

BANK OF CHILE
Form 6-K
May 06, 2004

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN ISSUER

**Pursuant to Rule 13a-16 or 15d-16 of
the Securities Act of 1934**

For the month of May, 2004

of Chile, Bank

(Translation of Registrant's name into English)

Chile

(Jurisdiction of incorporation or organization)

Ahumada 251

Santiago, Chile

(Address of principal executive offices)

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Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F. Form 20-F Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g-3-2(b) under the Securities Exchange Act of 1934. Yes No

(If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-____ .)

BANCO DE CHILE

REPORT ON FORM 6-K

Attached is an English translation of a Press Release issued by Banco de Chile (the Bank) on May 6, 2004, regarding financial statements for the three months ended March 31, 2004.

www.bancochile.cl**Banco de Chile Announces 2004 First-Quarter Results**

Santiago, Chile, May 6, 2004 **Banco de Chile (NYSE: BCH)**, a Chilean full-service financial institution, market leader in a wide variety of credit and non-credit products and services across all segments of the Chilean financial market, today announced results for the first quarter ended March 31, 2004. The results have been prepared in accordance with Chilean GAAP on an unaudited, consolidated basis. All figures are expressed in constant Chilean pesos as of March 31, 2004, unless otherwise stated. Therefore, all growth rates are in real terms.

Net income for the first quarter of 2004 was Ch\$37,895 million (Ch\$0.56/share or US\$0.54/ADS), which represents an increase of 21.4% when compared to Ch\$31,216 million recorded in the first quarter of 2003.

2004 First-Quarter Selected Financial Data

| | <u>1Q03</u> | <u>4Q03</u> | <u>1Q04</u> | <u>% Change</u> <u>1Q04/1Q03</u> |
|---|-------------|-------------|-------------|-------------------------------------|
| Income Statement (Millions, Chilean pesos) | | | | |
| Net Financial Income | 74,960 | 78,470 | 71,859 | (4.1)% |
| Income from Services | 20,482 | 26,409 | 29,215 | 42.6 % |
| Gains on Sales of Financial Instruments | 5,706 | (3,817) | 5,392 | (5.5)% |
| Operating Revenues | 101,148 | 101,062 | 106,466 | 5.3 % |
| Provisions for Loan Losses | (13,321) | (16,688) | (14,470) | 8.6 % |
| Total Operating Expenses | (53,098) | (58,657) | (55,300) | 4.1 % |
| Net Income | 31,216 | 27,404 | 37,895 | 21.4 % |
| Earning per Share (Chilean pesos) | | | | |
| Net income per Share | 0.46 | 0.40 | 0.56 | 21.4 % |
| Book value per Share | 8.79 | 10.17 | 8.82 | 0.3 % |
| Balance Sheet (Millions, Chilean pesos) | | | | |
| Loan Portfolio | 6,188,281 | 6,224,070 | 6,350,254 | 2.6 % |
| Total Assets | 8,918,809 | 9,203,653 | 9,563,595 | 7.2 % |
| Shareholders Equity | 598,666 | 692,197 | 600,732 | 0.3 % |
| Ratios | | | | |
| Profitability | | | | |
| ROAA | 1.42 % | 1.19 % | 1.63 % | |
| ROAE | 20.0 % | 16.0 % | 21.9 % | |
| Net Financial Margin | 3.7 % | 3.9 % | 3.5 % | |
| Efficiency ratio | 52.5 % | 58.0 % | 51.9 % | |
| Asset Quality | | | | |
| Past Due Loans / Total Loans | 2.38 % | 1.69 % | 1.69 % | |
| Allowances / Total Loans | 3.44 % | 2.87 % | 2.80 % | |
| Allowances / Past Due Loans | 144.3 % | 170.0 % | 166.0 % | |
| Capital Adequacy | | | | |
| Total Capital / Risk Adjusted Assets | 13.7 % | 13.2 % | 13.2 % | |

First Quarter 2004 Highlights

The Bank

Loan Portfolio. As of March 31, 2004 the Bank's loan portfolio, net of interbank loans, totaled Ch\$6,298,574 million, representing a quarterly and annual growth of 1.4% and 2.1%, respectively, reaching thus an 18.4% market share at that date.

Solid Results for the Quarter. The Bank delivered outstanding results for the 1Q04, reaching once again the highest net income level since the merger. These results were mainly based on strong fee revenue and tempered operating expenses which once again implied further improvement in the Bank's efficiency.

Distribution of Dividends. At the Ordinary Shareholders Meeting of the Bank, held on March 18, 2004, it was agreed the distribution and payment of dividend N°192, in the amount of Ch\$1.9176 per Banco de Chile common share, corresponding to the 100% of the 2003 net income.

Banco CrediChile. With the purpose of significantly increasing the relative importance of the business generated by the lower to middle income segment of individuals, Banco de Chile has decided to introduce a deep transformation to its Consumer Credit Division.

This initiative involves a total redesign of the value proposition to this segment, which includes: development of new products and services at competitive prices, strengthening of the distribution channels and attention platforms, overhaul of 52 branches and a reposition of its image through the utilization of a new brand name as Banco Credichile .

The decision to give a greater strategic focus to this segment was based in better economic expectations, the conformation of an experienced work team with the necessary skills to face this challenge, and the conviction that this segment represents an attractive business opportunity for Banco de Chile.

Launching of the first Banchile guaranteed mutual fund. Long term fund (3.5 years) which will allow those clients staying for the total period, to obtain a guaranteed minimum return of 5% nominal for the full period. Additional return can be obtained as the investment is linked by 40% to Standard & Poor's 500 with no extra risk for its performance.

Banco de Chile's Tender Offer for the Repurchase of Common Stock. On March 25, 2004, the Board of Directors resolved to issue a tender offer for 1,701,994,590 shares issued by Banco de Chile, representing 2.5% of the total capital, at the price of Ch\$31 per share, according to the Program to Repurchase Shares, as agreed upon by the General Extraordinary Shareholders Meeting held on March 20, 2003. The offer was addressed to all shareholders of Banco de Chile listed on any of the local Stock Exchanges and remained in force from March 27, 2004 until April 26, 2004. During the period of the offer acceptance orders for a total amount of 5,000,844,940 shares were received. As this amount exceeded the number of shares offered to buy and according with the terms of the offer, a pro-rata basis (34.03%) was applied to each acceptance order received and accepted.

As long as the shares are held by the Bank, they will not be taken into account for effects of quorum calculation at shareholders meetings and will not have voting or dividend rights, nor preference on the subscription of capital increases. The value of the repurchased shares must be deducted from the basic capital for all legal and regulatory effects. Accordingly, basic capital will decrease by Ch\$52,762 million reducing thus the Basle ratio in approximately 85 basis points.

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The shares must be sold by the Bank within 24 months from acquisition. Otherwise, the capital amount shall be definitively reduced.

Page 2 of 24

Banco de Chile nominated as the Top Bank in Chile. The Bank was once again nominated as the top bank performer in Chile according to the annual survey of Best Emerging Market Banks conducted by the American magazine Global Finance with the collaboration of financial analysts, CEOs, and bank consultants. The Bank stands out for its management that adheres to high standards of profitability, client service, competitive prices and product innovation.

Financial System Highlights

The Financial System's Net Income increased by 23.1% in 1Q04 compared to 4Q03 mainly due to lower provisions for loan losses and higher efficiencies reached by this industry, resulting in a system's ROAE of 17.8% in comparison to the 15.2% in 4Q03 or 15.5% in 1Q03.

Total loan portfolio, net of interbank loans as of March 2004 reflects a positive evolution in line with the economy, increasing by 6.0% and 3.1% on an annual and quarterly basis, respectively. In terms of percentage, this expansion was mainly fueled by the retail sector, positively impacting consumer loans and, to a lesser extent, by foreign trade loans.

Continued dynamism in the Chilean Financial System. During this quarter Banco Security signed an agreement to acquire Dresdner Bank Latein-amerika for an amount of US\$74 million in order to fortify its commercial strategy mainly in the corporate segment. This transaction is expected to be completed by the end of 2004, and will make Security Bank the eighth largest bank in Chile, in terms of total loans, with an estimated market share of 3.4%.

Financial System s Main Figures:

Page 4 of 24

Banco Chile 2004 First-Quarter Consolidated Results

NET INCOME

The Bank obtained a **consolidated net income** of Ch\$37,895 million in the 1Q04, the highest quarterly level since the merger, representing a 21.4% growth over the same period of 2003. This favorable evolution of the Bank's results was mainly explained by the increase in operating revenues and in non-operating income, together with a stable evolution of provisions for loan losses and operating expenses.

The increase of 38.3% in net income during 1Q04 compared to the previous quarter, was primarily explained by higher operating revenues (fees and gains on financial instruments) boosted at the same time by a decrease in operating expenses, which implied a sharp improvement in the efficiency ratio from 58.0% in 4Q03 to 51.9% in 1Q04. In addition, the Financial Advisory subsidiary accounted for significant fees during the 1Q04 related to the structuring of syndicated loans.

First quarter 2004 net income resulted in an annualized return on average assets (**ROAA**) and annualized return on average shareholders' equity (**ROAE**) of 1.63% and 21.9%, respectively, above the financial system's comparable figures of 1.44% and 17.8%, for the same period.

Bank, Subsidiaries and Foreign Branches Net Income

(in millions of Chilean pesos, except for percentages)

| | 1Q03 | 4Q03 | 1Q04 | % Change 1Q04/1Q03 |
|-------------------------|---------------|---------------|---------------|-----------------------|
| Bank | 22,363 | 21,272 | 30,894 | 38.1% |
| Foreign Branches | 5,636 | 571 | 1,226 | (78.2)% |
| Stock Brokerage | 1,550 | 2,665 | 1,976 | 27.5 % |
| Gral Adm. of Funds | 1,332 | 1,803 | 2,040 | 53.2 % |
| Insurance Brokerage | 171 | 196 | 358 | 109.4 % |
| Financial Advisory | (33) | 44 | 800 | |
| Factoring | 370 | 564 | 771 | 108.4 % |
| Securitization | (18) | 83 | 19 | |
| Promarket | 3 | 36 | 3 | 0.0 % |
| Socofin | (158) | 170 | (192) | 21.5 % |
| Total Net Income | 31,216 | 27,404 | 37,895 | 21.4 % |

Banco de Chile's subsidiaries, continue with their outstanding trend in terms of results during 1Q04, reaching an overall net income of Ch\$5,775 million compared to Ch\$3,217 million in 1Q03. In terms of contribution to the consolidated net income, it increased importantly from 10.3% in 1Q03 to 15.2%, mainly due to the stronger performance of the Financial Advisory subsidiary, which, in this quarter, generated an important increase in its fee income as it materialized the structuring of two syndicated loans, and to the good results of the General Administrator of Fund, company that has increased significantly the number of participants and the average funds under management. To a lesser extent, the Stock Brokerage and the Factoring companies also increased their results during 1Q04 as a consequence of higher volumes.

Concerning the result of our **foreign branches**, it decreased to Ch\$ 1,226 million in 1Q04 from Ch\$5,636 million in 1Q03, quarter that was positively impacted by Ch\$4,345 million non-recurring earnings obtained from the sale of Argentinean corporate securities accounted for in the New York branch.

NET FINANCIAL INCOME¹**Net Interest Revenue**

(in millions of Chilean pesos, except for percentages)

| | <u>1Q03</u> | <u>4Q03</u> | <u>1Q04</u> | <u>% Change</u> <u>1Q04/1Q03</u> |
|---|---------------|---------------|---------------|-------------------------------------|
| Interest revenue | 139,695 | 60,733 | 113,858 | (18.5)% |
| Interest expense | (52,377) | (39,863) | (30,912) | (41.0)% |
| Foreign Exchange transaction, net | (12,358) | 57,600 | (11,087) | (10.3)% |
| Net Financial Income | 74,960 | 78,470 | 71,859 | (4.1)% |
| Avg. Interest earning assets | 8,052,364 | 8,144,725 | 8,202,684 | 1.9 % |
| Net Financial Margin² | 3.7 % | 3.9 % | 3.5 % | |

¹ For analysis purposes, results from foreign exchange transactions, which consist mainly of the results of forward contracts which hedge foreign currencies and dollar-adjustable Chilean peso positions, have been included in the calculation of net financial income and the net financial margin. Under SBIF guidelines these gains/losses cannot be registered as interest revenue, but must be considered as gains/losses from foreign exchange transactions and, accordingly, registered in a different line of the income statements. This accounting asymmetry distorts net interest revenue and foreign exchange transaction gains, especially in periods of high volatility in the exchange rate.

² Net financial income divided by average interest earning assets.

Net financial income totaled Ch\$71,859 million for the first quarter of 2004, a 4.1% decrease compared to the first quarter of 2003, mainly due to a decline of 22 basis points in net financial margin² which more than offset the 1.9% increase in average interest earning assets.

The increase in average interest earning assets during 1Q04 relative to 1Q03 was mainly fueled by consumer loans and financial investments.

Regarding the decline in net financial margin during 1Q04, it was negatively impacted by a lower inflation rate, measured by the variation of the UF³ which was 0.2% in 1Q03 versus a negative 0.6% in 1Q04, which implied that during the 1Q04 the Bank earned lower interest income on the portion of interest earning assets denominated in UF financed by interest bearing liabilities denominated in nominal Chilean pesos and by non-interest bearing liabilities.

However, this negative effect was partially offset by (i) higher repricing benefits during 1Q04, since the Bank's interest bearing liabilities have a shorter repricing period than the interest earning assets and, the Chilean Central Bank cut its short-term reference interest rate for monetary policy by 100 basis points (from 2.75% to 1.75% in January 2004), while in 1Q03 this rate was cut by only 25 basis points (from 3.0% to 2.75%) and, (ii) a slight improvement in the asset and funding mix as interest bearing liabilities to interest earning assets ratio improved from 73.0% in 1Q03 to 72.3% in 1Q04.

It is worth mentioning that the decline in net financial income was totally offset by the gain from price level restatement, resulted from the negative inflation rate in 1Q04, as the Bank adjusts its capital, fixed assets and other assets for the variations in price levels.

Net financial income decreased by 8.4% during 1Q04 compared to 4Q03 mainly due to a 35 basis points drop in net financial margin from 3.9% in 4Q03 to 3.5% in 1Q04. This decline in net financial margin responded also to a lower inflation rate, measured by the variation of the UF³ which was (0.2)% in 4Q03 versus (0.6)% in 1Q04.

LOAN PORTFOLIO

² Net financial income divided by average interest earning assets.

³ The UF is an accounting unit which is linked to the Chilean CPI, and changes daily to reflect fluctuations in the index over the previous month.

Loan Portfolio

(in millions of Chilean pesos, except for percentages)

| | <u>March.03</u> | <u>Dec.03</u> | <u>March.04</u> | <u>% Change</u> <u>12-months</u> | <u>% Change</u> <u>1Q04/4Q03</u> |
|---|------------------|------------------|------------------|-------------------------------------|-------------------------------------|
| Commercial Loans | 2,651,603 | 2,628,914 | 2,640,123 | (0.4)% | 0.4 % |
| Mortgage Loans ¹ | 1,157,162 | 1,122,390 | 1,080,037 | (6.7)% | (3.8)% |
| Consumer Loans | 538,968 | 585,742 | 616,242 | 14.3 % | 5.2 % |
| Foreign trade Loans | 631,745 | 654,989 | 627,391 | (0.7)% | (4.2)% |
| Contingent Loans | 379,540 | 407,564 | 437,621 | 15.3 % | 7.4 % |
| Others Outstanding Loans ^{2 3} | 395,657 | 438,728 | 508,134 | 28.4 % | 15.8 % |
| Leasing Contracts | 266,720 | 267,611 | 281,953 | 5.7 % | 5.4 % |
| Past-due Loans | 147,363 | 104,975 | 107,073 | (27.3)% | 2.0 % |
| Total Loans, net | 6,168,758 | 6,210,913 | 6,298,574 | 2.1 % | 1.4 % |
| Interbank Loans | 19,523 | 13,157 | 51,680 | 164.7 % | 292.8 % |
| Total Loans | 6,188,281 | 6,224,070 | 6,350,254 | 2.6 % | 2.0 % |

¹ Mortgage loans financed by mortgage bonds.

² Includes mortgage loans financed by the Bank's general borrowings.

³ According to the new guidelines dictated by the Superintendency of Banks, credit lines and overdrafts accounted as other outstanding loans were reclassified as consumer loans and commercial loans in 1Q04. The information for the prior quarters was reclassified for comparative purposes.

As of March 31, 2004, the Bank's loan portfolio, net of interbank loans, totaled Ch\$6,298,574 million, a 2.1% and 1.4% annual and quarterly expansions, respectively.

Both increases were mainly fueled by higher consumer loans, other outstanding loans and contingent loans. Consumer loans' expansion responded mainly to the combination of historical low interest rates, the expectations of better economic conditions, lower level of unemployment and strong commercial focus supported by marketing campaigns which, in turn, implied a recovery in consumption, mainly in high-income individuals and, to a lesser extent, in lower-income individuals.

Other outstanding loans' growth was principally related to an increase in mortgage loans financed by the Bank's general borrowings, accounted for in this line, which totally offset the decline in mortgage loans. It is worth mentioning that the Bank continued strengthening this type of residential mortgage loan, as it has a better lending yield. In addition, factoring contracts, which are also accounted as other outstanding loans, have expanded by almost 40% during the last twelve-months. Regarding contingent loans, the annual and quarterly lending growth is closely related to the financial services' sector. Lease contracts also contributed to the annual and quarterly expansion and increased its contribution to the total loan portfolio, net of interbank, from 4.3% as of March 2003 to 4.5% as of March 2004.

On the other hand, while commercial loans still remain flat expecting an improvement for the next quarters, foreign trade loans experienced a 4.2% decline in 1Q04, after the peak recorded at December, 2003.

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In terms of segment, individual banking, mainly high income individual, continue showing the biggest dynamism in terms of loan growth, followed by the middle market companies.

Page 9 of 24

Past Due Loans

(in millions of Chilean pesos, except for percentages)

| | <u>March.03</u> | <u>Dec.03</u> | <u>March.04</u> | <u>% Change</u> <u>12-months</u> | <u>% Change</u> <u>1Q04/4Q03</u> |
|-----------------------------|-----------------|----------------|-----------------|-------------------------------------|-------------------------------------|
| Commercial loans | 132,534 | 90,498 | 91,563 | (30.9)% | 1.2% |
| Consumer loans | 4,556 | 3,353 | 3,423 | (24.9)% | 2.1% |
| Residential mortgage loans | 10,273 | 11,124 | 12,087 | 17.7 % | 8.7% |
| Total Past Due Loans | 147,363 | 104,975 | 107,073 | (27.3)% | 2.0% |

Past due loans experienced an annual contraction of 27.3% reaching Ch\$107,073 million as of March 31, 2004. This decrease, in terms of volume, was mainly related to commercial loans from the financial services and commerce sectors and, to a lesser extent, to a decline in past due related to consumer loans. It is worth mentioning that the decrease in past-due loans is in part due to the important amounts of charge-off loans accounted during the last twelve-months. Regarding, the increase in past-due coming from residential mortgage loans, it responded to the Bank's decision of strengthening its collection process thus anticipating the legal collection proceedings on those loans, in which case the entire outstanding balance has to be accounted a past-due. Even though, past due loans increased slightly compared to the 4Q03, the ratio of past due loans to total loans remained stable at 1.69%, decreasing from the 2.38% reached in 1Q03.

FUNDING**Funding**

(in millions of Chilean pesos, except for percentages)

| | <u>March.03</u> | <u>Dec.03</u> | <u>March.04</u> | <u>% Change</u> <u>12-months</u> | <u>% Change</u> <u>1Q04/4Q03</u> |
|---|------------------|------------------|------------------|-------------------------------------|-------------------------------------|
| Non-interest Bearing Liabilities | | | | | |
| Current Accounts | 1,175,912 | 1,221,738 | 1,260,592 | 7.2 % | 3.2 % |
| Bankers drafts and other deposits | 581,594 | 660,134 | 781,594 | 34.4 % | 18.4 % |
| Other Liabilities | 644,789 | 666,163 | 742,149 | 15.1 % | 11.4 % |
| Total | 2,402,295 | 2,548,035 | 2,784,335 | 15.9 % | 9.3 % |
| Interest Bearing Liabilities | | | | | |
| Savings & Time Deposits | 3,525,187 | 3,405,422 | 3,736,156 | 6.0 % | 9.7 % |
| Central Bank Borrowings | 3,584 | 27,741 | 2,561 | (28.5)% | (90.8)% |
| Repurchase agreements | 380,736 | 424,607 | 434,118 | 14.0 % | 2.2 % |
| Mortgage Finance Bonds | 1,038,805 | 1,009,380 | 985,718 | (5.1)% | (2.3)% |
| Subordinated Bonds | 276,200 | 269,841 | 266,895 | (3.4)% | (1.1)% |
| Other Bonds | 4,481 | 3,111 | 2,962 | (33.9)% | (4.8)% |
| Borrowings from Domestic Financ. Inst. | 86,125 | 49,633 | 51,723 | (39.9)% | 4.2 % |
| Foreign Borrowings | 558,561 | 714,379 | 656,051 | 17.5 % | (8.2)% |
| Other Obligations | 44,165 | 59,302 | 42,340 | (4.1)% | (28.6)% |
| Total | 5,917,844 | 5,963,416 | 6,178,524 | 4.4 % | 3.6 % |
| Total Liabilities | 8,320,139 | 8,511,451 | 8,962,859 | 7.7 % | 5.3 % |

Total liabilities increased by 7.7% during the last twelve-months and 5.3% during the first quarter of 2004 mainly due to the expansion of both non-interest bearing liabilities and interest bearing liabilities.

Non-interest bearing liabilities, in particular current accounts and bankers drafts, continue positively impacted by the historic low interest rates prevailed in the economy, which once again was cut by the Central Bank during this quarter. In addition, the number of checking accounts increased by 5.8% during the last twelve-months and 1.2% during the 1Q04.

Regarding the annual and quarterly increase in interest bearing liabilities, it was mainly fueled by higher volumes in time deposits and, to a lesser extent, to higher repurchase agreements. In addition, foreign borrowings increased by 17.5% during the year, however they experienced a decline in 1Q04 relative to the previous quarter following the decrease experienced by foreign trade loans in the same period. Despite the Bank sold a portion of its mortgage finance bonds maintained as financial investments⁴ during 1Q04, the decrease in the liability side (mortgage finance bonds) responds to the Bank's strategy of fostering the sale of mortgage loans financed by the Bank's general borrowings instead of mortgage loans financed by mortgage bonds as the first ones are higher yield products.

The Bank's funding structure has improved slightly in terms of ratio of average interest bearing liabilities to average interest earning assets from 73.0% in 1Q03 to 72.3% in 1Q04.

⁴ Under current Chilean guidelines the Bank excludes from its financial investments the mortgage loans bonds issued by the Bank excluding as well the corresponding liability.

INVESTMENT PORTFOLIO

During the first quarter of 2004, the Bank's investment portfolio increased by 1.2% totaling Ch\$1,928,732 million, which represents a 20.2% of the Bank's total assets, being Chilean Central Bank Securities 69% of the total portfolio. The actions taken by the Bank during 1Q04 were mainly oriented to change the composition of the investment portfolio by reducing its duration, in a context where no further decreases in interest rates are expected. Accordingly, the Bank reduced its exposure in long-term instruments such as PRC and BCP and at the same time expanded its exposure in short-term Central Bank securities (PDBC) and in Chilean short-term corporate bonds.

Regarding the 6.9% annual increase in the investment portfolio, it was mainly fueled by Central Bank securities in order to comply with technical reserve requirements⁵ as a result of the 16.2% growth in demand deposits during such period.

At March 31, 2004, the investment portfolio was comprised principally by:

⁵ Technical reserve applies to demand deposits, checking accounts, or obligations payable on sight, other deposits unconditionally payable immediately or within a term of less than 30 days and time deposits payable within 10 days prior to maturity, to the extent their aggregate amount exceeds 2.5 times the amount of a bank's capital and reserves.

INCOME FROM SERVICES, NET**Income from Services**

(in millions of Chilean pesos, except for percentages)

| Composition by Company | 1Q03 | 4Q03 | 1Q04 | % Change 1Q04/4Q03 |
|--|---------------|---------------|---------------|-----------------------|
| Bank | 13,388 | 15,119 | 18,335 | 37.0% |
| General Adm. of Funds | 3,050 | 3,814 | 4,031 | 32.2% |
| Financial Advisory | 42 | 208 | 1,008 | 2,300.0% |
| Insurance Brokerage | 707 | 849 | 1,025 | 45.0% |
| Stock Brokerage | 1,193 | 3,241 | 2,319 | 94.4% |
| Factoring | 63 | 426 | 136 | 115.9% |
| Socofin | 1,733 | 2,487 | 1,902 | 9.8% |
| Securization | 12 | 128 | 59 | 391.7% |
| Foreign Branches | 294 | 137 | 400 | 36.1% |
| Total Income from services, net | 20,482 | 26,409 | 29,215 | 42.6% |

Fee income was a solid figure during 1Q04, quarter that proved to be the strongest for income from services in the last two years. Fee income amounted Ch\$29,215 million in 1Q04 compared to Ch\$20,482 million in 1Q03. This 42.6% increase between both quarters was mainly explained by an overall rise in fees coming from both the Bank and its subsidiaries. Higher commissions were mainly reflected in fees related to insurance products, credit cards, sight accounts and ATMs, demand deposits and overdrafts, credit loans related fees and credit lines all at the Bank's level. Regarding the subsidiaries, they increased their contribution to 35.9% of total fees in 1Q04 from 33.2% in 1Q03 principally due to the better performance of the Stock Brokerage, the General Administrator of Funds, the Financial Advisory and, to a lesser extent, to the Insurance Brokerage Subsidiary.

The quarterly increase of 10.6% in fee income, was also explained by higher fees coming from our subsidiaries, in particular from the Financial Advisory Company that accounted important fees during this quarter related to the structuring of two syndicated loans. The Insurance Brokerage and the General Administrator of Funds subsidiaries also attained better results. In addition, the Bank recorded higher credit lines, credit card and insurance related fees. It is worth mentioning that during 1Q04 the Bank materialized several commercial activities in order to intensify the use of credit cards, such as the launch of different promotional campaigns and strategic alliance agreements with travel agencies and gas stations.

Regarding subsidiaries, the Stock Brokerage, the General Fund Administrator, the Insurance and the Factoring companies continued increasing its volumes of business and developing new products and services such as factoring internet services, new mutual funds and additional services abroad.

In terms of fees over average loans, this ratio increased to 1.85% in 1Q04 from 1.69% in 4Q03 or 1.32% in 1Q03.

GAINS ON SALES OF FINANCIAL INSTRUMENTS, NET

Gains on sales of financial instruments totaled Ch\$5,392 million during the first quarter of 2004, compared to the Ch\$5,706 million registered during the first quarter of 2003. This 5.5% decline was mainly related to higher earnings obtained from the sale of Argentinean corporate securities booked in the New York branch during 1Q03. It is worth mentioning that during 1Q04 significant earnings were obtained from the sale of Central Bank instruments and mortgage finance bonds issued by the Bank, as the medium and long term interest rates decreased between 50 to 70 basis points approximately during the 1Q04.

Regarding the 4Q03 negative figure, it was largely explained by (i) marked to market losses as a consequence of a slight increase in local and international long-term interest rates during 4Q03, and, (ii) losses coming from the sale of an Argentinean bank loan during 4Q03 booked in the New York Branch (as this client was previously provisioned).

PROVISIONS**Allowances and Provisions**

(in millions of Chilean pesos, except for percentages)

| | | | | % Change |
|---|----------------|----------------|----------------|------------------|
| <u>Allowances</u> | <u>1Q03</u> | <u>4Q03</u> | <u>1Q04</u> | <u>1Q04/1Q03</u> |
| Allowances at the beginning of each period | 217,111 | 177,985 | 178,494 | (17.8)% |
| Price-level restatement | (991) | 198 | 971 | |
| Charge-off | (16,832) | (16,377) | (16,201) | (3.7)% |
| Provisions for loan losses established, net | 13,321 | 16,688 | 14,470 | 8.6 % |
| Allowances at the end of each period | 212,609 | 178,494 | 177,734 | (16.4)% |
| Provisions | | | | |
| Provisions | (13,321) | (16,688) | (14,470) | 8.6 % |
| Ratios | | | | |
| Allowances / Total loans | 3.44% | 2.87% | 2.80% | |
| Provisions, net /Avg.Loans | 0.58% | 0.59% | 0.53% | |
| Provisions / Avg. Loans | 0.86% | 1.07% | 0.92% | |
| Charge-offs / Avg. Loans | 1.08% | 1.05% | 1.03% | |
| Recoveries / Avg. Loans | 0.28% | 0.48% | 0.39% | |

Provisions amounted to Ch\$14,470 million in the first quarter of 2004 representing approximately 0.9% of average loans (on an annualized basis). In terms of provisions, net of recoveries, the 1Q04 figure reached Ch\$8,371 million representing a 6.6% decrease compared to Ch\$8,966 million in 1Q03. Accordingly, the ratio of provisions, net to average loans improved from 0.58% in 1Q03 to 0.53% in 1Q04, far below the 0.78% average comparable ratio for the Chilean financial system.

The 8.6% annual increase in provisions was mainly related to the 2% expansion in the loan portfolio in 1Q04, mainly coming from the middle market clients and consumer loans related to high-income individuals (on the contrary during 1Q03 the loan portfolio contracted by 0.1%) and as a consequence of the one-time effect of the implementation of the new classification guidelines for allowances related to lines of credit and credit cards.

The Chilean Superintendency of Banks put in force, as of January 1st, 2004, some modifications to the procedure established for calculating the financial institutions' required provisions. The method basically considers two main criteria for evaluating a borrower's risk:

Models based on a case by case analysis where a risk category, out of ten different ones, has to be established for each individual borrower and its respective loans.

The first four categories (A1, A2, A3 and B) correspond to the standard portfolio where either no apparent credit risk, or some, without deterioration of payment capacity, is perceived. For these loans, each financial institution's Board of Directors may determine the level of

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required reserves. The proportions that have been assigned by Banco de Chile's Board are indicated in the table below.

The remaining six categories (C1, C2, C3, C4, D1, D2) correspond to borrowers with impaired payment capacity. The estimated loss range and the provision required as established by the Superintendency are also indicated in the table below.

Individual Borrowers

Unconsolidated Loans

Ch\$ million March 31, 2004

| <u>Category</u> | <u>Risk %</u> | <u>Total Loans</u> |
|-----------------|---------------|--------------------|
| A1 | 0.00% | 186,948 |
| A2 | 0.00% | 1,298,992 |
| A3 | 0.50% | 1,243,074 |
| B | 1.00% | 1,431,952 |
| C1 | 2.00% | 213,194 |
| C2 | 10.00% | 90,271 |
| C3 | 25.00% | 60,173 |
| C4 | 40.00% | 51,269 |
| D1 | 65.00% | 34,032 |
| D2 | 90.00% | 34,109 |
| Total | 2.71% | 4,644,015 |

Models based on group analysis, suitable for evaluating large numbers of borrowers with small individual loans, having either similar characteristics or similar past payment records. For these groups of loans, Banco de Chile maintained the old risk category as it responded adequately to vintage analysis.

Among these, consumer and mortgage loans are included. The provisioning criteria regarding these loans did not experience change and its risk category, within the old category allocation, is directly related to the number of days an installment is past due.

Groupal Borrowers

Unconsolidated Loans

Ch\$ million March 31, 2004

| <u>Category</u> | <u>Risk %</u> | <u>Total Loans</u> |
|-----------------|---------------|--------------------|
| A | 0.00% | 1,382,783 |
| B | 1.00% | 141,971 |
| B- | 20.00% | 42,716 |
| C | 60.00% | 8,862 |
| D | 90.00% | 6,121 |
| Total | | 1,582,453 |

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As far as voluntary provisions are concerned, the new piece of regulation rules out voluntary provisions and allows for additional provisions to be established for the standard risk portfolio based on a specific model that should justify them.

Consistent with Banco de Chile's conservative policy, the Board of Directors has approved to establish additional provisions calculated under a stress migration analysis which should anticipate the potential impairment of the standard commercial portfolio.

These provisions make up for an additional allowance which does not inhibit establishing provisions for specific loans, should they present signs of impairment.

The provisions established for the regular portfolio as well as the additional ones, are added to the Bank's capital base, as they reflect unexpected losses.

Additional provisions for Banco de Chile as of March 31st, 2004 amount to Ch\$ 19,712 million.

OTHER INCOME AND EXPENSES

Total Other Income and Expenses increased to Ch\$3,272 million in 1Q04 from Ch\$1,119 million in 1Q03 mainly due to higher recoveries of loans previously charged-off and, to a lesser extent, to allowances established in equity investments during 1Q03 (associated to the expected effects of the reappraisal of some technological assets in an affiliate).

Regarding the 25.4% decrease in total other income and expenses relative to 4Q03, it was mainly explained by lower recoveries of loans previously charged off and a positive figure in participation in earnings of equity investments in 4Q03 (resulting as the effective loss accounted by an affiliate was lower than the allowances established in equity investment by the Bank during prior periods).

OPERATING EXPENSES

Operating Expenses

(in millions of Chilean pesos, except for percentages)

| | <u>1Q03</u> | <u>4Q03</u> | <u>1Q04</u> | <u>% Change</u> <u>1Q04/1Q03</u> |
|--|-----------------|-----------------|-----------------|-------------------------------------|
| Personnel salaries and expenses | (28,953) | (35,601) | (31,438) | 8.6 % |
| Administrative and other expenses | (19,670) | (19,249) | (20,132) | 2.3 % |
| Depreciation and amortization | (4,475) | (3,807) | (3,730) | (16.6)% |
| Total operating expenses | (53,098) | (58,657) | (55,300) | 4.1 % |
| Bank's operating expenses | (45,727) | (49,424) | (46,623) | 2.0 % |
| Subsidiaries and F. Branches' operating expenses | (7,371) | (9,233) | (8,677) | 17.7 % |
| Efficiency Ratio* | 52.5 % | 58.0 % | 51.9 % | |
| Efficiency Ratio** | 48.1 % | 54.3 % | 48.4 % | |

* Operating expenses/Operating revenues

** Excludes depreciation and amortization

Total operating expenses reached Ch\$55,300 million during the first quarter of 2004, a decrease of 5.7% compared to the fourth quarter of 2003 or an increase of 4.1% in 1Q04.

The 4.1% increase compared to 1Q03 was mainly due to higher personnel salaries and expenses mainly as a consequence of an increase in Stock Brokerage subsidiary's salaries related to higher variable income and to a headcount increase of 112 employees, as this subsidiary has almost doubled the volume of stock transactions and, to a lesser extent, to higher provisions for bonuses accounted for during this quarter. This increase was partially offset by a decline of 16.6% in depreciation on computer equipments and, to a lesser extent, by a slight decrease related to cost savings reached mainly in utility expenses, collection services and rental and insurance expenses within others.

Regarding the 5.7% decrease in operating expenses compared to the 4Q03, it was principally related to lower personnel salaries and expenses and, to a lesser extent, to a decrease in depreciation and amortization. Personnel salaries and expenses decline responded mainly to a charge related to the provisioning of performance bonuses during 4Q03 associated to the Bank's strong results during that year and, also, to lower indemnities expenses during 1Q04.

The Bank has persevered in its efforts on improving its efficiency ratio which reached 51.9% in the first quarter of 2004, from 58.0% in the previous quarter and 52.5% in the year-earlier comparative quarter.

LOSS FROM PRICE- LEVEL RESTATEMENT

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Loss from price-level restatement amounted to a positive Ch\$2,596 million in 1Q04 compared to a loss of Ch\$2,218 million during the 1Q03, mainly reflecting the decrease in the inflation rate used for adjustment purposes from 0.5% in 1Q03 to a negative 0.5% in 1Q04.

INCOME TAXES

During the first quarter of 2004, the Bank's income taxes totaled Ch\$4,668 million, compared to Ch\$2,414 million in 1Q03 mainly as a consequence of: (i) a higher income tax base in 1Q04 as a result of the 26.6% increase in net income before taxes between both quarters, and (ii) lower

amortization of complementary accounts on deferred taxes accumulated for periods prior to 1999 during 1Q04.

It is important to note that the Bank's effective rate is lower than the statutory corporate income tax rate, as under tax regulations the Bank is permitted to deduct dividend payments made to SAOS from its net income for tax calculation purposes.

SHAREHOLDERS EQUITY

Shareholders Equity

(in million of Chilean Pesos)

| | <u>March.03</u> | <u>Dec.03</u> | <u>March.04</u> | <u>% Change</u> <u>12-months</u> |
|--|-----------------|----------------|-----------------|-------------------------------------|
| Capital and Reserves | 558,466 | 558,439 | 557,789 | (0.1)% |
| Accumulated adjustment for translation differences ⁶ | 7,692 | 3,587 | 4,738 | (38.4)% |
| Unrealized gain (loss) on permanent financial invest. ⁷ | 1,292 | 271 | 310 | (76.0)% |
| Net Income | 31,216 | 129,900 | 37,895 | 21.4 % |
| Total Shareholders equity | 598,666 | 692,197 | 600,732 | 0.3 % |

As of March 31, 2004, the Bank's Shareholder Equity totaled Ch\$600,732 million (US\$964 million), a slight 0.3% increase compared to the 1Q03, as higher net income recorded during 1Q04 more than offset the lower adjustment for translation difference (as a consequence of the 14.3% decline in the exchange rate), and, to a lesser extent, the lower gains on permanent financial investments⁷, as the foreign branches during the second quarter of 2003 decided to recognize mark to market earnings of its investments against results instead of against equity, in line with the Bank's policy.

At the end of March 2004, on a consolidated basis, Total Capital to Risk-Adjusted Assets (BIS ratio) was 13.2%, and Basic Capital to Total Assets was 5.8%, both well above the minimum requirements applicable to Banco de Chile of 10% and 3%, respectively.

Note: All figures expressed in US dollars (except earnings per ADR) were converted using the exchange rate of Ch\$623.21 for US\$1.00 as of March 31, 2004. Earnings per ADR were calculated considering the nominal net income and the exchange rate existing at the end of each period.

Financial Tables Follow

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Represents the effect of the variation in the exchange rate on investments abroad that exceed the restatement of these investments according to the change in the consumer price index.

⁷ Financial investments traded on a secondary market are shown adjusted to market value, following specific instructions from the Superintendency of Banks and Financial Institutions. These instructions state that such adjustments should be recognized against income, except in the case of the permanent portfolio, when an equity account, Unrealized gains (losses) on permanent financial investments , may be directly charged or credited.

BANCO DE CHILE

CONSOLIDATED STATEMENTS OF INCOME (Under Chilean GAAP)

(Expressed in millions of constant Chilean pesos (MCh\$) as of March 31, 2004 and millions of US dollars (MUS\$))

| | Quarters | | | | % Change | | Year ended | | | % Change |
|---|-----------------|-----------------|-----------------|---------------|----------------|----------------|------------------|-----------------|----------------|----------------|
| | 1Q03 MCh\$ | 4Q03 MCh\$ | 1Q04 MCh\$ | 1Q04 MUS\$ | 1Q04-1Q03 | 1Q04-4Q03 | Dec02 MCh\$ | Dec03 MCh\$ | Dec03 MUS\$ | Dec 03-Dec 02 |
| Interest revenue and expense | | | | | | | | | | |
| Interest revenue | 139,695 | 60,733 | 113,858 | 182.7 | (18.5)% | 87.5 % | 693,120 | 426,560 | 684.5 | (38.5)% |
| Interest expense | (52,377) | (39,863) | (30,912) | (49.6) | (41.0)% | (22.5)% | (323,711) | (203,213) | (326.1) | (37.2)% |
| Net interest revenue | 87,318 | 20,870 | 82,946 | 133.1 | (5.0)% | 297.4 % | 369,409 | 223,347 | 358.4 | (39.5)% |
| Income from services, net | | | | | | | | | | |
| Income from fees and other services | 28,830 | 39,471 | 38,860 | 62.4 | 34.8 % | (1.5)% | 105,079 | 136,405 | 218.9 | 29.8 % |
| Other services expenses | (8,348) | (13,062) | (9,645) | (15.5) | 15.5 % | (26.2)% | (28,650) | (41,030) | (65.8) | 43.2 % |
| Income from services, net | 20,482 | 26,409 | 29,215 | 46.9 | 42.6 % | 10.6 % | 76,429 | 95,375 | 153.1 | 24.8 % |
| Other operating income, net | | | | | | | | | | |
| Gains on financial instruments, net | 5,706 | (3,817) | 5,392 | 8.7 | (5.5)% | n/a | 1,125 | 5,303 | 8.5 | 371.4 % |
| Foreign exchange transactions, net | (12,358) | 57,600 | (11,087) | (17.8) | (10.3)% | n/a | (31,821) | 90,606 | 145.4 | n/a |
| Total other operating income, net | (6,652) | 53,783 | (5,695) | (9.1) | (14.4)% | n/a | (30,696) | 95,909 | 153.9 | n/a |
| Operating Revenues | 101,148 | 101,062 | 106,466 | 170.9 | 5.3 % | 5.3 % | 415,142 | 414,631 | 665.4 | (0.1)% |
| Provision for loan losses | (13,321) | (16,688) | (14,470) | (23.2) | 8.6 % | (13.3)% | (101,142) | (59,769) | (95.9) | (40.9)% |
| Other income and expenses | | | | | | | | | | |
| Recovery of loans previously charged-off | 4,355 | 7,440 | 6,099 | 9.8 | 40.0 % | (18.0)% | 11,973 | 25,264 | 40.5 | 111.0 % |
| Non-operating income | 855 | 1,440 | 1,409 | 2.2 | 64.8 % | (2.2)% | 5,956 | 5,271 | 8.5 | (11.5)% |
| Non-operating expenses | (3,537) | (5,332) | (4,185) | (6.8) | 18.3 % | (21.5)% | (20,307) | (15,536) | (24.9) | (23.5)% |
| Participation in earnings of equity investments | (554) | 836 | (51) | (0.1) | (90.8)% | n/a | (975) | (1,214) | (1.9) | 24.5 % |
| Total other income and expenses | 1,119 | 4,384 | 3,272 | 5.1 | 192.4 % | (25.4)% | (3,353) | 13,785 | 22.2 | n/a |
| Operating expenses | | | | | | | | | | |
| Personnel salaries and expenses | (28,953) | (35,601) | (31,438) | (50.4) | 8.6 % | (11.7)% | (134,766) | (124,573) | (199.9) | (7.6)% |
| | (19,670) | (19,249) | (20,132) | (32.3) | 2.3 % | 4.6 % | (92,455) | (79,452) | (127.5) | (14.1)% |

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| | | | | | | | | | | |
|--|-----------------|-----------------|-----------------|---------------|--------------|---------------|------------------|------------------|----------------|----------------|
| Administrative and other expenses | | | | | | | | | | |
| Depreciation and amortization | (4,475) | (3,807) | (3,730) | (6.0) | (16.6)% | (2.0)% | (22,044) | (16,872) | (27.1) | (23.5)% |
| Total operating expenses | (53,098) | (58,657) | (55,300) | (88.7) | 4.1 % | (5.7)% | (249,265) | (220,897) | (354.5) | (11.4)% |
| Loss from price-level restatement | (2,218) | 608 | 2,596 | 4.2 | n/a | 327.0 % | (9,644) | (4,016) | (6.4) | (58.4)% |
| Minority interest in consolidated subsidiaries | 0 | (1) | (1) | 0.0 | n/a | 0.0 % | (1) | (2) | 0.0 | 100.0 % |
| Income before income taxes | 33,630 | 30,708 | 42,563 | 68.3 | 26.6 % | 38.6 % | 51,737 | 143,732 | 230.8 | 177.8 % |
| Income taxes | (2,414) | (3,304) | (4,668) | (7.5) | 93.4 % | 41.3 % | 1,159 | (13,832) | (22.2) | n/a |
| Net income | 31,216 | 27,404 | 37,895 | 60.8 | 21.4 % | 38.3 % | 52,896 | 129,900 | 208.6 | 145.6 % |

BANCO DE CHILE

CONSOLIDATED BALANCE SHEETS (Under Chilean GAAP)

(Expressed in millions of constant Chilean pesos (MCh\$) as of March 31, 2004 and millions of US dollars (MUS\$))

| ASSETS | Dec 02 MCh\$ | Mar 03 MCh\$ | Sep 03 MCh\$ | Dec 03 MCh\$ | Mar 04 MCh\$ | Mar 04 MUS\$ | % Change | | |
|--|------------------|------------------|------------------|------------------|------------------|-----------------|---------------|---------------|---------------|
| | | | | | | | Dec 03-Dec 02 | Mar 04-Mar 03 | Mar 04-Dec 03 |
| Cash and due from banks | | | | | | | | | |
| Noninterest bearing | 600,662 | 579,167 | 689,160 | 640,858 | 808,257 | 1,296.9 | 6.7 % | 39.6 % | 26.1 % |
| Interbank bearing | 79,110 | 190,134 | 37,610 | 211,692 | 190,084 | 305.0 | 167.6 % | (0.0)% | (10.2)% |
| Total cash and due from banks | 679,772 | 769,301 | 726,770 | 852,550 | 998,341 | 1,601.9 | 25.4 % | 29.8 % | 17.1 % |
| Financial investments | | | | | | | | | |
| Government securities | 873,654 | 943,869 | 1,107,718 | 1,005,198 | 1,030,542 | 1,653.6 | 15.1 % | 9.2 % | 2.5 % |
| Investments purchase under agreements to resell | 32,336 | 19,584 | 15,182 | 29,512 | 22,654 | 36.4 | (8.7)% | 15.7 % | (23.2)% |
| Investment collateral under agreements to repurchase | 277,825 | 368,889 | 295,240 | 415,843 | 430,240 | 690.4 | 49.7 % | 16.6 % | 3.5 % |
| Other investments | 422,999 | 472,383 | 409,196 | 456,190 | 445,296 | 714.5 | 7.8 % | (5.7)% | (2.4)% |
| Total financial investments | 1,606,814 | 1,804,725 | 1,827,336 | 1,906,743 | 1,928,732 | 3,094.9 | 18.7 % | 6.9 % | 1.2 % |
| Loans, Net | | | | | | | | | |
| Commercial loans | 2,632,171 | 2,651,603 | 2,608,014 | 2,628,914 | 2,640,123 | 4,236.3 | (0.1)% | (0.4)% | 0.4 % |
| Consumer loans | 528,091 | 538,968 | 544,367 | 585,742 | 616,242 | 988.8 | 10.9 % | 14.3 % | 5.2 % |
| Mortgage loans | 1,193,148 | 1,157,162 | 1,144,897 | 1,122,390 | 1,080,037 | 1,733.0 | (5.9)% | (6.7)% | (3.8)% |
| Foreign trade loans | 614,699 | 631,745 | 614,751 | 654,989 | 627,391 | 1,006.7 | 6.6 % | (0.7)% | (4.2)% |
| Interbank loans | 55,089 | 19,523 | 29,478 | 13,157 | 51,680 | 82.9 | (76.1)% | 164.7 % | 292.8 % |
| Lease contracts | 250,326 | 266,720 | 265,581 | 267,611 | 281,953 | 452.4 | 6.9 % | 5.7 % | 5.4 % |
| Other outstanding loans | 389,177 | 395,657 | 374,365 | 438,728 | 508,134 | 815.3 | 12.7 % | 28.4 % | 15.8 % |
| Past due loans | 145,654 | 147,363 | 123,137 | 104,975 | 107,073 | 171.8 | (27.9)% | (27.3)% | 2.0 % |
| Contingent loans | 383,657 | 379,540 | 395,590 | 407,564 | 437,621 | 702.2 | 6.2 % | 15.3 % | 7.4 % |
| Total loans | 6,192,012 | 6,188,281 | 6,100,180 | 6,224,070 | 6,350,254 | 10,189.4 | 0.5 % | 2.6 % | 2.0 % |
| Allowances | (217,111) | (212,609) | (177,985) | (178,494) | (177,734) | (285.2) | (17.8)% | (16.4)% | (0.4)% |
| Total loans, net | 5,974,901 | 5,975,672 | 5,922,195 | 6,045,576 | 6,172,520 | 9,904.2 | 1.2 % | 3.3 % | 2.1 % |
| Other assets | | | | | | | | | |
| Assets received in lieu of payment | 19,091 | 19,352 | 16,963 | 15,549 | 16,182 | 26.0 | (18.6)% | (16.4)% | 4.1 % |
| Bank premises and equipment | 140,033 | 136,975 | 128,920 | 127,116 | 126,963 | 203.7 | (9.2)% | (7.3)% | (0.1)% |
| Investments in other companies | 4,801 | 4,376 | 3,491 | 5,270 | 4,914 | 7.9 | 9.8 % | 12.3 % | (6.8)% |
| Other | 210,959 | 208,408 | 232,933 | 250,849 | 315,943 | 507.0 | 18.9 % | 51.6 % | 25.9 % |
| Total other assets | 374,884 | 369,111 | 382,307 | 398,784 | 464,002 | 744.6 | 6.4 % | 25.7 % | 16.4 % |
| Total assets | 8,636,371 | 8,918,809 | 8,858,608 | 9,203,653 | 9,563,595 | 15,345.6 | 6.6 % | 7.2 % | 3.9 % |

BANCO DE CHILE

CONSOLIDATED BALANCE SHEETS (Under Chilean GAAP)

(Expressed in millions of constant Chilean pesos (MCh\$) as of March 31, 2004 and millions of US dollars (MUS\$))

| LIABILITIES & SHAREHOLDERS EQUITY | Dec 02 MCh\$ | Mar 03 MCh\$ | Sep 03 MCh\$ | Dec 03 MCh\$ | Mar 04 MCh\$ | Mar 04 MUS\$ | % Change | | |
|---|------------------|------------------|------------------|------------------|------------------|-----------------|---------------|---------------|----------------|
| | | | | | | | Dec 03-Dec 02 | Mar 04-Mar 03 | Mar 04-Dec 03 |
| | | | | | | | | | |
| Deposits | | | | | | | | | |
| Current accounts | 1,077,490 | 1,175,912 | 1,105,361 | 1,221,738 | 1,260,592 | 2,022.7 | 13.4 % | 7.2 % | 3.2 % |
| Bankers drafts and other deposits | 571,447 | 581,594 | 716,186 | 660,134 | 781,594 | 1,254.1 | 15.5 % | 34.4 % | 18.4 % |
| Saving accounts and time deposits | 3,514,763 | 3,525,187 | 3,472,197 | 3,405,422 | 3,736,156 | 5,995.0 | (3.1)% | 6.0 % | 9.7 % |
| Total deposits | 5,163,700 | 5,282,693 | 5,293,744 | 5,287,294 | 5,778,342 | 9,271.8 | 2.4 % | 9.4 % | 9.3 % |
| Borrowings | | | | | | | | | |
| Central Bank borrowings | 3,782 | 3,584 | 3,111 | 27,741 | 2,561 | 4.1 | 633.5 % | (28.5)% | (90.8)% |
| Securities sold under agreements to repurchase | 278,045 | 380,736 | 303,439 | 424,607 | 434,118 | 696.6 | 52.7 % | 14.0 % | 2.2 % |
| Mortgage finance bonds | 1,089,407 | 1,038,805 | 1,022,278 | 1,009,380 | 985,718 | 1,581.7 | (7.3)% | (5.1)% | (2.3)% |
| Other bonds | 4,616 | 4,481 | 3,736 | 3,111 | 2,962 | 4.8 | (32.6)% | (33.9)% | (4.8)% |
| Subordinated bonds | 279,028 | 276,200 | 272,012 | 269,841 | 266,895 | 428.3 | (3.3)% | (3.4)% | (1.1)% |
| Borrowings from domestic financial institutions | 50,738 | 86,125 | 62,377 | 49,633 | 51,723 | 83.0 | (2.2)% | (39.9)% | 4.2 % |
| Foreign borrowings | 512,870 | 558,561 | 577,779 | 714,379 | 656,051 | 1,052.7 | 39.3 % | 17.5 % | (8.2)% |
| Other obligations | 77,150 | 44,165 | 39,010 | 59,302 | 42,340 | 67.9 | (23.1)% | (4.1)% | (28.6)% |
| Total borrowings | 2,295,636 | 2,392,657 | 2,283,742 | 2,557,994 | 2,442,368 | 3,919.1 | 11.4 % | 2.1 % | (4.5)% |
| Other liabilities | | | | | | | | | |
| Contingent liabilities | 382,878 | 379,583 | 395,995 | 407,590 | 437,751 | 702.4 | 6.5 % | 15.3 % | 7.4 % |
| Other | 172,863 | 265,206 | 219,439 | 258,573 | 304,398 | 488.4 | 49.6 % | 14.8 % | 17.7 % |
| Total other liabilities | 555,741 | 644,789 | 615,434 | 666,163 | 742,149 | 1,190.8 | 19.9 % | 15.1 % | 11.4 % |
| Minority interest in consolidated subsidiaries | 3 | 4 | 4 | 5 | 4 | 0.0 | 66.7 % | 0.0 % | (20.0)% |
| Shareholders equity | | | | | | | | | |
| Capital and Reserves | 568,395 | 567,450 | 563,497 | 562,297 | 562,837 | 903.1 | (1.1)% | (0.8)% | 0.1 % |
| Net income for the year | 52,896 | 31,216 | 102,187 | 129,900 | 37,895 | 60.8 | 145.6 % | 21.4 % | (70.8)% |
| Total shareholders equity | 621,291 | 598,666 | 665,684 | 692,197 | 600,732 | 963.9 | 11.4 % | 0.3 % | (13.2)% |
| Total liabilities & shareholders equity | 8,636,371 | 8,918,809 | 8,858,608 | 9,203,653 | 9,563,595 | 15,345.6 | 6.6 % | 7.2 % | 3.9 % |

BANCO DE CHILE

SELECTED CONSOLIDATED FINANCIAL INFORMATION

| | Quarters | | | Year ended | |
|--|-----------|-----------|-----------|------------|-----------|
| | 1Q03 | 4Q03 | 1Q04 | Dec 02 | Dec 03 |
| Earnings per Share | | | | | |
| Net income per Share (Ch\$) ⁽¹⁾ | 0.46 | 0.40 | 0.56 | 0.78 | 1.91 |
| Net income per ADS (Ch\$) ⁽¹⁾ | 275.11 | 241.52 | 333.98 | 466.18 | 1,144.84 |
| Net income per ADS (US\$) ⁽²⁾ | 0.38 | 0.40 | 0.54 | 0.65 | 1.91 |
| Book value per Share (Ch\$) ⁽¹⁾ | 8.79 | 10.17 | 8.82 | 9.12 | 10.17 |
| Shares outstanding (Millions) | 68,080 | 68,080 | 68,080 | 68,080 | 68,080 |
| Profitability Ratios ⁽³⁾⁽⁴⁾ | | | | | |
| Net Interest Margin | 4.34% | 1.02% | 4.04% | 4.52% | 2.75% |
| Net Financial Margin | 3.72% | 3.85% | 3.50% | 4.13% | 3.86% |
| Fees / Avg. Interest Earnings Assets | 1.02% | 1.30% | 1.42% | 0.94% | 1.17% |
| Other Operating Revenues / Avg. Interest Earnings Assets | -0.33% | 2.64% | -0.28% | -0.38% | 1.18% |
| Operating Revenues / Avg. Interest Earnings Assets | 5.02% | 4.96% | 5.19% | 5.08% | 5.10% |
| Return on Average Total Assets | 1.42% | 1.19% | 1.63% | 0.59% | 1.45% |
| Return on Average Shareholders Equity | 19.96% | 15.99% | 21.92% | 8.69% | 20.01% |
| Capital Ratios | | | | | |
| Shareholders Equity / Total Assets | 6.71% | 7.52% | 6.28% | 7.19% | 7.52% |
| Basic capital / total assets | 6.34% | 6.08% | 5.84% | 6.55% | 6.08% |
| Basic Capital / Risk-Adjusted Assets | 9.46% | 9.20% | 9.02% | 9.41% | 9.20% |
| Total Capital / Risk-Adjusted Assets | 13.72% | 13.22% | 13.21% | 13.69% | 13.22% |
| Credit Quality Ratios | | | | | |
| Past Due Loans / Total Loans | 2.38% | 1.69% | 1.69% | 2.35% | 1.69% |
| Allowance for loan losses / past due loans | 144.28% | 170.03% | 165.99% | 149.06% | 170.03% |
| Allowance for Loans Losses / Total Loans | 3.44% | 2.87% | 2.80% | 3.51% | 2.87% |
| Provision for Loan Losses / Avg.Loans ⁽⁴⁾ | 0.86% | 1.07% | 0.92% | 1.65% | 0.96% |
| Operating and Productivity Ratios | | | | | |
| Operating Expenses / Operating Revenue | 52.50% | 58.04% | 51.94% | 60.04% | 53.28% |
| Operating Expenses / Average Total Assets ⁽³⁾ | 2.42% | 2.56% | 2.38% | 2.76% | 2.46% |
| Loans per employee (million Ch\$) ⁽¹⁾ | 716 | 682 | 699 | 715 | 682 |
| Average Balance Sheet Data ⁽¹⁾⁽³⁾ | | | | | |
| Avg. Interest Earnings Assets (million Ch\$) | 8,052,364 | 8,144,725 | 8,202,684 | 8,173,473 | 8,133,841 |
| Avg. Assets (million Ch\$) | 8,788,866 | 9,174,655 | 9,281,836 | 9,020,223 | 8,988,726 |
| Avg. Shareholders Equity (million Ch\$) | 625,431 | 685,490 | 691,655 | 608,822 | 649,145 |
| Avg. Loans | 6,227,105 | 6,240,577 | 6,311,463 | 6,129,909 | 6,244,109 |
| Avg. Interest Bearing Liabilities (million Ch\$) | 5,879,670 | 5,902,627 | 5,927,588 | 6,164,253 | 5,934,002 |
| Other Data | | | | | |
| Inflation Rate | 2.08% | -0.78% | 0.25% | 2.82% | 1.07% |
| Exchange rate (Ch\$) | 727.36 | 599.42 | 623.21 | 712.38 | 599.42 |
| Employees | 8,648 | 9,130 | 9,080 | 8,655 | 9,130 |

Notes

⁽¹⁾ These figures were expressed in constant Chilean pesos as of March 31, 2004.

⁽²⁾

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These figures were calculated considering the nominal net income, the shares outstanding and the exchange rates existing at the end of each period.

- (3) The ratios were calculated as an average of daily balances.
- (4) Annualized data.

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;

unanticipated increases in financing and other costs or the inability to obtain additional debt or equity financing on attractive terms; and

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 publicly any revisions to such forward-looking statements after completion of this offering to reflect later events or circumstances or to reflect the occurrence of unanticipated events.

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: May 6, 2004

Banco de Chile

/s/ Pablo Granifo L.

By: Pablo Granifo Lavín

General Manager