

Banco de Chile

**Comments about the 2004 fourth quarter and year end results,
presented by
Arturo Tagle, Chief Financial Officer
February 4th, 2005.**

Introduction

Good day to all of you and thanks for participating in this call.

Aa slide presentation can be viewed at our web page, and may allow you to more easily follow some of my comments.

On slide number 2, please find a quick guide on the subjects to be covered in this call. I intend to briefly go through the yearly performance of our stock, and then elaborate on how our 2004 results turned out to be, to finally share with you what my stance is on our next year's main priorities.

The recently closed year was one of important achievements for Banco de Chile. Not only have these positioned us as the most profitable institution in the financial system, but have also allowed us to be acknowledged, by several local and international entities, as the Best Bank in Chile, both in global terms as well as in some more specific features.

Share Price Evolution

It is also highly rewarding to be able to compensate our shareholders for the trust provided through their investing in our company. As pictured in slide number 3, an almost 28% year-on-year increase in the share price of our local stock amply exceeded the performance of our local stock price index, while the 37% boost in the price of our ADRs during 2004, more than doubled the best of the average performance indices of the most prestigious securities of global markets.

Share:Total Return

As can be seen on slide 4, the total return of the Banco de Chile share, for the full year 2004, climbed to 34.7%. This figure is the resultant of the mentioned price increase, plus a dividend yield of 6.9%, consequence of our 100% pay-out policy applied in 2004.

This highly supportive market response also shows on liquidity, as the total traded volume of Banco de Chile's stock during 2004 increased by 16%, as compared to 2003, and reached a daily average equivalent of 838 million pesos, some 1.4 million dollars per day.

Net Income 4Q'04

Turning to slide number 5, and as far as the fourth quarter is concerned, net income totaled 31 billion pesos, amount in excess of 55 million dollars, which exceeded by almost 10% the quarterly year on year result.

In spite of this expansion, this outcome was less outstanding than those of the three previous quarters and some reasons can be pointed out.

In the first place, an amount of extraordinary expenses, mostly related to the closing, in advance – since its original expiration date was on 2005 - of a new labor force agreement that involved a one-time cost of 3.9 billion pesos, and that should endorse the working relations with the Bank's employees for the next four years, thus confirming the very orderly and mutually collaborating existing relationship.

Also related to personnel, the incorporation, during the year, of 225 employees into the Bank's payroll, resulted in salary increases almost fully related to strengthening the Bank's sales force and, in particular, that of CrediChile.

Additionally, the strengthening of year-end advertising efforts also contributed to boost the operating expenses line.

The restructuring of CrediChile branches, the revamp of old branches, as well as the opening of some new ones - both Banco de Chile and Banco Edwards - also added to the yearly expenses, however allowing us to provide a much wider distribution network.

As far as provisions are concerned, although the quarterly figure showed a year-on-year increase of 3.7 billion pesos, mostly related to the fostering of higher yielding assets, the resulting ratio of provisions to average loans stands fully as forecasted, as I will comment later.

A higher loss on financial investments for 3.4 billion pesos, mainly caused by the mark-to-market effect of higher long term interest rates; higher inflation affecting price restatement; and lower results from equity investments, bundle up the explanation of the main counter-effects on the quarterly net income.

However, these effects were more than compensated by higher financial income for 12.8 billion pesos, compared to the quarterly year-on-year figures, consequence of a 40 basis points increase in net financial margin which mostly responds to a better portfolio mix and to a higher inflation rate.

Larger fees for 8 billion pesos and lower non-operating expenses, add up to the final bottom line increase.

Return on Capital

As a consequence of these good results, and as can be seen on slide number 6, the Bank's Return on Average Capital posted 23.8%, for the fourth quarter, broadly exceeding the 15% ratio shown by the system as an average. If we exclude Banco de Chile, the system's overall return drops to 13.6% over average capital.

On a yearly basis, the final 27.6% Return on Capital is still more outstanding, moreover when compared to the system's 16.8%, and to our main peer group's average return of 20.6% for 2004.

On turning to slide number 7, please take a look to what were the main drivers behind this very successful result.

2004 Drivers

Namely, an improved asset mix; a consistent focus on properly pricing our products and services; the policy of integrating the subsidiaries' businesses with the core business of the Bank; a conservative risk policy and the emphasis on adding value through providing technology-supported products, have fueled the positive outcome. Allow me now to expand on some of these concepts.

Asset Mix

For some time now, market conditions have created the incentives to reorient our portfolio towards those more profitable segments: in particular, retail and middle-market corporations. On slide number 8, you may see how this strategy has been put in practice, resulting in very healthy growth rates in those market segments providing higher returns. This has been the case of the consumer market where both, the high-to-middle income and the lower income sub-segments posted very interesting growth rates, near to a yearly 16% in both cases. As far as CrediChile is concerned, a 70% increase in consumer sales during the year, turned into an important 31% yearly expansion in the final stock of loans of this segments.

Both retail segments have the largest Gross Yields, which roughly average 14% in the lower income consumer segment and, above 7% in the middle-to-high-end tiers.

The middle-market company segment follows in terms of gross return, with a yield of almost 7% and shows a growth rate of 6% during 2004.

This focus on higher yielding segments has proved rewarding as we have been able to expand our net financial margin, as I mentioned before, in spite of a much more stringent competitive environment which has caused a narrowing of spreads.

Slide number 9, pictures how this shift towards the more profitable segments has borne on the composition of our loan portfolio, favoring and expanding the importance of the more profitable markets.

Loan Portfolio Composition

Consistent with our strategy, the large corporations segment has been the one giving up room in favor of the expansion of the remaining areas. In compensation, the large corporations segment has been very proactively deriving businesses to the rest of the organization and, in particular, to the subsidiaries or affiliated companies, thus fostering efficiency and cross-selling. One example of this is the 17% increase experienced by the leasing contracts originated in large corporations, during 2004.

Susidiaries

As a consequence of this policy of more actively penetrating those business lines conducted via subsidiaries, the bottom line of the most relevant of these affiliated companies increased during 2004. Such is the case of the Funds Managing company with a 54% increase in its net income; the Financial Advisory and the Securitization companies, both more than doubling its bottom line; and the Factoring company showing an almost 8% increase in its net income. Turning to slide number 10, you will see that, in global terms, subsidiaries and foreign branches account for 18% of the Bank's total Net Income; 6% of its total loans; and almost 39% of Banco de Chile's total fees.

However, the importance of fees is not only true for our subsidiaries, but also at Bank's level.

As shown on slide number 11, during 2004, the consolidated fee income increased by 29% to almost 127 billion pesos, thus covering 52.8% of the Bank's total operating expenses - up from only 43.2% one year ago.

Fee Income

On a non-consolidated basis, 35% of our operating expenses are currently compensated by fees, compared to the less than 29% figure for the system as a whole. We expect to keep up with this performance based on price schemes which respond to effectively adding value and, also, on a lower-cost technology-based array of products and services.

Technology-intensive products

On this respect, our focus on technology-intensive products has proved quite successful. As is shown on slide number 12, transactions conducted through electronic distribution channels, account for 76% of the total number of Banco de Chile's transactions, as compared to 70% which stands as the average for the financial system.

With 77% of our client base being capable of operating through the Internet, we have experienced a 55.7% increase in web-based transaction, which positions the Bank with a 29% market share in internet services.

As far as credit cards are concerned, our efforts are currently paying-off. Banco de Chile has historically shown high participation in the total credit card purchases. This means that, during 2004, 27.6% of the market's credit card purchases were paid with Banco de Chile plastics. During the past year, the total number of purchases grew by 21% for the Bank, while the system's total volume grew only by 14%.

The Bank's corresponding credit card loans also grew above the system's average, by 9.5%, thus increasing our credit card loan share to 17.6%, a growth of 70 basis points during the year.

Operating Expenses

These efforts on fostering the use of lower-cost transactions add to our ongoing effort on cost control. As shown on slide number 13, after a steep cost reduction, consequence of the merger process, Operating Expenses have performed quite consistently with the Bank's activity level. Thus, in 2004, the average efficiency ratio reached 51.2%, an improvement of some 210 basis points as from the previous year. This, in spite of the important investment in

our distribution network meaning a 22% increase of ATM sites, the opening of 6 new branches, in addition to other investments in technology.

Credit Quality

As regards to credit quality, and as pictured on slide number 14, our performance has been consistent with our expectations. With a reduction of almost 28% on our non-consolidated past due loans, surpassing the system's and our main peers' efforts, our ratio of past due loans to total net loans dropped heavily to 1.3%, below our main peers' average ratio.

This very conservative conduction is further emphasized by our coverage ratio of allowances to past due loans which stands at 178%, ten percentage points above the system's average of 168%, and well above the 140% coverage shown, as an average, by our main peer group.

This strategy has allowed us to stick to our provisioning policy and maintain a ratio of provisions to total loans in the range of 1.1%. It is reasonable to expect a similar rate for the coming months, in the light of a favorable economic environment.

Focus for 2005

- **Branch network**

Finally, on slide number 15, the main tenets for our 2005 efforts are pointed out.

In the first place, we will keep up with the consolidation of our branch network, emphasizing a geographical coverage and strengthening our presence in those regions away from Santiago.

Regarding our foreign branches in New York and Miami, you are aware that Banco de Chile has entered into consent orders with the US Regulators of both branches to ensure the Bank's full compliance with anti-money laundering laws and regulations, regarding certain accounts maintained by the Bank in the United States and in Chile. Under the resolutions taken by the regulators, Banco de Chile has to present, within a time period of 90 days, an action plan which should strengthen procedures and controls in its US branches.

This is the first instance, in almost two decades of operating in the United States, that Banco de Chile has encountered serious difficulties with its supervisors.

We are determined to avoid the recurrence of any similar situation. The Bank will spare no efforts or resources to improve internal controls and overcome the weaknesses indicated by the authorities. Banco de Chile continues to offer its normal range of services in the United States, with total commitment to our clients.

- **Asset mix**

A second fundamental line of action is to persevere in the improvement of our asset mix. Emphasis on the retail market and on our lower-end consumer segment will be added to our interest on middle-market companies, especially those involved in foreign trade.

As a consequence, we expect to increase penetration and cross-selling of products and services, enhancing our product grille and fully incorporating our subsidiaries. An example of this has been the important effort made in our up-

scale retail segment to reposition the Bank in the mortgage business with a very successful 15% increase in these loans during 2004, hand in hand with additional insurance and leasing transactions associated to the mortgages.

- **NEOS**

Lastly, let me finish up with an update on our NEOS project, which involves a full change of our technology platforms, and should allow Banco de Chile to stand at the forefront of banking technology, not only in Chile, but in the region.

On closing the 2004 fourth quarter, we finished the roll out of the first stage of our CRM platform. Equally, during a full quarter, we succeeded in performing - with no fail - under a new and efficient accounting system.

During the course of this year the second stage of the Customer Relationship Management System will be released thus integrating, into one, the different contact channels with each client.

Unique and detailed information for each client will be available, allowing commercial and credit officers to better know our clients so as to offer the most adequate array of products, at a fair price, and related to each customer's business level. During the second half of the year, the system currently managing our loan portfolio will also be gradually substituted.


Started on mid-2003, and stretching into 2006, NEOS has been successfully conducted as far as timing and budget are concerned. We are confident we will be able to permeate a business model which responds to a client-based strategy and that will have direct positive bearing on our results.

Final Remarks

This past year was one of great achievements for Banco de Chile in quite a number of issues on which we had been working very hard.

Remix of assets, product integration through more intensive network utilization, empowerment of subsidiaries, within a global product offer based on added value, have allowed us to materialize this very solid result.

We are confident that there is still much space for future growth and we are determined to take the right steps in its pursue.



Fourth Quarter and Year End 2004 Results

Conference Call
Hosted by
Arturo Tagle, CFO

BCH
LISTED
NYSE

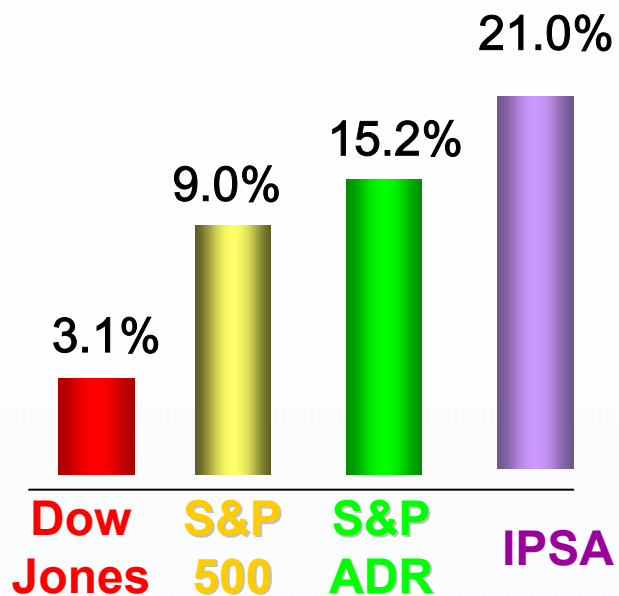
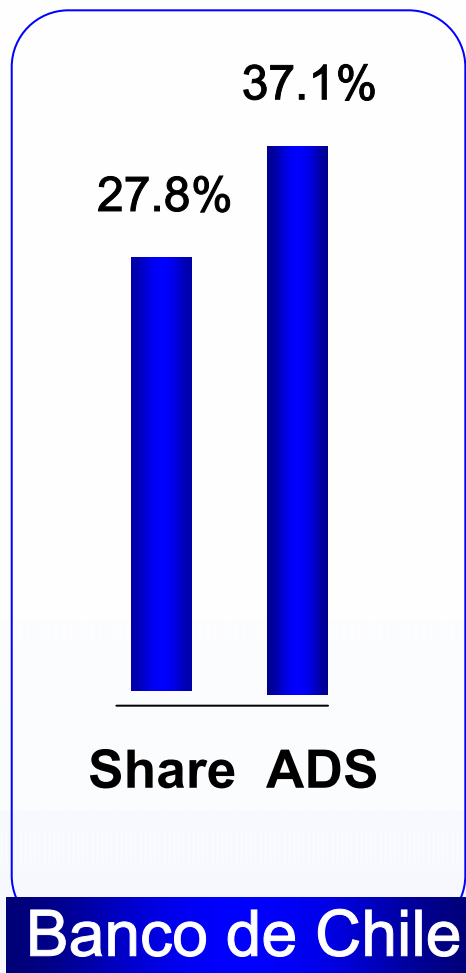
February 4, 2005

Banco de Chile

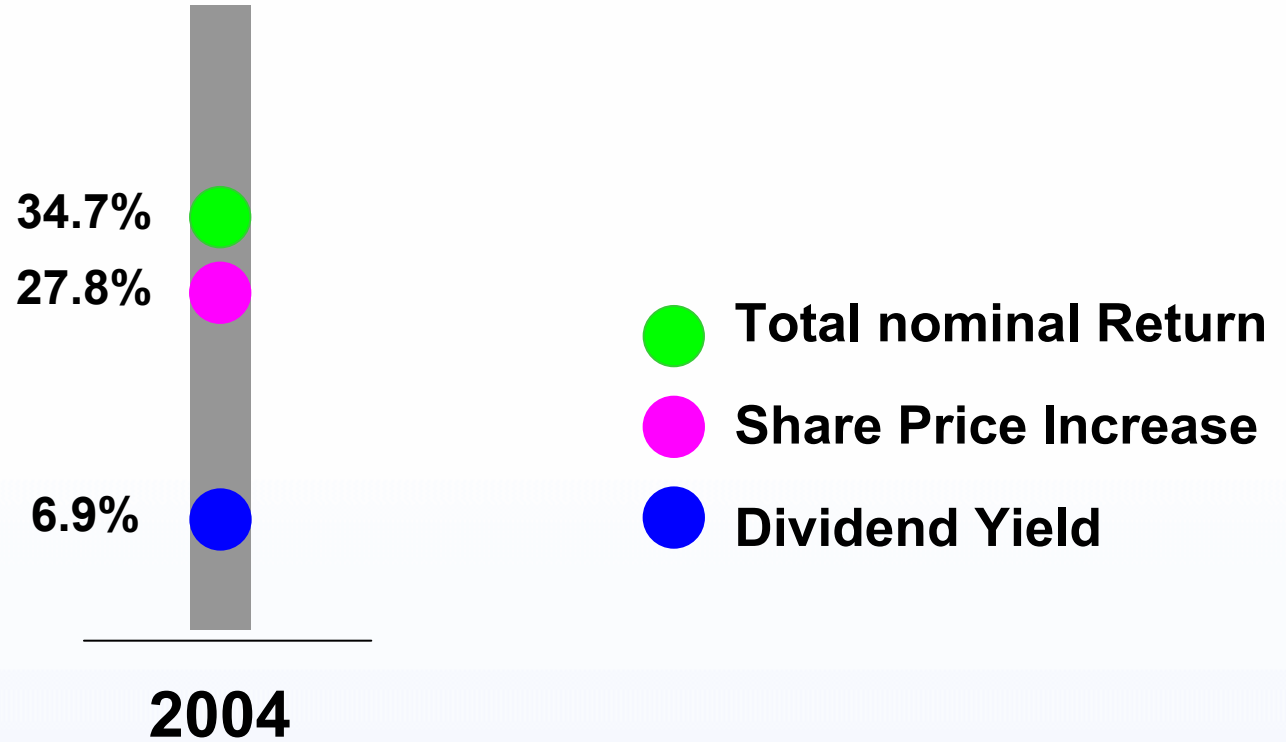
CONTENTS

- **Share Price Evolution**
- **2004 Performance**
- **Business Opportunities for 2005**

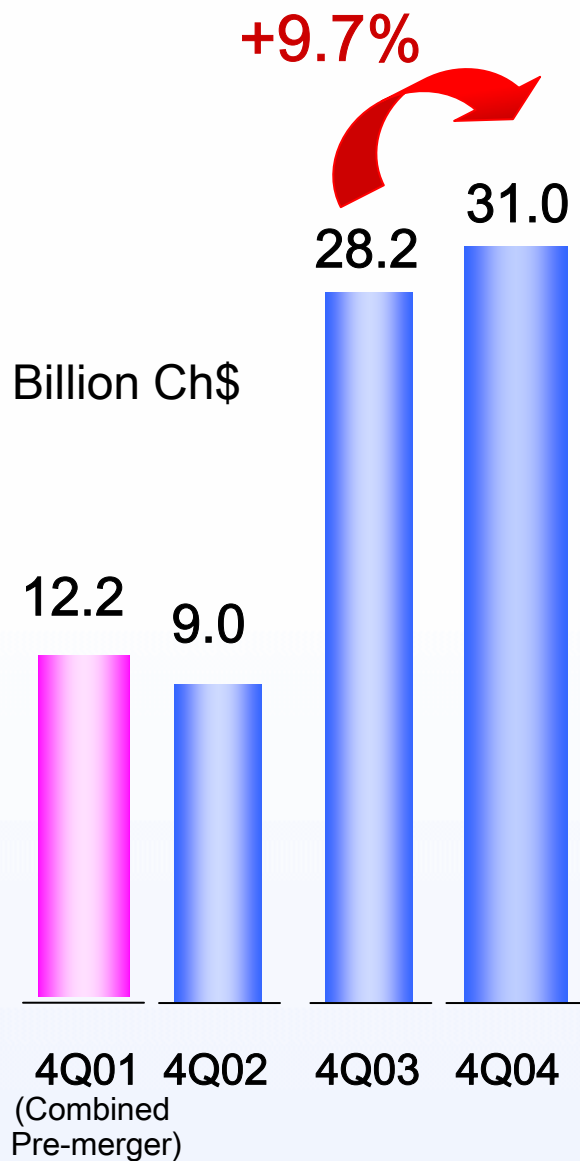
Share Price Performance for 2004 (YoY variation)



Banco de Chile Share: Total Return



Main Effects on 4Q'04 Net Income



4Q04 vs. 4Q03

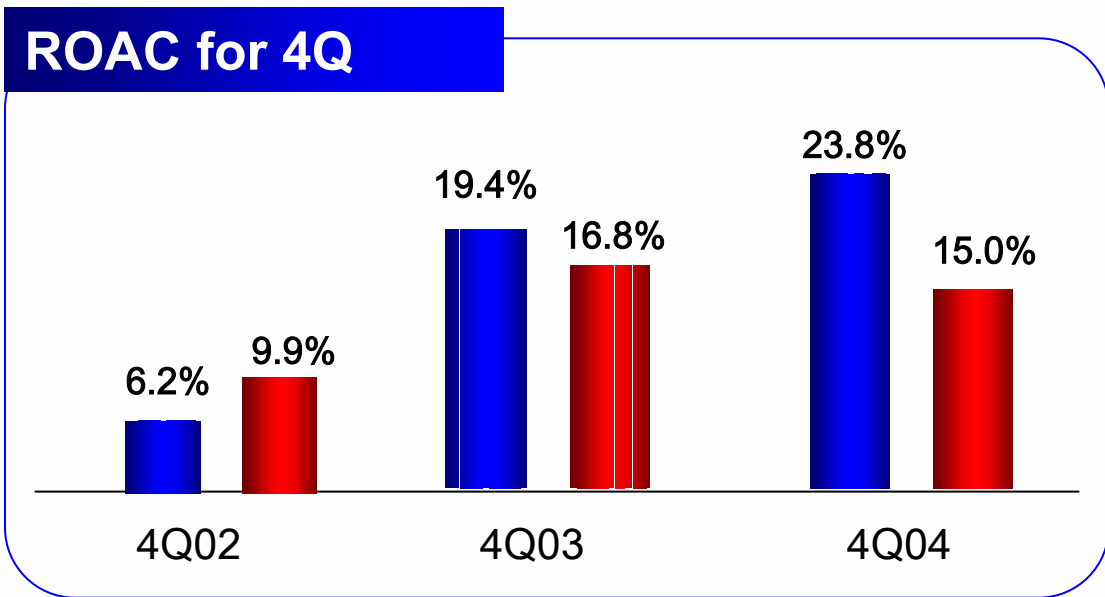
Main Positives

	Bill. Ch\$
•higher financial income for	12.8
•larger fees for	8.0
•Lower non-operating expenses for	2.3

Main Counter Effects

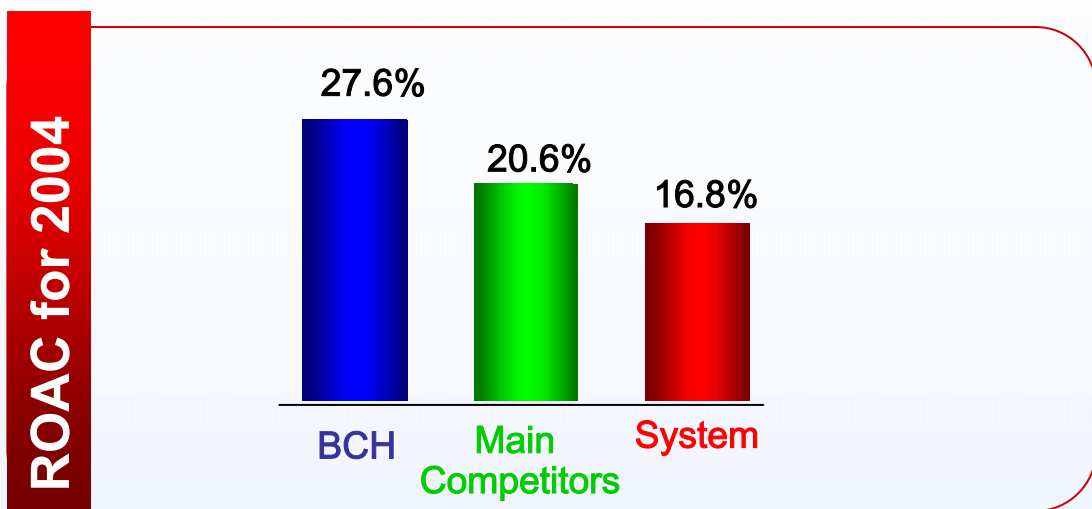
	Bill. Ch\$
•higher operating expenses for	9.4
•larger provisions for	3.7
•Lower gains on finan. invest. for	3.4
•price restatement for	2.5
•lower particip. in equity invest. for	1.0

ROAC: Outstanding Profitability



■ Banco de Chile
■ Financial System

(Unconsolidated)

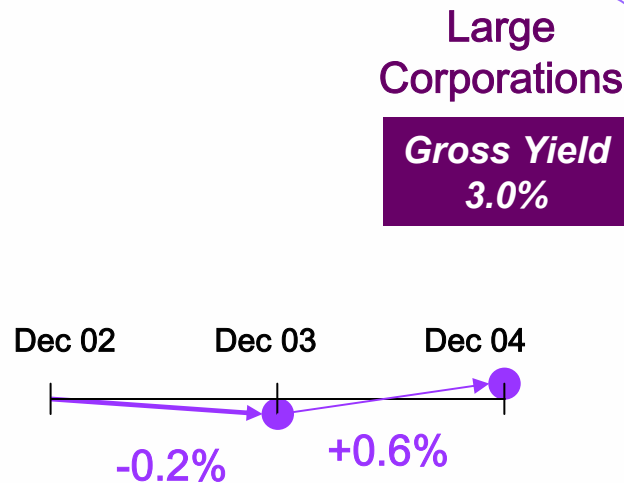
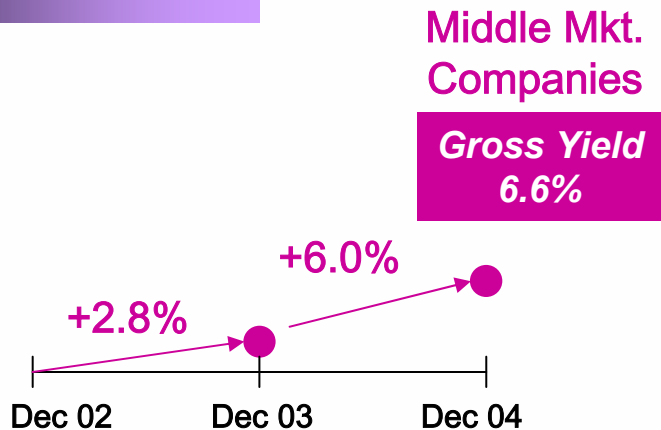


2004 Main Drivers

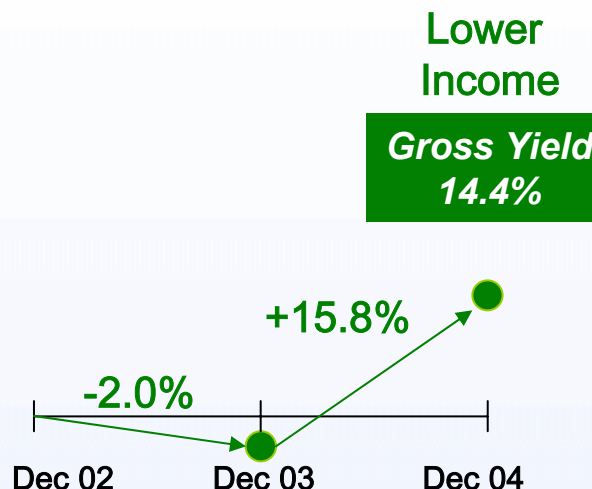
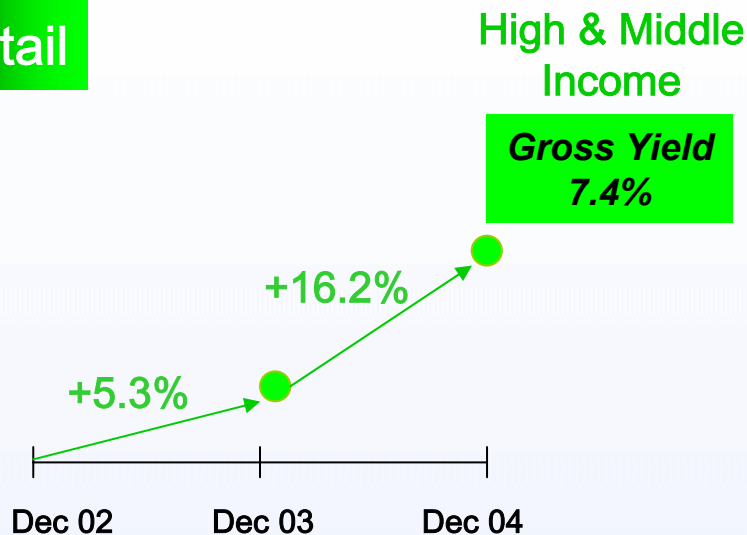
- Focus on higher-yielding products
- Strengthen distribution through subsidiaries
- Increase fee income
- Foster technology-based products
- Conservative approach to risk

Focused Loan Growth

Corporate



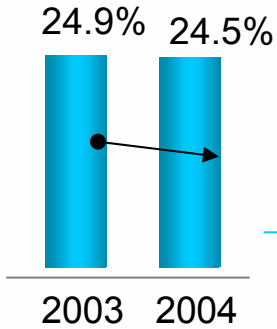
Retail



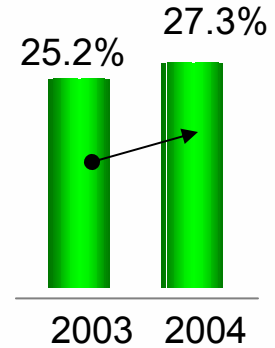
(consolidated figures)

Resulting Portfolio Mix

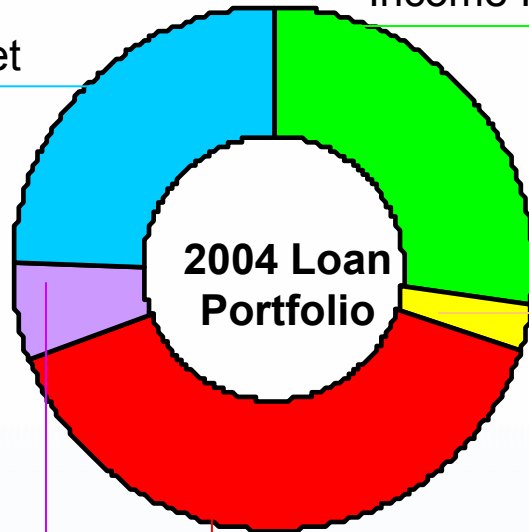
(Consolidated figures)



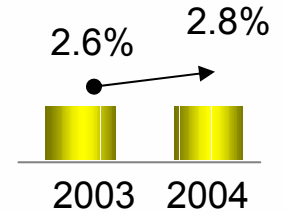
Middle Market Companies



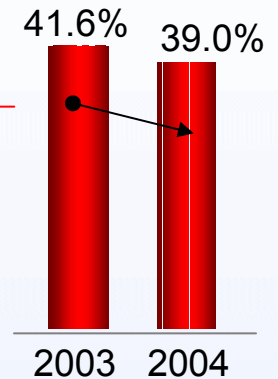
High & Middle Income Individuals



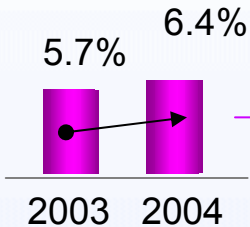
CrediChile



Large Corporations

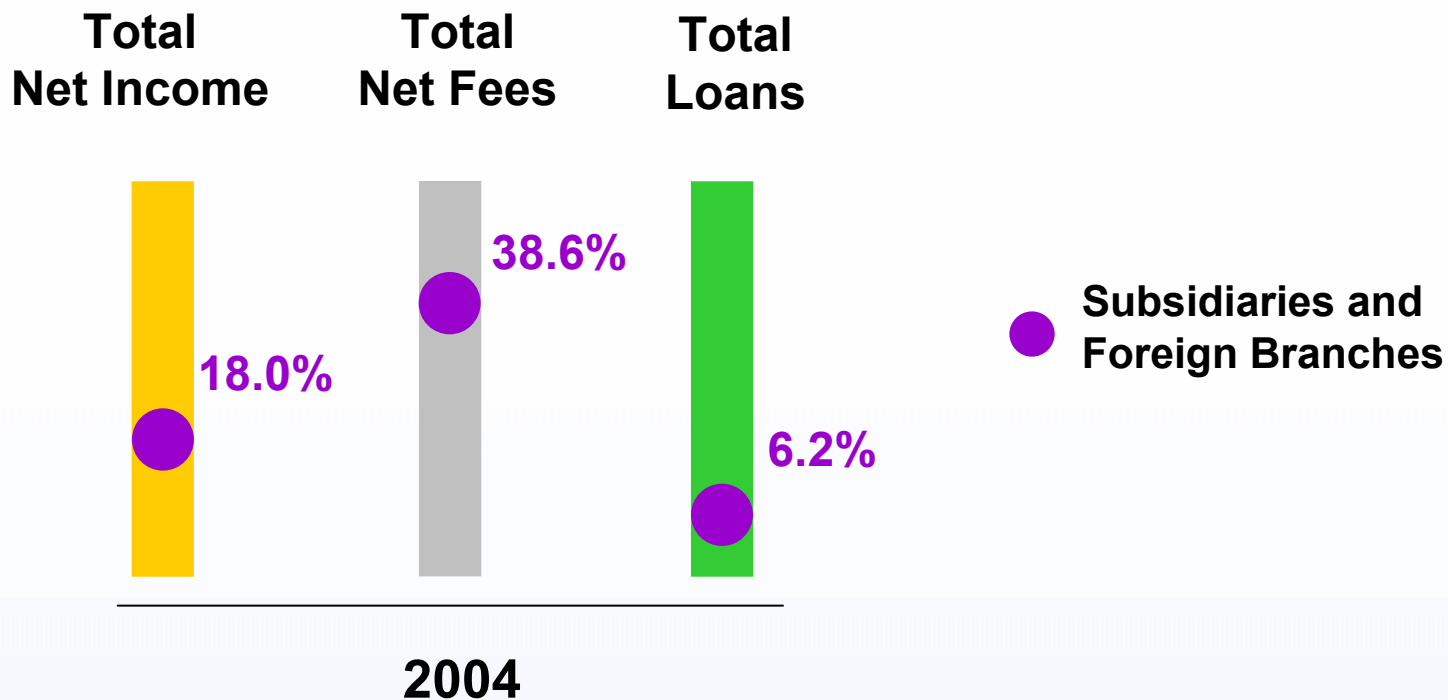


Subsidiaries and others¹



1: includes Foreign Branches and Treasury

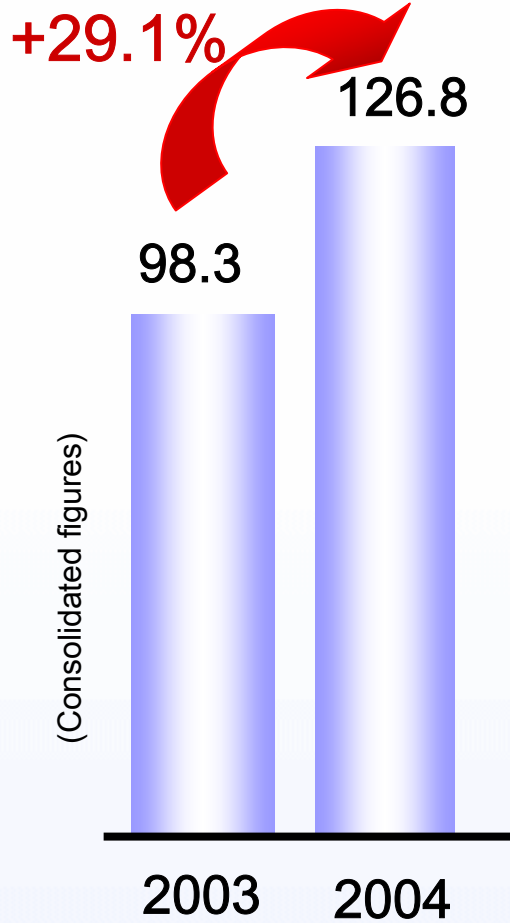
Contribution to the Bank's:



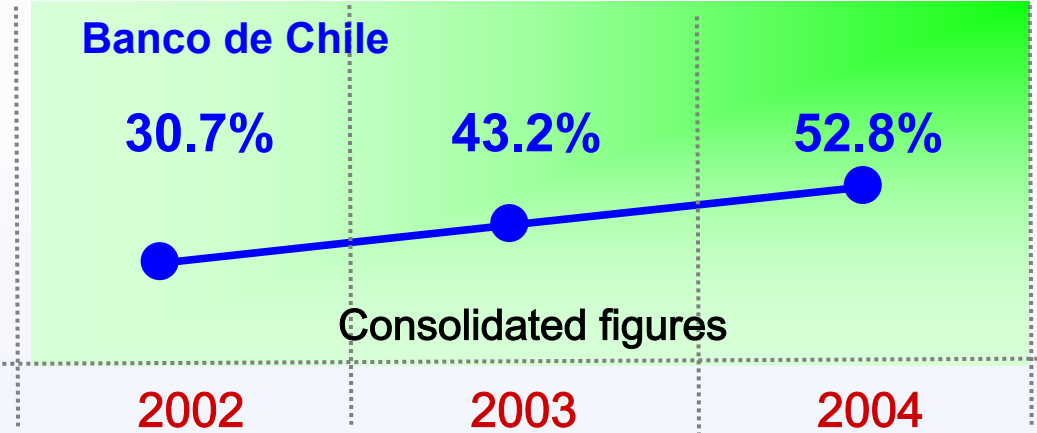
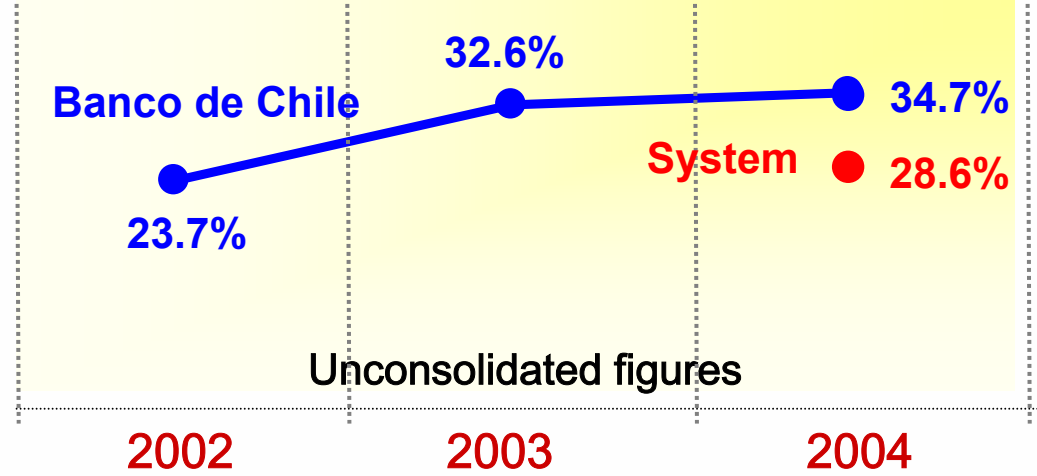
Enhancing Fee Income

Fee Income

(Ch\$ Bill.)

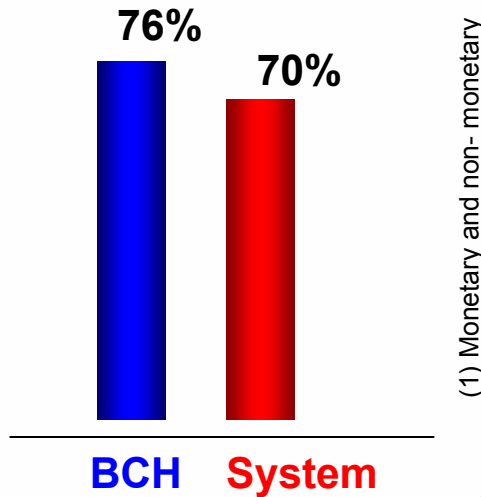


Fees / Operating Expenses

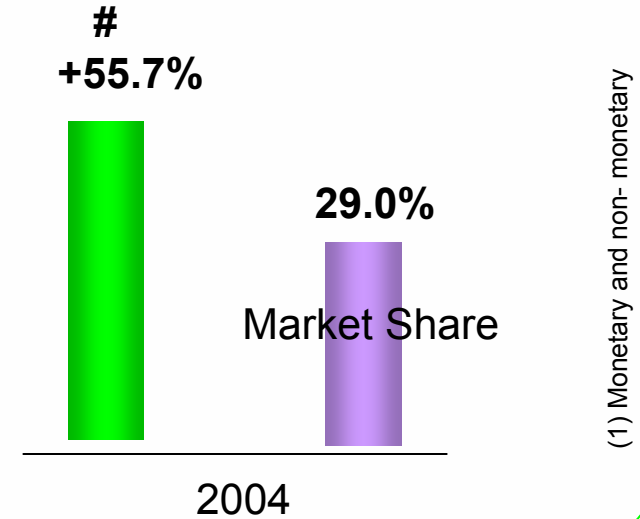


Technology-Intensive Focus

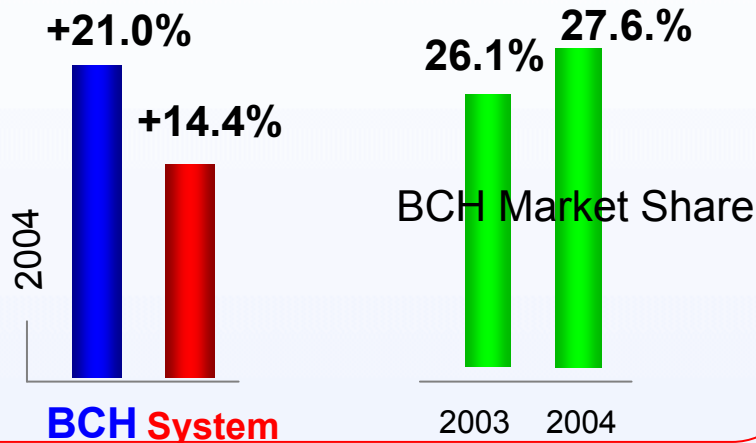
Electronic Transactions Ratio ¹



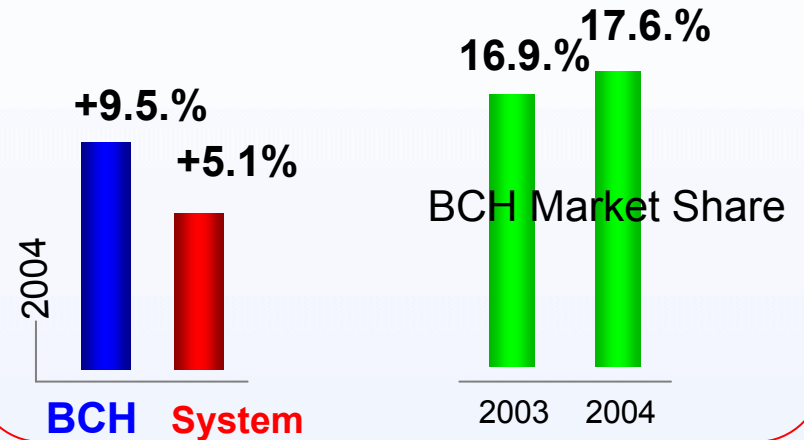
BCH Internet Transactions ⁽¹⁾



Credit Card Purchases

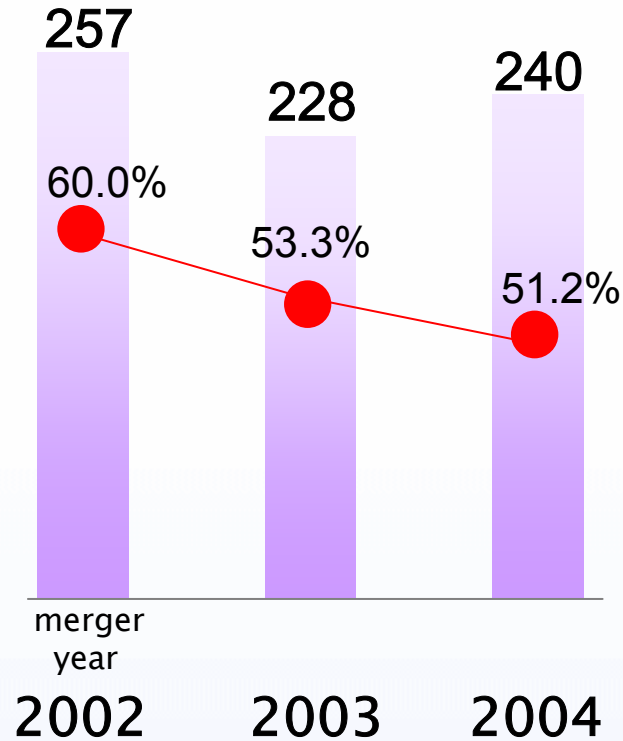


Credit Card Loans



Expense Control Consolidation

Operating expenses (Ch\$ Bill.)

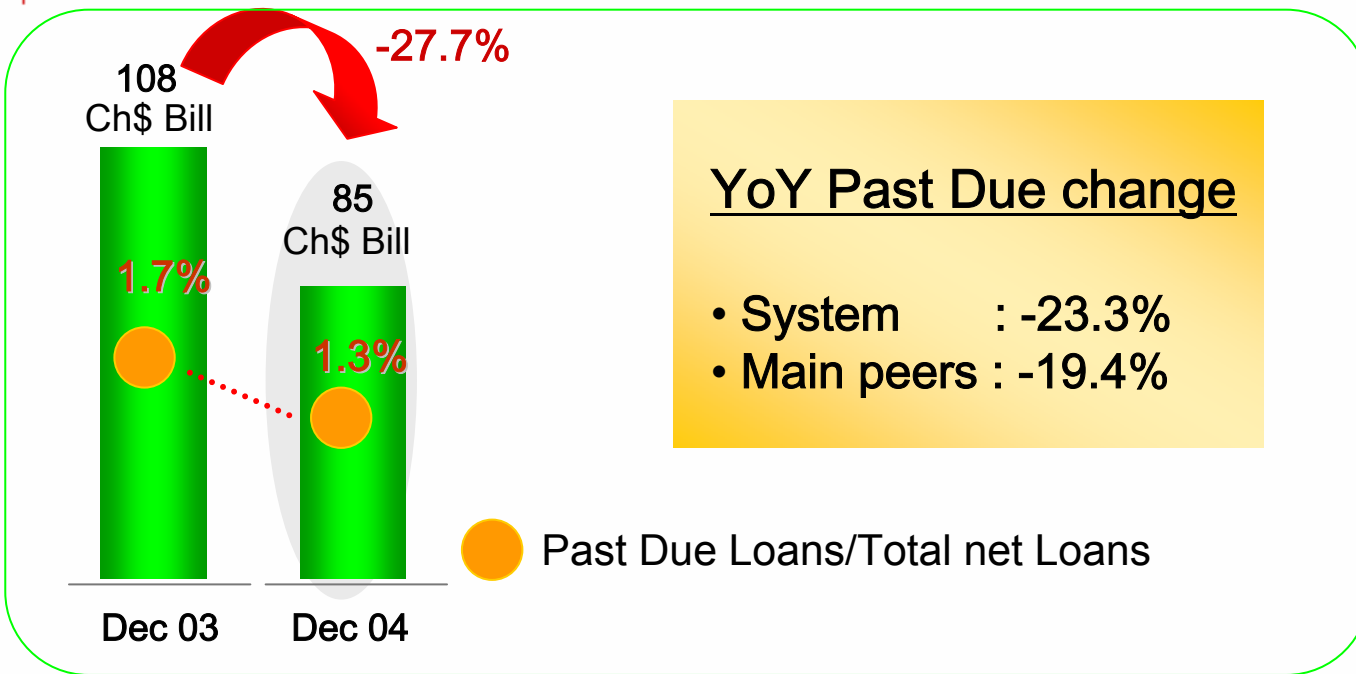


(Consolidated figures)

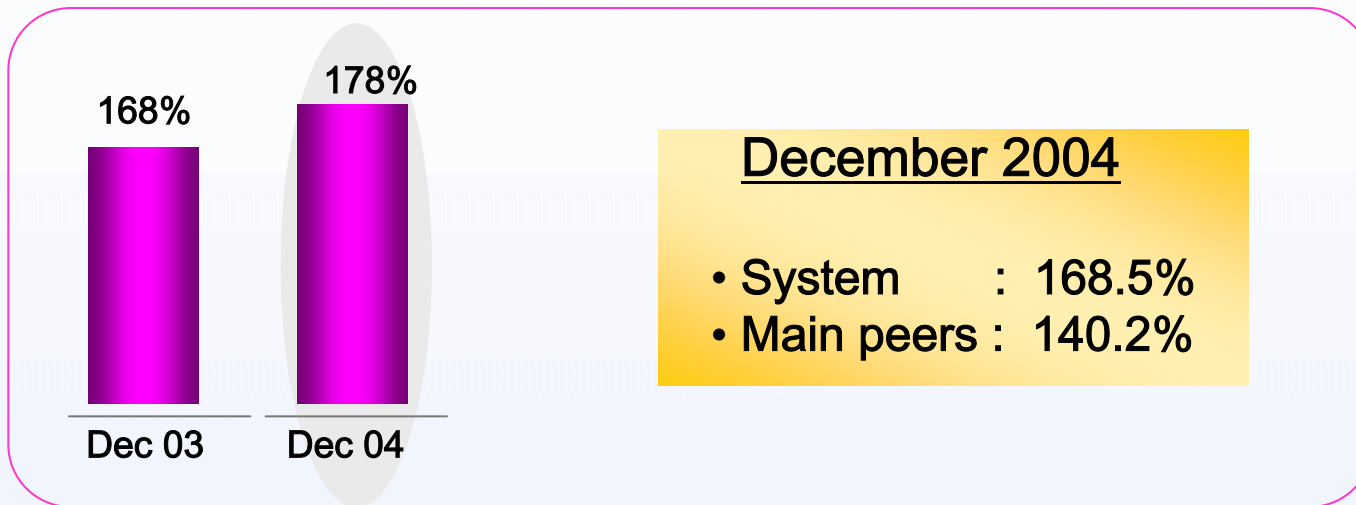
● Efficiency Ratio

Credit Quality: our Conservative Approach to Risk

Past Due Loans



Allowances/ Past Due



(unconsolidated figures)

Focus for 2005

Banco de Chile

- Branch network strengthening
- Further improve asset mix
- Increase cross-selling through subsidiaries
- NEOS

FORWARD-LOOKING INFORMATION

The information contained herein incorporates by reference statements which constitute “forward-looking statements,” in that they include statements regarding the intent, belief or current expectations of our directors and officers with respect to our future operating performance. Such statements include any forecasts, projections and descriptions of anticipated cost savings or other synergies. You should be aware that any such forward-looking statements are not guarantees of future performance and may involve risks and uncertainties, and that actual results may differ from those set forth in the forward-looking statements as a result of various factors (including, without limitations, the actions of competitors, future global economic conditions, market conditions, foreign exchange rates, and operating and financial risks related to managing growth and integrating acquired businesses), many of which are beyond our control. The occurrence of any such factors not currently expected by us would significantly alter the results set forth in these statements.

Factors that could cause actual results to differ materially and adversely include, but are not limited to:

- changes in general economic, business or political or other conditions in Chile or changes in general economic or business conditions in Latin America;
- changes in capital markets in general that may affect policies or attitudes toward lending to Chile or Chilean companies;
- unexpected developments in certain existing litigation;
- increased costs; and
- unanticipated increases in financing and other costs or the inability to obtain additional debt or equity financing on attractive terms.

You should not place undue reliance on such statements, which speak only as of the date that they were made. Our independent public accountants have not examined or compiled the forward-looking statements and, accordingly, do not provide any assurance with respect to such statements. These cautionary statements should be considered in connection with any written or oral forward-looking statements that we may issue in the future. We do not undertake any obligation to release public any revisions to such forward-looking statements after completion of this offering to reflect late events or circumstances or to reflect the occurrence of unanticipated events.

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