

## LETTER FROM THE CHAIRMAN

*Dear Shareholders:*

It is my pleasure to present the Annual Report and Financial Statements of Banco de Chile for the year 2002. Of recent years, this has probably been one of the most complex for our Institution, not only because of the higher level of competitiveness in the industry –where Banco de Chile has kept its leading role– or the difficult economic environment we had to face in our business activities, but also because we had to perfect and complete the merger with Banco de A. Edwards. This demanding and difficult challenge required reorganizing our corporate structure, integrating working groups, systems, technologies and operational processes, while ensuring at all times the quality of services provided to customers.

The merger has now successfully concluded, ahead of schedule, with customer loss rates clearly below those of other such processes, satisfactory service quality indicators and the best image within the financial system.

However, a merger process is not a cost-free exercise. Costs are reflected as soon as the merger takes place, existing, therefore, significant non-recurring charges that have an adverse impact on the results of the period.

The foregoing, compounded by increased provisions and portfolio charge-offs, resulting from the country's lower activity levels above mentioned, explain a 2002 net income lower than that posted in 2001. Net income amounts to Ch\$ 52,635.1 million and represents a return of 9.5 percent on capital and reserves.

Nevertheless and in spite of the impact of economic contraction, Banco de Chile maintained a good level of operating performance.

On the other hand, Banco de Chile made history in 2002 when it listed its common stock in the Madrid Latibex and again when it became the first Chilean enterprise to be listed in the London Stock Exchange. This, in addition to its ADRs registration with the U.S. Securities and Exchange Commission, which permits trading thereof in the New York Stock Exchange, makes Banco de Chile the only Chilean company listed in four main financial markets worldwide.

The above is particularly relevant to the higher liquidity of Banco de Chile stock and involves the submission of detailed and extensive management data, as a prior requirement for trading in these stringent financial markets, under the close supervision of specialized local authorities.

Having ended this stringent year 2002, I wish to express my sincere thanks to all Bank's executives and employees, for once again showing their strong commitment to our Institution. With their effort and professionalism, they have made it possible to successfully complete the highly demanding stages involved in the merger process.

I also wish to thank our Shareholders for the support and trust shown to the Board and this Chairman. I would like them to know that the foundations have been laid to once again achieve levels of returns that may adequately reward their investment, and reiterate our strong commitment to pursue our mission of further making Banco de Chile an Institution of ever-greater success.



Segismundo Schulín-Zeuthen S.  
**Chairman**