating business account executives in offices that were just retail oriented. In order to attend the country's businesses even better, an emphasis will be placed on the expansion of new regional locations where the Bank still has no presence and which are current or potential centers of economic and business development.

All our efforts to get closer to our customers, providing them with the most convenient and complete products, are reflected in the results of the most reputable market surveys in banking in which Banco de Chile gained top place in identification with Small and Middle-Market Companies.

LOANS TO MIDDLE MARKET AND SMALL COMPANIES

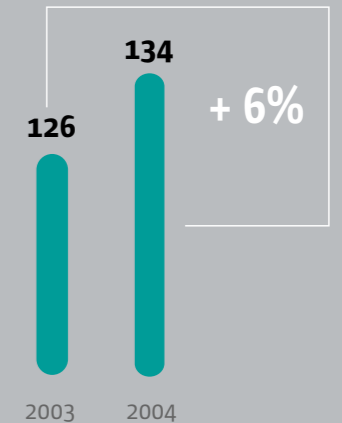
24.5% of the Bank's total loans



Composition by business line

millions of Ch\$	2004	%
Commercial	900,628	53.3%
Consumer	31,822	1.9%
Foreign Trade	134,052	7.9%
Leasing	191,487	11.3%
Mortgage	275,370	16.3%
Past Due	26,195	1.5%
Others	131,178	7.8%
<b>Middle Market Companies' Total Loans</b>	<b>1,690,732</b>	<b>100.0%</b>

Foreign Trade loans to middle-market companies billions of Ch\$ of December 2004



Middle Market and Small Companies		millions of Ch\$
RESULTS	Gross Margin	112,267
	Operating Expenses	-55,573
	Gross Charge for Loan Losses	-22,669
	Contribution before taxes	36,537
	Gross Margin/Loans	6.6%

RETAIL BANKING

The mission of the Retail Banking Division of Banco de Chile is to serve individuals in the middle and high-income groups through an integral offer of competitive financial products and services that meet their specific needs. This segment includes people with annual income of over Ch\$5.4 million.

Value proposals have therefore been designed for each sub-segment, which are made available to our customers through a distribution network with numerous sales points. These products are increasingly dependent on technology, both with respect to the processes as well as to the handling of detailed information enabling us to know our customers better. In addition, our multi-brand strategy leads us more precisely to the different sub-segments and permits the design of differentiated and at the same time specific products.

We have 189 branches and cash offices from Arica to Punta Arenas for attending this business segment, through the branch networks of Banco de Chile and Banco Edwards. The Private Banking Centers in the Metropolitan Region also attend high-income individuals who require a specialized portfolio of financial products and services.

Consequent to greater requirements of agility and response times, the internet service is being consolidated day by day as one of the principal methods of interaction between customers and the Bank, showing large increases both in service penetration and the intensity of use. In particular, the internet service directed to the retail segments showed an annual increase of 69% in the number of transactions to more than 10.4 million a month. The number of customers preferring internet as the means of interaction with the Bank rose by over 25% compared to the start of the year, reaching 170,692 internet customers by December 2004. Also notable is the 51% increase in monetary transactions made by our customers monthly, which exceeded 418,000 in the month of December 2004.

The Bank thus continues in the lead in the Adimark bank image survey, with 26% of customer preferences for navigating its web site, the highest mention in the financial system.

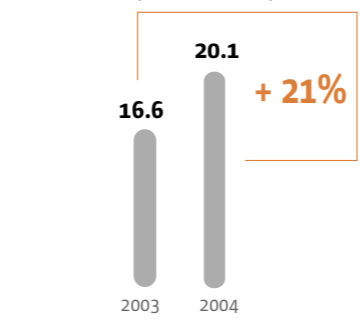
We also revamped the technological platform during the year which sustains "Fonobank", in order to significantly increase the facilities and potential of the services offered by this electronic means. As a result of the renovation and strengthening of the platform, we have consolidated a first-class telephonic service that permits differentiated handling by brand and market segment, and offers more than 115 services.

With more than 1,000 automated teller machines installed in the principal points of public affluence, we had the second largest network in Chile at the end of December 2004. Thanks to a series of new agreements with different institutions and the winning of various tenders throughout the year, we expect to be positioned in 2005 as the largest automated teller machine network in Chile.

Regarding credit cards, we achieved a high market share of 27.6% in total purchases with cards. These amounted to over UF 20 million in the year, representing a 21% increase over 2003; at the same time, a further 34,500 new card holders were added.

Customer preference is also evidenced by the addition of more than 32,500 new checking-account holders during 2004, an increase of 7.4% in the number of accounts which positions the Bank as the largest financial institution in this respect with a 24% market share.

PURCHASES WITH CREDIT CARDS ISSUED BY BANCO DE CHILE (millions of UF)



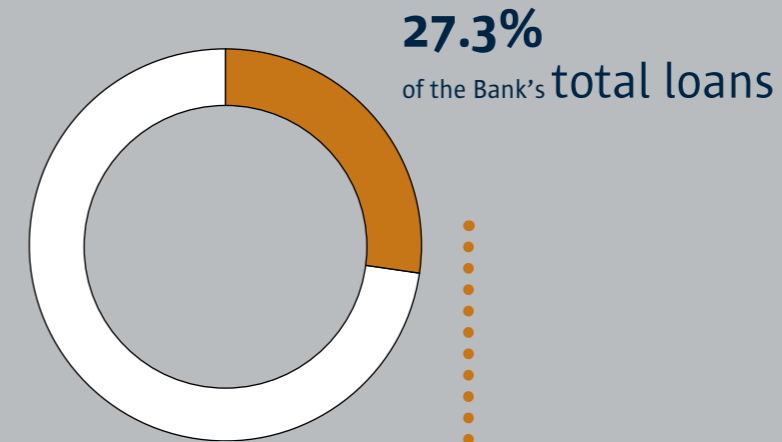
As a result of the strategy of promoting those businesses with the greatest potential, that generate loyalty and that are backed by high-quality service, consumer and mortgage loans have concentrated a large part of the efforts of this business area, showing growth rates of 12.9% and 15.2% respectively. Notable also are the high levels of demand and time deposits generated by the Retail Banking, with increases of Ch\$ 400 billion and Ch\$ 857 billion respectively.

By the end of 2004, the Retail Banking was managing a business volume of Ch\$1,181,109 million in total loans, an increase of 16.2% over the previous year and equivalent to 27.3% of the Bank's total loans.

With a 20.7% contribution to the Bank's income before taxes, this business segment showed an increase in its gross margin of 13.4% which includes a 17.6% increase in fee income.

The commitment with our customers to provide the best and most competitive service in the market will continue to guide Banco de Chile's Retail Division, to the permanent innovation of services and products under the most demanding standards of quality.

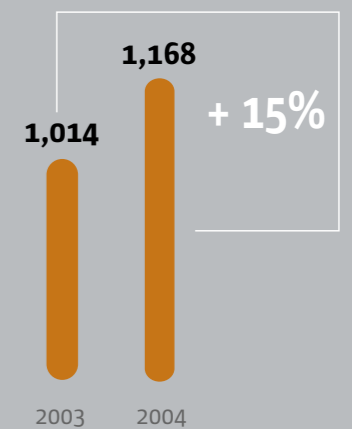
RETAIL LOANS



Composition by business line

	millions of Ch\$	2004	%
Commercial		146,261	7.8%
Consumer		528,304	28.1%
Mortgage		1,168,100	62.1%
Past Due		31,411	1.7%
Others		7,033	0.4%
<b>Total Loans Individuals</b>		<b>1,881,109</b>	<b>100.0%</b>

Mortgage Loans to Individuals  
billions of Ch\$ of December 2004



RESULTS	Retail Banking		millions of Ch\$
	Gross Margin		139,584
	Operating Expenses		-78,812
	Gross Charge for Loan Losses		-26,843
	Contribution before taxes		38,137
	Gross Margin/Loans		7.4%

CREDICHILE

The target market for this business area are individuals with annual income of between Ch\$1.8 and Ch\$5.4 million. Our mission is to provide them with a range of products and services that enable them to start their bank and financial relations. The Banco CrediChile brand was launched during the second quarter of 2004 with a new and modern corporate image, a change that brought with it a new form of tackling this market segment with improved service quality and a wider range of products. This process involved the development of new services, products and sales channels, additional staff training, important upgrading in response times and the renovation and expansion of the CrediChile distribution network, with 52 branches at the end of the year.

Productivity in the management of the data base has been strengthened with the introduction of new technologies. Continuous product sales campaigns through the mass media and the development of distribution channels for the attention of company customers like the credit of remunerations and payroll deductions, powerfully reinforce the brand image.

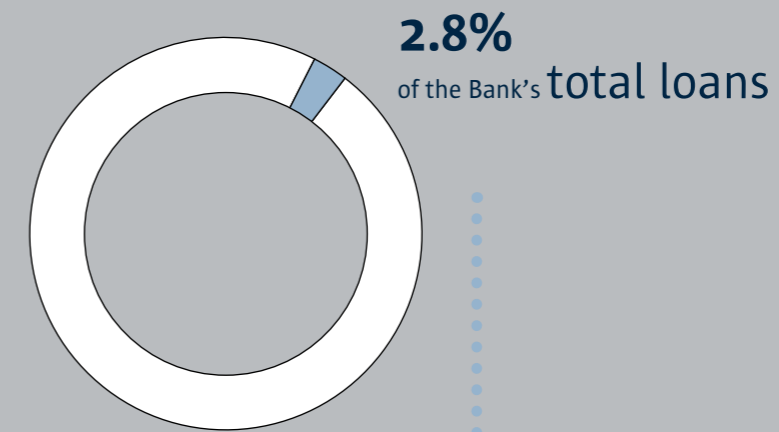
All these efforts have enabled us to successfully meet our commercial challenges and also achieve strong growth in the number of customers in this segment.

Thanks to an increase of 70% in the sale of consumer loans compared to the year before, the area's consumer loans grew by 31% during 2004, almost twice the market growth. Total loans at the year-end amounted to Ch\$190 billion of which 69% corresponded to consumer loans. Fee income also showed an annual growth of 62%.

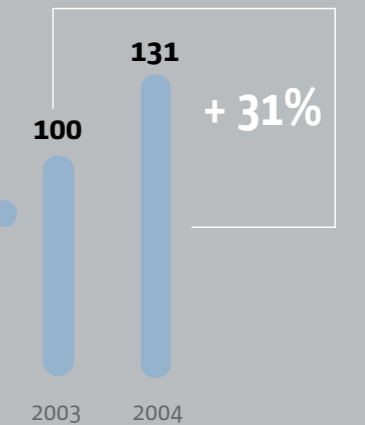
During the year, we applied a strict cost control program and thus achieved significant improvements in the efficiency ratio. There were also increases in the productivity of the collection cycles which produced a 10% reduction in the overdue portion of the portfolio and improved the recovery rate of loans written off. Thus, with 2.8% of the Bank's total loans, Banco CrediChile in 2004 contributed 5.9% of total income before taxes. The business area's net income for the year was 50% higher than that of 2003.

At the end of the year, the Banco CrediChile brand met the financing needs of 670 thousand customers, both in asset and liability products, consolidating its position as one of this segment's preferred financial institutions.

LOANS BY CREDICHILE



CrediChile  
**Consumer Loans**  
billions of Ch\$ of December 2004



Composition by **business line**

	millions of Ch\$	2004	%
Consumer		131,399	69.2%
Mortgage		56,368	29.7%
Past Due		1,760	0.9%
Others		380	0.2%
<b>Total CrediChile Loans</b>		<b>189,907</b>	<b>100.0%</b>

**BANCO CREDICHILE  
A NEW PROPOSAL**

**Products**

Complete grille of standardized products and services

- ▶ Emphasis on tele-marketing
- ▶ Direct sales force
- ▶ Technical redesign of branches seeking efficiency and increased customer contact

- ▶ Simplified operating processes under a centralized structure
- ▶ New management control and risk analysis tools.
- ▶ Strengthening of collection procedures

**Channels**

**Processes**

	millions of Ch\$
<b>CrediChile</b>	
Gross Margin	27,293
Operating Expenses	-11,569
Gross Charge for Loan Losses	-7,105
Contribution before taxes	10,871
Gross Margin/Loans	14.4%

**RESULTS**

TREASURY

2004 was a good year for financial management at Banco de Chile. Interest rates continued to fall and the exchange rate behaved with reasonable volatility.

The Financial Division of Banco de Chile is responsible for managing the liquidity, net positions subject to market risks, the investment portfolio and the development of derivative products for own hedging and to offer similar services to customers. In this role, the Division intermediates between the sources and the uses of funds by other commercial areas. The management of maturity mismatches, consisting of financing assets through liabilities with different maturities, generated attractive financial margins through most of the year. In the first half, this originated unusually high returns in an expansive monetary policy scenario with minimum real interest rates and, in the second quarter, with relatively high monthly inflation rates.

Interest rate fluctuations produce losses or gains according to the Bank's position at any one time. In 2004, the monetary policy rate saw its last reduction in January, by 50 basis points, and remained through most of the year at a nominal 1.75%, thus making it the most expansive monetary policy in the last 20 years. The interest rate then recorded its first rise following five years of continual reductions, finally reaching 2%. Later, in November 2004, the road to normalization of monetary policy continued. In this scenario, the spread on the Bank's deposits was probably the lowest on record. However, the fall in the interest rate in the first quarter and the higher rates of inflation seen in the second quarter were favorable for obtaining gains on the Bank's positions, both with respect to the gap in asset and liability maturities and to the net asset position indexed to the Unidad de Fomento. Toward the year-end, the increases in interest rates partly offset the gains made at the beginning of the year.

Financial investments, equivalent to 18.6% of the Bank's productive assets at December 2004, were stable in terms of volume throughout the year but the composition of the portfolio was oriented to securities with shorter maturities as the year progressed. This restructuring generated large gains on selling the long-term positions with significant appreciations. An important effect on the generation of extraordinary gains on the investment portfolio was the reduction in the sovereign-risk spread and the fall in nominal interest rates. The sources of funds were also restructured. Sight deposits increased strongly, while time deposits grew but with a different composition, increasing the proportion of longer-term deposits to short term as the end of the period of minimum interest rates came nearer.

The transformation of the mortgage loan business affected the liabilities by reducing obligations under mortgage-funding notes. Financing through Bank-issued bonds increased with the placement of a new issue on the market; this was for the equivalent of more than UF 10 million in local currency, the largest of its kind in Chile and the one with the lowest interest rate for each of its maturities.

Notable was the repurchase of the Bank's shares which had to be refinanced with other sources of funds. This also modified regulatory limits and, together with the increase in sight deposits, required higher levels of technical reserves.

The derivatives market continued with a high volume of transactions, with growth of over 30% for the year. Notable also were the greater diversity of products offered to meet customers' growing hedging needs and the management of the Bank's mis-matchings.

The volume of business on the Corporate Desk (the unit responsible for trading cash-management deposits and loans with non-financial corporations) continued to grow, especially in placements and forwards. The Corporate Desk's field of action was extended to middle size customers following two years of successful performance working with large corporation. Links with customers were strengthened with a committed program of visits and conferences arranged throughout the year. This new strategy translated into a high rating obtained for the quality of service perceived by customers.

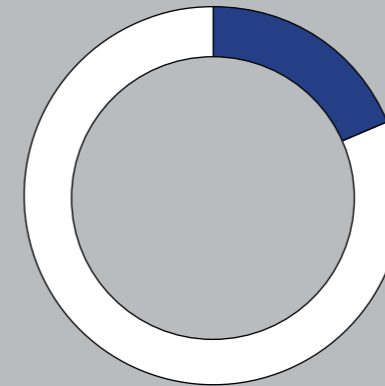
Banco de Chile obtained from the Superintendency of Banks and Financial Institutions the first authorization in the financial system for measuring and controlling liquidity through its own models. This allowed it to more efficiently manage its short-term assets and liabilities, and its liquid investments.

In another area, the Bank headed the modernization of the payments system for large amounts in the Chilean market, by taking the leadership in launching the Gross Real Time Settlement system (Liquidación Bruta en Tiempo Real) and in creating the bank clearing support company, Combanc. Both initiatives represent an important modernization of the payments system between financial companies.

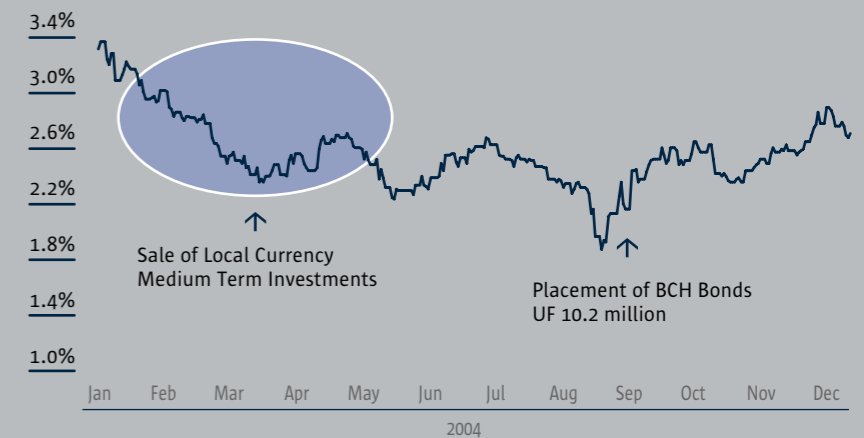
Finally, and for the second consecutive year, the prestigious magazine Global Finance chose Banco de Chile as "The best bank in Chile for trading currencies", by which the team-work of our Money Desk has been once again recognized.

TREASURY

Financial investments account for **18.6%** of the Bank's interest-earning Assets



Central Bank bonds interest rates



Treasury		millions of Ch\$
RESULTS	Gross Margin <sup>(1)</sup>	29,081
	Operating Expenses	-2,324
	Gross Charge for Risk	-1,454
	Contribution before taxes	25,091
	Gross Margin/Financial Investments	1.5%

(1) Includes gains on trading, accruals and mark-to-market of financial investments. Also includes foreign exchange trading gains. Excludes gains on mismatches of term and currency which have been included in the Gross Margin of each segment and distributed as a function of the respective loans of each of them.

SUBSIDIARIES AND FOREIGN BRANCHES

The Banchile subsidiary companies, as also the operative network abroad, stand out in their respective markets, developing and consistently providing integral and innovative solutions for the specific needs of their customers. The range of services and products offered includes securities trading operations, mutual funds, insurance, financial advice, factoring and securitization. In addition, and coherent with the effort to integrate and take advantage of the synergies inherent to the business, the subsidiaries Socofin (debt collections) and Promarket (sales) provide services for the whole network, thus optimizing the global return and performance.

The chain of subsidiaries therefore allows our Corporation to provide a complete range of products to the different markets and areas of business, at the same time generating efficiencies and cost savings. The contribution of subsidiaries and foreign branches in 2004 to the Bank's income before taxes was 19%, amounting to Ch\$34,937 million. At the net income level, this source of business contributed 18% of the Bank's total and 38.6% of its total fee income.

BANCHILE CORREDORES DE BOLSA S.A.

Banchile Corredores de Bolsa maintained its position as the largest stockbroker in the market in 2004, both in volumes traded and in profit levels. This leadership is reflected in a 27% share of volumes traded on the Santiago Stock Exchange and the Chilean Electronic Exchange and annual profits of Ch\$9,803 million. The firm thus contributed 36% of the profits and 24% of the fee income generated by all the subsidiaries and foreign branches.

The company firm took part in and managed successful placements during the year. These include the public offering made by Banco de Chile, the first repurchase of shares made in Chile; the placement of Telmex which acquired 99.3% of Chilesat; and the placement of 25-year bonds for Metro.

In August, it also made its first trade on Latibex with which it finally completed its entry to the Madrid Stock Exchange, making it the first Chilean member of that market. This, added to the fact that it has carried out around 50% of the arbitrage trading in Chilean ADRs, gave Banchile Corredores de Bolsa S.A. important recognition in that market.

A new business area was established in this company in the middle of the year: Investment Banking, oriented mainly to the generation of capital markets business like the opening up and mergers of companies, bond issues, capital increases and acquisitions of large companies. Its operations began with the adjudication of 20% of the shares of and important multinational drinks company (CCU), achieving the largest tender placed in the Chilean stock market.

BANCHILE ADMINISTRADORA GENERAL DE FONDOS S.A.

The year 2004 was one of great achievements for this subsidiary of Banco de Chile, reflected in its sustained market leadership which reached a share of 27.1% in funds managed and 27% by number of participants at December 2004, and also in the real increase of 53.6% in its profits compared to 2003, reaching Ch\$ 9,081 million.

Several innovative products were launched during the year like the first guaranteed fund called "Banchile Garantizado Plus" and three new mutual funds in US dollars, thus consolidating the offer of foreign currency funds for assisting the diversification of portfolios. Another guaranteed mutual fund was launched in December, with investments concentrated in the Japanese market.

At the end of the year, the company was managing 40 funds for a total amount of Ch\$ 1,862,834 million, and serving 152,709 customers.

It also continued to work on levels of service quality, as is reflected in the high degree of satisfaction of our customers, and important communicational efforts were made to consolidate our positioning, successfully maintaining the customer loyalty plan. To achieve our goals with respect to the customer base and quality of service, it has continued to strengthen the joint work with the deposits area of Banco de Chile, which will enable us to obtain even greater benefits from the branch network throughout the whole country.

An excellent level of satisfaction within our employees was also achieved. The executive training efforts, made jointly with Universidad Adolfo Ibáñez, successfully concluded with a certification for each executive as an Investment Adviser meeting high international standards.

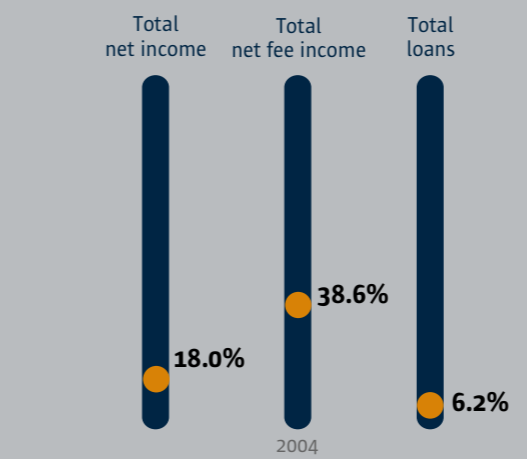
BANCHILE ASESORÍA FINANCIERA S.A.

Banchile Asesoría Financiera S.A. produced excellent results in 2004, supported by the commitment of Banco de Chile and its team. Revenues increased by 80% in real terms compared to 2003, to reach Ch\$2,531 million. Net income was Ch\$1,756 million which represents real growth of almost 120%.

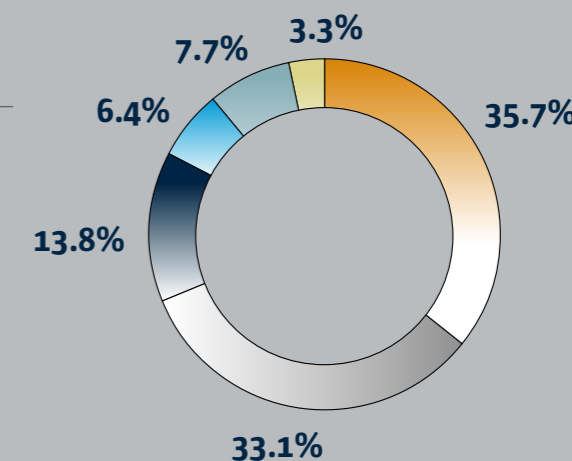
Large debt operations were closed during the year amounting to over UF10 million, including syndicated loan refinancings and restructurings for large companies. Important negotiations and sales of companies were also concluded.

SUBSIDIARIES AND FOREIGN BRANCHES

Contribution of Subsidiaries and Foreign Branches to the Bank's:



Contribution to Total Net Income of Subsidiaries and Foreign Branches



- Banchile Corredores de Bolsa S.A.
- Foreign Branches (New York and Miami)
- Banchile Factoring S.A.
- Banchile Administradora General de Fondos S.A.
- Banchile Asesoría Financiera S.A.
- Others: Banchile Corredores de Seguros S.A., Banchile Securitizadora S.A., Banchile Trade Services Ltd., Promarket S.A., Socofin S.A.

RESULTS		SUBSIDIARIES AND FOREIGN BRANCHES	millions of Ch\$
	Gross Margin		77,910
	Operating Expenses		-40,207
	Gross Charge for Risk		-1,792
	Contribution before taxes		34,937

The history, recognition and confidence of our clients has meant that Banchile Asesoría Financiera S.A. has achieved a leadership position in Chile, also obtained thanks to its capacity for providing creative and innovative solutions for clients, based fundamentally on its confidentiality, experience and diagnostic abilities. In recognition of its work, Banchile Asesoría Financiera S.A. is the only Chilean entity that appears among the top 20 of the Bloomberg ranking of advisers in mergers and acquisitions in Latin America.

#### BANCHILE FACTORING S.A.

Banchile Factoring ended 2004 with a 26% market share as a result of an 80% increase in its stock of loans achieved through growth in its customer base, an increase in its levels of penetration and the introduction of new products.

Its strategy of segmentation applied to the portfolio of business customers of Banco de Chile also meant a 20% real improvement in net operating income, with net fees of Ch\$634 million at December 2004.

Efficiency and cost controls gave it an important competitive advantage in pricing while the strict control over risk and overdue loans together with the emphasis on collections and follow-up, were essential to the company's results.

Its achievements in 2004 include the structuring by Banchile Factoring of the largest transaction in the Chilean factoring industry, amounting to UF 3,876,706. The company also became a member of Factor Chain International that regulates international factoring transactions worldwide.

#### BANCHILE SECURITIZADORA S.A.

Banchile Securitizadora S.A. positioned itself in 2004 as the securitizing firm with the largest number of transactions placed during the year, maintaining seven bond issues, with their respective asset funds, for a total of approximately US\$280 million.

Bonds issued during the year amounted to around UF2 million, notable being the placement of two bond issues whose underlying asset is rights over future payment flows (invoices), being the only securitizing firm in the market that has carried out this type of transaction.

It should be mentioned that securitization services, which allow customers to transform low-liquidity assets into debt instruments with a credit rating, represent a modern and satisfactory solution for companies with securitizable asset portfolios like mortgage loans, credit cards, leasing agreements, automobile loans and accounts receivable.

#### BANCHILE CORREDORES DE SEGUROS S.A.

Banchile Corredora de Seguros obtained excellent results in 2004, achieving sustainable and profitable growth while it continuing to develop new products, exploiting non-traditional distribution channels and also showing indicators of excellence in service quality, working climate and team working.

The company's gross revenues grew by a real 10.8% over 2003 to Ch\$3,351 million, while net income reached Ch\$ 671 million at December 2004.

This subsidiary coordinates and develops its businesses with all the Bank's commercial areas. 4,200 executives in all the Bank's distribution channels are constantly being trained in channeling insurance business through Banchile Corredora de Seguros.

The products launched this year include the "Bank Protection Insurance" which became a sales success. During the year, there are already more than 40,000 such policies in effect. Managed by a team of top-level professionals, the Annuities Project has already begun to yield fruit in following its challenge of becoming one of the leading players in pensions advice in Chile. On the other hand, strong progress was made this year in the development of the first banking and insurance integration project based on internet technology, which implies substantially improving the speed and security of information for the benefit of our clients.

#### PROMARKET

The business of Promarket is to support the Bank in selling financial services to individuals. For this, it has a team of sales and tele-marketing agents with their respective levels of supervision and management. In addition, through the Banlegal division, Promarket provides the legal support necessary in the sale of financial services to individuals.

During 2004, it focused its efforts on modernizing and speeding up its processes in accordance with the Bank's global corporate plans. It carried out a complete rationalization program of the company to achieve efficiencies in operating costs. It also restructured the tele-marketing and sales force areas which enabled it to carry out simultaneous campaigns that have generated important increases in productivity, obtaining higher sales and variety with the same staff.

Information systems and sales and campaign performance processes were created that have resulted in a greater productivity in the sales force and an increase in cross-selling indicators. Promarket is therefore an integral part of the Bank's strategy in the retail segment and contributes to the successful results of Banco de Chile in that business area.

#### SOCOFIN S.A.

This company has the mission of being an efficient and quality support in the service of normalization and recovery of loan portfolios of Banco de Chile in order to transform this process into a competitive advantage for the Bank.

Innovative technological projects were developed and introduced during 2004 to maximize efficiency so that each line of business continues to provide a service according to market demands. The start-up was also made of a new judicial recovery system "e-lex", the "Recaudación Plus" project was consolidated and progress was made in different integration processes with the Bank, in accordance with the objectives of the Neos corporate project.

Socofin's performance thus generated an important contribution to the Bank of more than Ch\$ 12,000 million in recoveries of loans written off, reducing the charge for risk budgeted for the period by 22% in its Retail Banking, Corporate Banking and CrediChile businesses.

#### SOCIETIES AND FOREIGN BRANCHES

Banco de Chile this year has maintained its leadership as a local bank with a strong presence in the different international markets, permitting it to position and promote the business that its customers carry out through the international network that has already been operating for some years with branches in New York and Miami, and representative offices in Mexico, Argentina and Brazil. Our presence abroad was further extended during 2004 through a strategic alliance between Banco de Chile and the British bank, Standard Chartered, to promote and facilitate our customers' businesses with Asia.

Over the last two years, the number of customers abroad has doubled, increasing by 40% and 50% during 2004 and 2003 respectively. This reflects a strategy of focusing on new customers and developing innovative products and services for them.

Important investments have also been made in technology and in the customer service area which have permitted a more segmented and focused service on the different needs both in retail and corporate banking. The technological and service innovations have enabled the offices to respond satisfactorily to the increase in transaction volumes which reached 1.9 million this year and more than a million contacts with our customers via internet.

As explained in Notes 17 c) and 25 a) to the financial statements contained in this Annual Report, the supervisory authorities of the New York and Miami branches are carrying out a revision related to compliance with regulations on banking secrecy and the prevention of money laundering. It is still not possible to establish the scope of the authority's resolutions in this respect.