

04

# Commercial Performance by Business Area

**Banco de Chile**

# Business Areas of Banco de Chile

	Business Area	Objective Market	Strategy
Retail Market	<ul style="list-style-type: none"> <li>■ <b>Individuals &amp; Middle Market Companies</b></li> </ul>	<ul style="list-style-type: none"> <li>■ Individuals with incomes of over Ch\$350 thousand a month.</li> <li>■ Small &amp; medium-sized companies with annual sales of up to Ch\$1,200 million.</li> </ul>	<ul style="list-style-type: none"> <li>■ Strong sub-segmentation &amp; multi-brand positioning.</li> <li>■ Focus on cross-selling of products &amp; quality of service.</li> <li>■ Satisfaction of specific needs offering products with a wide critical mass.</li> </ul>
	<ul style="list-style-type: none"> <li>■ <b>Banco CrediChile</b></li> </ul>	<ul style="list-style-type: none"> <li>■ Individuals with incomes of between Ch\$170 and Ch\$380 thousand.</li> </ul>	<ul style="list-style-type: none"> <li>■ Range of products that enables initiation of the customer in the use of banking services. Focus on distribution network &amp; sales force.</li> </ul>
Wholesale Market	<ul style="list-style-type: none"> <li>■ <b>Large Corporations</b></li> </ul>	<ul style="list-style-type: none"> <li>■ Companies with annual sales of over Ch\$33,000 million. Subsidiaries of multinationals, public &amp; financial sector companies, commercial, construction and real-estate companies.</li> </ul>	<ul style="list-style-type: none"> <li>■ Area channelling business to the rest of the organization, especially subsidiaries. Integral offer of services focused on margin growth and cross selling.</li> </ul>
	<ul style="list-style-type: none"> <li>■ <b>Large Companies</b></li> </ul>	<ul style="list-style-type: none"> <li>■ Companies with annual sales of between Ch\$1.200 million and \$33.000 million.</li> </ul>	<ul style="list-style-type: none"> <li>■ Emphasis on offering services with value added, like leasing, foreign trade &amp; financial advisory. Integral offer supported by a solid distribution network.</li> </ul>
	<ul style="list-style-type: none"> <li>■ <b>Treasury</b></li> </ul>	<ul style="list-style-type: none"> <li>■ Agents of the capital market and large companies making intensive use of highly-transactional products like derivatives &amp; investments.</li> </ul>	<ul style="list-style-type: none"> <li>■ Long-term commercial relationship, providing the customer with specialized financial guidance that adds value to their business.</li> </ul>

## Results 2007

- Increase in consumer loans of 8.3% in the year.
- Respective increases of 13.3% & 9.5% in loans to individuals & companies.

- 12.2% annual increase in consumer loans to the segment.
- 14% increase in the number of customers over the year before.
- Strengthening of the distribution network with 11 new branches in different parts of the country.

## Loan Portfolio by Market

37.7%

2.8%

## Contribution to pre-tax earnings 2007

48.9%

4.3%

- Loan growth of 23.7% in the year.

42.4%

21.2%

- 9.2% loans growth in 2007.
- Close to 50% growth in sales of agreements & services.

12.6%

8.7%

- Issue of UF 12 million in senior & subordinated bonds, plus the issue of a new line of bond for UF 20,000,000

0.2%

7.6%

## Subsidiaries and Foreign Branches

- Subsidiary companies that offer financial services complementing the Bank's business. These include securities market, investment and mutual fund transactions, insurance, financial advisory, factoring, collections, securitization and sales.
- Banchile Corredora de Bolsa, leader in the market with a 13.7% of share trading volumes, obtained a net income of Ch\$7,968 million, 14.9% more than the year before.
- Banchile Administradora General de Fondos, market leader with a 24.7% market share at the end of the year.
- Banchile Factoring, with a 28% market share, produced a 31% growth in its volume of business.
- Banchile Corredores de Seguros exceeded by 14% the average annual premiums brokered in 2006.
- Banchile Securitizadora maintains at the end of 2007 a portfolio of securitized assets of Ch\$106,000 million.

4.3%

9.3%

*Banco de Chile achieved a strong positioning in 2007 in the retail market, through the Individuals and Middle Market Companies Division and the Banco CrediChile Division. The efforts of both teams in their corresponding segments enabled them to achieve the targeted growth.*

*The commercial achievements of both divisions are a demonstration of the strong commitment with Banco de Chile's business model, providing the best quality of service, with the best technological platform and a broad range of products and services planned to meet the needs of each segment and sub-segment.*

*The results achieved are also a reflection of Banco de Chile's effort to achieve a greater financial depth and bank penetration in the country, thus contributing to the modernization of the financial system and responding to the needs of people and businesses.*

## Individuals and Middle Market Companies Division

The Individuals and Middle Market Companies Division is responsible for the integral attention to the financial needs of individuals with incomes of over Ch\$350 thousand monthly and of small and medium companies with annual sales of up to Ch\$1,200 million. It also has one of the largest distribution networks in the country, with 194 branches located throughout Chile, including 10 Private Banking offices and 23 branches that operate under the Banco Edwards brand. There are also more than 1,400 automated teller machines and 22 cash agencies.

The financial products and services that this Division offers to the individuals segment include checking accounts, automatic payment of bills, charge cards, credit cards, freely-available lines of credit, housing loans in their various structures and freely available, consumer loans, life and general insurance, savings instruments, mutual funds, share trading and foreign exchange services. For each sub-segment, the Division has also differentiated proposals of value by product, brand, pricing and attention channel.

The Division offers financial services to 65% of middle-sized companies in Chile, a percentage which in the case of small companies is over 40%. These are all offered a wide range of products and services, including various financing alternatives, support for import and export transactions, a collections service, payments and receipts services, leasing agreements, factoring services, checking account related services, investment management, insurance broking, share trading, transfers and payments to and from abroad, and loans granted under the official Guarantee Fund for Small Businesses (FOGAPE) facilities.

During 2007 the Division exceeded most of the targets defined for the year in terms of business volumes, the addition of new customers, efficiency ratios and control of risk. It also made important progress in support for the strengthening of the business of the subsidiaries in the distribution network, the improvement of quality of service and the effective management of human resources.

Consistent with the Bank's strategic vision of achieving a greater share and presence in retail banking, the Individuals and Middle Market Companies Division achieved important and notable progress in 2007. Loans in the individuals segment increased by 13.3% to Ch\$3,597 billion at the end of the year. Loans to the companies segment amounted to Ch\$851 billion, equivalent to an increase of 9.5% over 2006.

In terms of the Bank's products, notable was the growth in home mortgage and commercial loans and leasing, which rose by 27.8%, 17.9% and 14.4% respectively. These results enabled it to increase its market shares in these products, especially in home mortgage loans. In terms of number of customers, the Division managed to add 50,371 new customers in the objective segments, administering a total of 468 thousand checking accounts at the end of 2007.

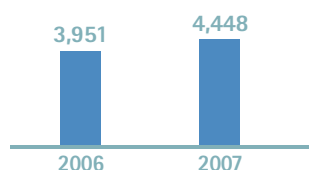
The achievements of the Individuals and Middle Market Companies Division in 2007 are the result of various initiatives carried out during the year. It is important to note the implementation of mass attention platforms for customers of the classic segment in branches in Santiago and the rest of the country and the start-up of attention platforms of the preferential segment in some offices, in order to increase effectiveness in the offer of products and services.

The Division's human resources management made an important achievement in the notable improvement of the internal working climate, and also in the evaluations of the heads of areas. The efforts made in strengthening internal communication systems and incentives, plus reinforcement in the training and leadership of the heads of the Division, permitted improvements over the results of 2006. Also contributing to this achievement was the hard work carried out in the full integration equipment in the branches and in the clear alignment of the Bank's and the Division's strategic priorities.

The Individuals and Middle Market Companies Division continued to progress in the implementation of the Neos Plan, permitting it to consolidate the new business model directed to providing necessary and suitable information for the design of specific value proposals according to the requirements of each business sub-segment, stressing efficiency and quality of service.

### Loans to Individuals and Middle Market Companies

(Billions of Ch\$ of december 2007)



### Individuals and Middle Market Companies Loans by Line of Business

(Millions of Ch\$)

	2007	%
Mortgage	1,900,017	42.7
Commercial	1,082,748	24.4
Consumer	979,918	22.0
Leasing	159,015	3.6
Contingent	46,052	1.0
Foreign Trade	26,258	0.6
Past due Loans	45,064	1.0
Others	208,387	4.7
<b>Total</b>	<b>4,447,459</b>	<b>100.0</b>

### Results of Individuals and Middle Market Companies

(Millions of Ch\$)

Gross Margin	-353,048
Operating Expenses	-146,368
Provision for Loan Losses	-40,331
Other Income & Expenses	-11,325
Net Income before Tax	155,024
<b>Gross Margin / Loans</b>	<b>7.9%</b>

### Banco CrediChile

Banco CrediChile is oriented to the mass-market segment, particularly the C3, D, pensioners and micro-business segments, which make up a potential market of 50% of the active Chilean population. This segment relates to people whose incomes fluctuate between Ch\$170 and Ch\$380 thousand pesos monthly.

The Division offers a wide range of products and services, including consumer loans, credit and charge cards, sight accounts fed by remuneration credits, sight and time savings accounts, mortgage loans and life and general insurance, plus retail products that permit offering loans that really and broadly meet the needs of the customer. For this, it has one of the most extensive coverage networks in Chile, with 97 branches and 7 business centers, with a presence from Arica to Punta Arenas, plus a modern call center.

Consistent with the corporation's strategic guidelines, Banco CrediChile's efforts in 2007 were concentrated on growth in consumer loans, following a strategy of low operating costs and risk control. Consumer loans, which make up 82% of Banco CrediChile's total loans, showed growth of 12.2% compared to the year before.

These important achievements by the Division are based on the strengthening of the distribution network, with 11 new branches which generated an increase in business opportunities during the year. Banco CrediChile also developed during the year a strong synergy with the corporation's other commercial areas which contributed to the growth of the Division and the whole of Banco de Chile. The Individuals and Middle Market Companies, Large Companies and Corporate divisions thus contributed with the addition of 100,000 new customers through the signing of agreements for crediting remuneration payments on behalf of companies and an effective use of the data bases.

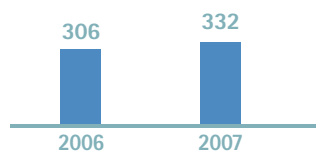
It is important to point out that for the first time, net fees for the year fully covered the Division's operating expenses. This is thanks to a strict control of expenses and improvements in revenue-earning capacity, specifically through fees.

Consistent with the corporation's human resources policies, Banco CrediChile is constantly concerned to have well qualified, motivated and trained staff for providing a service with the highest standards of service. Banco CrediChile therefore signed in 2006 an agreement for job certification with INACAP in order to be able to confirm the knowledge of 74% of its staff in 2007. The Division also organized two diploma courses in an agreement with the Instituto de Estudios Bancarios Guillermo Subercaseaux and Universidad Adolfo Ibáñez, which was attended by 63 employees.

The strengths developed by Banco CrediChile through its distribution network, a highly trained and committed team and its technological platform, together with the synergies set up with other commercial divisions of the corporation, enable it to be in an excellent position to focus on being a great retail bank, leader in its segment, highly profitable and with the best service for its customers.

### Banco CrediChile Loans

(Billions of Ch\$ of december 2007)



### Banco CrediChile Loans by Line of Business

(Millions of Ch\$)

	2007	%
Consumer	271,953	82.0
Mortgage	55,424	16.7
Past due Loans	2,111	0.6
Others	2,355	0.7
<b>Total</b>	<b>331,843</b>	<b>100.0</b>

### Banco CrediChile Results

(Millions of Ch\$)

Gross Margin	45,684
Operating Expenses	-16,528
Provision for Loans Losses	-14,868
Other Income & Expenses	-544
Net Income before Tax	13,744
<b>Gross Margin / Loans</b>	<b>13.8%</b>

*Banco de Chile focuses part of its financial services on the wholesale market comprising large national and international companies and corporations, and also financial intermediaries and institutional investors. This segment has total loans of Ch\$6,501 billion and contributes 55% of the Bank's total loans. During 2007 the wholesale market achieved growth of 20% compared to the previous year.*

*Banco de Chile is one of the most important suppliers of products and services in this segment, based on the knowledge of its customers and the key variables for their businesses, plus also the experience of its professional staff. The corporation offers its services to the wholesale market through three divisions: Corporate and International Division, the Large Companies Division and the Financial Division.*

## Corporate and International Division

The Corporate and International Division attends to the financial needs of companies whose annual sales exceed Ch\$33,000 million (approximately US\$60 million). Its customers include most of the country's public-sector companies, the subsidiaries of multinationals and all companies that form part of the large Chilean business groups, including companies in the financial, commercial, industrial, infrastructure, concessions and services sectors.

This Division is also responsible for the performance and management of real estate banking and construction, and international banking. The first attends those real-estate and construction companies whose projects require financing of over UF50 thousand, with approximately 920 customers at the end of 2007. International Banking is responsible for the performance and control of the New York and Miami, branches, the representative office in Mexico and Banchile Trade Services in Hong Kong.

The Corporate and International Division, within a concept of an integral service, provides its customers with a varied and diverse range of products and services, including short and long-term financing, mortgage loans, leasing, syndicated loans and factoring transactions, plus the services offered by the investment banking departments of Banchile Corredores de Bolsa and Banchile Asesoría Financiera.

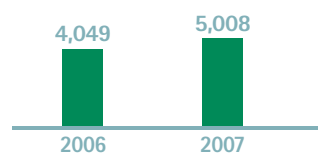
There are also the cash management services for companies such as payment services, receiving and collection services, and the connection to international funds transfer networks, plus the traditional liabilities products, especially checking accounts. Of great importance is the Division's role in the introduction of customers and business to the Bank's retail markets, attracting groups of customers for other commercial areas.

In order to provide a highly-competitive service, the Corporate and International Division works together with the Finance Division through a specialized platform, the Distribution Desk, to resolve directly the needs of liquidity and short-term financing of corporate customers, notable being the growing importance of derivative products like peso-dollar and UF-dollar forward contracts and interest-rate swaps. The Bank has also been perfecting its range of technological solutions that facilitate connection and communication with customers.

The Corporate and International Division accounted for 42.4% of the total loans of Banco de Chile in 2007 and 21.2% of its net pre-tax income. Compared to 2006, the Division's total loans increased by 23.7%.

### Loans to Large Corporations

(Billions of Ch\$ of december 2007)



### Large Corporation Loans by Line of Business

(Millions of Ch\$)

	2007	%
Commercial	3,113,054	62.2
Contingent	891,609	17.8
Foreign Trade	513,156	10.2
Leasing	225,926	4.5
Mortgage	19,457	0.4
Past due Loans	10,420	0.2
Others	234,674	4.7
<b>Total</b>	<b>5,008,296</b>	<b>100.0</b>

### Result of Large Corporations

(Millions of Ch\$)

Gross Margin	104,457
Operating Expenses	-26,491
Provision for Loan Losses	5,682
Other Income Et Expenses	-16,499
Net Income before Tax	67,149
<b>Gross Margin / Loans</b>	<b>2.1%</b>

## Large Companies Division

The Large Companies Division offers its products and services to companies whose annual sales are between US\$2 and US\$60 million. The proposals of value that this Division provides its customers include the products and services of the leasing area, which operates under the brand-name Leasing Andino, Banchile Factoring and Banchile Asesoría Financiera, comprising an integral offer of high value and which, again in 2007, contributed to the expansion of the Division's business volume and its positioning in its segment. During 2007, this Division consolidated its results with market shares of 16.2 % in loans and 69.1 % in the number of customers.

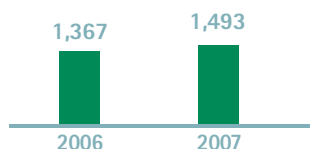
The improved results achieved during the year, which have permitted this Large Companies market strengthening, refer to:

- The sale of services to companies increased product cross-selling and the returns from our customers, with a strong increase in the sale of agreements covering remunerations, checking accounts and in particular sight accounts which showed growth of close to 50% over the year before.
- The loan volume increased by 9.2% to Ch\$1,493 billion, which represents 12.6% of the corporation's total loans.
- Notable was the performance of Leasing Andino whose loans reached a total of Ch\$ 723,633 million, an increase of 19.5% over 2006.
- The creation of the portfolio expansion unit which was an important value proposal for customers without strong links with the Bank. The Division provided them with a specialized attention for their needs, contributing greatly to the growth obtained in the volume of loans and profits.

The success obtained was largely due to the high standards provided by highly-trained and committed account executives. This has permitted the creation of an important competitive advantage in terms of flexibility and the creation of personalized solutions for customers.

## Loans to Large Companies

(Billions of Ch\$ of december 2007)



## Large Companies Loans by Line of Business

(Millions of Ch\$)

	2007	%
Commercial	724,374	48.5
Leasing	266,492	17.9
Foreign Trade	258,949	17.3
Contingent	176,475	11.8
Mortgage	30,100	2.0
Past due Loans	3,732	0.3
Others	33,009	2.2
<b>Total</b>	<b>1,493,131</b>	<b>100.0</b>

## Results of Large Companies

(Millions of Ch\$)

Gross margin	59,347
Operating Expenses	-21,816
Provision for Loan Losses	-3,507
Other Income & Expenses	-6,469
Net Income before Tax	27,555
<b>Gross Margin / Loans</b>	<b>4.0%</b>

## Finance Division

The Finance Division is the business unit responsible for managing the Bank's liquidity, managing net positions subject to market risks, managing the financial investments portfolio and developing derivative products for hedging itself and/or customers. To comply with its functions, the Division is structured into three areas: Local Currency Finance, Foreign Currency Finance and the International Financial Institutions Department.

The team acts as intermediary, receiving funds deposited by customers and assigning these to the commercial areas according to the terms and conditions required by customers needing loans. The division also invests the surpluses and seeks additional funds in the market as needed from time to time. In this intermediation process, the Division sets the marginal costs for buying and selling funds, assuming the risks of the mismatching of positions as to term, rates and currencies.

The year 2007 was initially expected to be an auspicious period, both nationally and internationally, but the situation took an unexpected turn that surprised the markets and monetary authorities. These changes, which appeared as a threat to meeting the Finance Division's targets, were an opportunity for the team. The high and unexpected inflation figures in the local market translated into larger UF assets financed by liabilities in nominal pesos, thus generating a historic result in the handling of the UF balance sheet.

For its part, the international volatility of currencies and interest rates due to the sub-prime crisis in the United States was an opportunity for certain investments in countries like Brazil, Mexico, Colombia and Peru, combining local and dollar rates and thus obtaining excellent results and fully meeting the targets established for Foreign Currency.

An important event for the Finance Division was the capitalization of 30% of the net income for 2006, the increase in capital and reserves of 5% and the extraordinary capital growth of approximately Ch\$ 84.3 billion through the issue of new shares.

There were also 5 placements of bonds for a total of UF 12,000,000, both senior and subordinated, plus the issue of a new line of UF 20,000,000, to support the important growth in the Bank's loans which were made on excellent conditions of spread and rates.

The modifications made to pension funds' foreign investment limits and the coming into effect of MKII, especially with respect to the constitution of the technical reserve average of USD 1,900 million, brought a quota of uncertainty to the market as both measures will have an important impact on liquidity and financial performance. However, the Finance Division overcame these upsets with very good assessments, taking all suitable measures and anticipating events. The Division made a presentation to the Superintendency of Banks and Financial Institutions on how the figures would change and the impact on the system's liquidity in both pesos and in dollars.

Following long discussions with the regulatory authorities, the Corporate Money Desk in April received the corresponding authorizations to trade options, completing large transactions in the first months, thus expanding the products offered to customers in an increasingly more competitive market. The Desk thus shows its capacity to meet the set targets in all its products.

### Results of Treasury

(Millions of Ch\$)

Gross Margin	28,645
Operating Expenses	-3,394
Net Charge for Risk	0
Other Income & Expenses	-1,216
Net Income before Tax	24,035
<b>Gross Margin / Financial Investments</b>	<b>1.8%</b>

### Banchile Administradora General de Fondos

Banchile Administradora General de Fondos has been in this business since 1981 and currently manages the largest number of mutual funds in the market. Its experience has given it a position of leadership in asset management for companies and individuals throughout Chile, offering a wide range of investment options and complete advice with respect to asset management.

It currently offers more than 50 mutual funds that enable its customers to diversify their investments among different financial instruments, thus taking advantage of business opportunities in Chile and the world. With more than 170,000 customers and managed funds at December 2007 of more than US\$5,800 million, the company attained a 24.7% market share in mutual funds. This translated into net income of Ch\$13,880 million in 2007, representing growth of 33.8% over 2006.

Banchile Administradora General de Fondos in 2007 focused on the creation of new products and better investment opportunities for customers. These included new guaranteed funds by which customers have access to international markets with interesting projections, through an investment vehicle that guarantees a 100% recovery of the nominal capital invested, provided the investment remains until August 30, 2010. The "Fondo Mutuo Gigantes Garantizado" ended the year with 3,207 participants and an effective average capital of Ch\$32 billion and the "Fondo Mutuo Tigres Garantizado" had 1,952 participants with more than Ch\$18 billion in effective average capital.

During 2007, Banchile Administradora General de Fondos obtained important recognitions for the return on its mutual funds. The Diario Financiero newspaper, jointly with the Chilean Association of Mutual Fund Managers awarded 9 distinctions to the subsidiary, the company winning the most prizes for the second consecutive year.

### Banchile Asesoría Financiera

Banchile Asesoría Financiera S.A. has a notable share in the domestic investment banking business. Its principal businesses are concentrated on long-term financing transactions through syndicated bank loans, company sales, acquisitions and mergers, strategic associations and company valuations.

The subsidiary is an important player in the Chilean capital markets, known for its capacity and competitive strength in the creation of innovative solutions its clients, while ensuring confidentiality and having a wide experience in the diagnosis and successful closing of the businesses in which it is involved.

During 2007, Banchile Asesoría Financiera S.A. completed important transactions in both company acquisitions and sales plus long-term syndicated loans and company valuations, obtaining outstanding financial results.

Notable were the negotiations on behalf of ISS, a leading Danish company in facility services, for the purchase of the company Ledan Chile, and the mandate from Faroncal S.A. for the negotiation of a royalty agreement for using the medicinal patent Faronkal with Empresas Andrómaco.

In syndicated long-term loan transactions, Banchile Asesoría Financiera S.A. took part in operations for the Ariztia Group for UF 4.2 million, Asenav for US\$ 40 million, Starco and Demarco for UF 2 million and for Inmobiliaria Parques y Jardines S.A. of the Sendero Group, part of the Yarur Group, for UF 2 million.

The net income of this subsidiary in 2007 was Ch\$ 593 million.

Banchile Asesoría Financiera S.A. currently has a good number of mandates for the acquisition and sale of companies which should be completed during the first half of 2008.

## Banchile Corredores de Bolsa

Banchile Corredores de Bolsa has been operating since 1990 and offers its clients share trading on the Santiago Stock Exchange and the Chilean Electronic Exchange. Clients can also carry out transactions in dollars, euros and other currencies, receiving a fast and safe service. Clients can also invest for the term that most suits them through selling securities under repurchase agreements, thus optimizing the combination of profitability, flexibility and liquidity. The Banco de Chile subsidiary has an Asset Management area dedicated to managing high-net-worth clients' investments. Since 2004, the Investment Banking area is dedicated to capital markets business such as debt and capital issues, publicly or privately, public share offerings, new company listings and mergers and acquisitions of large companies.

The results for 2007 again placed the subsidiary among the largest stockbrokers in the market. During 2007, Banchile Corredores de Bolsa traded more than US\$15,800 million in shares, the equivalent of a 13.7% market share. The company obtained a net income for the year of Ch\$7,968 million, an increase of 14.9% over 2006.

Banchile Corredores de Bolsa took part in large transactions in 2007. It successfully placed the securitized bond of Johnson's for US\$20,610,000, a corporate bond of Forum Servicios Financieros for Ch\$20,000,000,000 and another for La Caja de Compensación Los Andes for Ch\$ 60,000,000,000. There were also the capital increases of US\$192,000,000 of Banco de Chile and of US\$20,000,000 for Viña San Pedro.

In order to strengthen its global businesses and respond to clients' needs, Banco de Chile and Banco Bradesco, the largest private-sector bank in Brazil in asset terms, signed a strategic alliance for investment management. This will take place through their respective subsidiaries Banchile Corredores de Bolsa and Bradesco Asset Management (BRAM). The first product of this alliance has been jointly developed, the "Fondo Mutuo Verde Amarelo Garantizado", directed to investors with a medium to long-term investment horizon, who seek to preserve the initial nominal amount of their investment but with the possibility of benefiting from the potential growth of the Brazilian market. This fund ended 2007 with 6,579 participants and more than Ch\$81 billion in effective average capital.

The commitment and professionalism of its staff has been fundamental in these achievements and has enabled it for the third consecutive year to be recognized by the Great Place to Work Institute-Chile, placing Banchile Corredores de Bolsa 14th among the 35 best companies to work for in Chile.

## Banchile Corredores de Seguros Ltda.

Banchile Corredores de Seguros is a Banco de Chile corporation subsidiary that showed again in 2007 a great dynamism and participation in the insurance brokerage market, offering services, promotions and innovative products focused on and designed for each segment of the corporation's commercial divisions.

This year, the subsidiary achieved important growth in the intermediation of insurance for customers of the Large Companies Division who received advice and obtained excellent cover for protecting their companies' assets.

The Telemarketing sales channel also notably consolidated its position, doubling its results in its second operating year. Banchile Corredores de Seguros also strengthened the quality of its after-sales service and customer attention, creating in April an exclusive area for the renewal and maintenance of insurance contracted, which maintained direct contact with more than 16,000 clients to respond to their needs.

The Great Place to Work Institute again awarded a special distinction to the subsidiary for its culture of internal excellence. The entity recognized Banchile Corredores de Seguros as among the 100 best companies to work for in Latin America for the trust, commitment and quality of relations among its staff. The team also obtained a better result in the labor climate of the Banco de Chile Corporation.

As in recent years, the subsidiary grew and met comfortably every one of the targets set. The premium intermediated totaled UF 4,077,493, a 14.2% increase over 2006.

## Banchile Factoring S.A.

Banchile Factoring is a subsidiary of Banco de Chile, created in mid 1999 to widen the offer of products and services to current and potential customers. Since its founding, the company has held an important place in the factoring business, remaining in 2007 as the market leader with a 28% share and a stock of advances at December 2007 of over Ch\$213 billion, which represented an increase of 31% in average terms. In addition, there was more than Ch\$250 billion channelled through the Bank's commercial divisions.

Considering all the Bank's commercial divisions, there was a 17% increase in the number of customers working with factoring products, especially in the small and medium-sized businesses segments. This growth was based largely on a greater penetration of the business platforms especially designed to respond to the needs of these customers. Banchile Factoring thus ended the year with a portfolio of more than 1,500 customers.

The International Factoring service which provides direct support for customers in their foreign trade business saw an increase of 89% in its average stock of advances. The development of this line of business has the support provided by the active participation of the subsidiary in Factors Chain International, the most important network of international factoring correspondents.

In order to provide a better attention to its customers, Banchile Factoring has since this year the modern "confirming online" platform, a tool that permits customers of the Corporate and Large Companies divisions to offer their suppliers immediate liquidity for their invoices without having to wait for the maturity of these documents.

## Banchile Securitizadora S.A.

Banchile Securitizadora, a subsidiary of Banco de Chile, offers its securitization services to large and medium companies, enabling them to increase their business volumes without having to increase working capital. The securitized bonds offered by the subsidiary transform the securitized assets and are backed by low-liquidity assets which, through a structuring process, achieve a credit rating and can be traded as investments eligible for local institutional investors.

This financing option is becoming a useful tool for companies with securitizable assets, such as mortgage loans, credit cards, leasing contracts, car loans, accounts receivable and infrastructure projects.

During 2007, issues on the local market reached an approximate total of US\$380 million, of which Banchile Securitizadora placed 31% through the securitization of financial assets and revolving accounts receivable. The subsidiary has therefore remained among the most active securitizers in the market, with the greatest experience and knowledge in the structuring and placement of securitized bonds on the local market.

## Other Subsidiaries

Complementing the Banchile subsidiaries, Banco de Chile has Socofin S.A. and Promarket S.A. which seek to contribute to the global performance of the business units that serve the retail market.

Socofin, responsible for recovering past-due portfolios, focused its management in 2007 on implementing segmented and risk-brand recovery strategies. This line of work achieved a 10% reduction in portfolio expense budgets for the year and a recovery of write-offs of more than Ch\$26,000 million in the segments related to the Individuals and Middle Market Companies Division and Banco CrediChile.

Promarket is the subsidiary responsible for supporting the addition of new customers to the Individuals and Middle Market Companies Division. It has a large sales force that made important changes in its business model in 2007, thus strengthening its work and adding 46,000 new customers to the Bank in the different segments.

## Foreign Branches

The branches of Banco de Chile in the United States of America manage combined assets of USD 834 million dollars at the end of 2007 and have customer deposits of USD 776 million.

As is known, the New York and Miami branches in 2005 agreed with The Office of the Comptroller of the Currency (OCC) and separately with the Board of Governors of the Federal Reserve Bank (FED), to the issue of administrative resolutions called Consent Order and Cease and Desist Order Upon Consent, respectively, by which various measures were promised to, among other things, improve its money-laundering systems and comply with the provisions of the Bank Secrecy Act.

These efforts implied significant operating expenses, a situation that was finally reduced in 2007, with a substantial fall in consultancy and internal control implementation expenses.

These branches had already shown positive results since the end of 2006 and even experienced interesting growth throughout the first half of 2007. However, the turbulence in the financial markets in the second half of the year impacted negatively on the market value of their investment portfolio. During 2006 and 2007, the United States branches have implemented new policies and programs for ensuring full compliance with the money-laundering prevention regulations. This has permitted the improvement of internal controls, the strengthening of the work of the independent auditors and increasing the number and ability of human and technical resources. The corporation has therefore progressed to having an organizational structure and culture of sustainable compliance according to the highest standards of the international financial system.

In the context of the merger with Citibank Chile, the framework agreement contemplated the sale of the US branches of Banco de Chile. This operation provided the Bank with extraordinary pre-tax income of US\$130 million, with a relevant impact on the results that will compensate the extraordinary costs that will have to be incurred in the merger process during 2008.

To analyze the convenience of the sale of these branches, the Bank asked G. Ramírez y Consultores Asociados to give their opinion with respect to the conditions and attraction of the transaction for Bank shareholders. This concluded that the agreed sale value, equivalent to more than three times the book value of the investment, was reasonable and satisfactory for the shareholders of Banco de Chile.