INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Ch$ = Chilean pesos
MCh$ = Millions of Chilean pesos
US$ = United States dollars
ThUS$ = Thousands of United States dollars
UF = "Unidades de Fomento", an inflation-indexed, peso denominated monetary unit. The UF rate is set daily based on changes in the Chilean Consumer Price Index.

Application of Constant Chilean Pesos

The December 31, 2002 and 2003 consolidated financial statements have been restated for general price-level changes and expressed in constant Chilean pesos of December 31, 2004 purchasing power.

ERNST & YOUNG

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of
Banco de Chile and Subsidiaries.:

We have audited the accompanying consolidated balance sheets of Banco de Chile and subsidiaries (the "Bank") as of December 31, 2003 and 2004 and the related consolidated statements of income and cash flows for each of the three years in the period ended December 31, 2004. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Bank's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Banco de Chile and subsidiaries at December 31, 2003 and 2004 and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2004, in conformity with accounting principles generally accepted in Chile and regulations issued by the Chilean Superintendency of Banks and Financial Institutions, which differ in certain respect from U.S. generally accepted accounting principles (see Note 28 to the consolidated financial statements).

ERNST & YOUNG LIMITADA

Ernst & Young

Santiago, Chile, January 31, 2005
(except for Note 28 for which the date is June 3, 2005)

BANCO DE CHILE AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(Restated for general price-level changes and expressed in millions of constant Chilean pesos as of December 31, 2004 and thousands of U.S. dollars)

ASSETS	NOTE	As of December 31, 2003 MCh$	2004 MCh$	2004 ThUS$ (Note 1 (q))
CASH AND DUE FROM BANKS	3			
Non-interest bearing		660,180	539,637	963,930
Interbank deposits-interest bearing		218,075	350,979	626,939
Total cash and due from banks		**878,255**	**890,616**	**1,590,869**
FINANCIAL INVESTMENTS	4			
Government securities		1,035,505	913,656	1,632,024
Investments purchased under agreements to resell		30,402	26,310	46,996
Other financial investments		469,944	320,125	571,825
Investment collateral under agreements to repurchase		428,381	347,182	620,156
Total financial investments		**1,964,232**	**1,607,273**	**2,871,001**
LOANS, NET	5			
Commercial loans		2,708,178	2,867,288	5,121,712
Consumer loans		603,402	691,851	1,235,823
Mortgage loans		1,156,231	819,882	1,464,520
Foreign trade loans		674,737	599,051	1,070,059
Interbank loans		13,554	15,198	27,148
Leasing contracts	6	275,680	343,853	614,210
Other outstanding loans		452,018	936,202	1,672,297
Past due loans		108,141	84,685	151,269
Contingent loans		419,852	530,901	948,325
Allowance for loan losses	7	(183,938)	(153,742)	(274,623)
Total loans, net		**6,227,855**	**6,735,169**	**12,030,740**
OTHER ASSETS				
Bank premises and equipment, net	8	130,949	132,670	236,983
Investments in other companies	9	5,428	5,412	9,667
Assets received in lieu of payment, net		16,018	16,130	28,812
Other	10 (a)	258,413	261,933	467,880
Total other assets		**410,808**	**416,145**	**743,342**
TOTAL ASSETS		**9,481,150**	**9,649,203**	**17,235,952**

The accompanying notes 1 to 30 are an integral part of these consolidated financial statements

BANCO DE CHILE AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(Restated for general price-level changes and expressed in millions of constant Chilean pesos as of December 31, 2004 and thousands of U.S. dollars)

	NOTE	As of December 31, 2003 MCh$	2004 MCh$	2004 ThUS$ (Note 1 (q))
LIABILITIES AND SHAREHOLDERS' EQUITY				
DEPOSITS				
Non-interest bearing				
Current accounts		1,258,574	1,424,569	2,544,646
Bankers' drafts and other deposits		680,037	697,476	1,245,871
Total non-interest bearing		**1,938,611**	**2,122,045**	**3,790,517**
Interest bearing				
Savings accounts and time deposits		3,508,098	3,663,682	6,544,276
Total deposits		**5,446,709**	**5,785,727**	**10,334,793**
OTHER INTEREST BEARING LIABILITIES	11			
Central Bank credit lines for renegotiations of loans		3,049	1,930	3,447
Other Central Bank borrowings		25,529	107,643	192,278
Total Central Bank borrowings		**28,578**	**109,573**	**195,725**
Investments sold under agreements to repurchase		437,410	349,086	623,557
Mortgage finance bonds		1,039,813	788,888	1,409,156
Bonds		3,205	181,515	324,232
Subordinated bonds		277,977	266,304	475,687
Borrowings from domestic financial institutions		51,129	26,399	47,155
Foreign borrowings		735,918	595,548	1,063,802
Other obligations		61,090	44,847	80,108
Total other interest bearing liabilities		**2,635,120**	**2,362,160**	**4,219,422**
OTHER LIABILITIES				
Contingent liabilities	10 (c)	419,879	532,172	950,596
Other	10 (b)	266,369	294,610	526,250
Minority interest		5	1	2
Total other liabilities		**686,253**	**826,783**	**1,476,848**
Commitments and contingencies	22			
SHAREHOLDERS' EQUITY	15			
Capital and reserves		579,251	521,905	932,256
Net Income for the year		133,817	152,628	272,633
Total Shareholders' equity		**713,068**	**674,533**	**1,204,889**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**9,481,150**	**9,649,203**	**17,235,952**

The accompanying notes 1 to 30 are an integral part of these consolidated financial statements

BANCO DE CHILE AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
(Restated for general price-level changes and expressed in millions of constant Chilean pesos as of December 31, 2004 and thousands of U.S. dollars)

	NOTE	Years ended December 31, 2002	2003	2004	2004
		MCh$	MCh$	MCh$	ThUS$ (Note 1 (q))
INTEREST REVENUE AND EXPENSE					
Interest revenue		714,018	439,422	543,372	970,602
Interest expense		(333,472)	(209,340)	(214,900)	(383,867)
Net interest revenue		**380,546**	**230,082**	**328,472**	**586,735**
PROVISION FOR LOAN LOSSES	7	**(104,192)**	**(61,612)**	**(73,512)**	**(131,311)**
FEES AND INCOME FROM SERVICES	17				
Income from fees and other services		108,247	140,518	166,704	297,776
Other services expenses		(29,514)	(42,267)	(39,862)	(71,204)
Total fees and income from services, net		**78,733**	**98,251**	**126,842**	**226,572**
OTHER OPERATING INCOME (LOSS)					
Gains from trading activities		24,071	25,688	20,280	36,225
Losses from trading activities		(22,912)	(20,225)	(23,431)	(41,854)
Foreign exchange transactions, net		(32,780)	93,338	17,660	31,545
Total other operating income (loss), net		**(31,621)**	**98,801**	**14,509**	**25,916**
OTHER INCOME AND EXPENSES					
Loan loss recoveries	19	12,334	26,026	33,736	60,261
Non-operating income	17	6,135	5,429	4,821	8,612
Non-operating expenses	17	(20,920)	(15,963)	(16,558)	(29,576)
Equity participation in net income (loss) in investments in other companies	9	(1,004)	(1,251)	436	779
Minority interest		(1)	(2)	(1)	(2)
Total other income and expenses		**(3,456)**	**14,239**	**22,434**	**40,074**
OPERATING EXPENSES					
Personnel salaries and expenses		(138,829)	(128,329)	(136,599)	(244,001)
Administrative and other expenses		(95,243)	(81,847)	(87,726)	(156,701)
Depreciation and amortization		(22,708)	(17,381)	(15,977)	(28,539)
Total operating expenses		**(256,780)**	**(227,557)**	**(240,302)**	**(429,241)**
NET LOSS FROM PRICE-LEVEL RESTATEMENT	1 (b)	**(9,934)**	**(4,137)**	**(7,466)**	**(13,336)**
INCOME BEFORE INCOME TAXES		**53,296**	**148,067**	**170,977**	**305,409**
INCOME TAXES	21	**1,194**	**(14,250)**	**(18,349)**	**(32,776)**
NET INCOME		**54,490**	**133,817**	**152,628**	**272,633**

The accompanying notes 1 to 30 are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Restated for general price-level changes and expressed in millions of constant Chilean pesos as of December 31, 2004 and thousands of U.S. dollars)

	Years ended December 31,			
	2002 MCh$	2003 MCh$	2004 MCh$ (Note 1 (n))	2004 ThUS$ (Note 1 (q))
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income	54,490	133,817	152,628	272,633
Items that do not represent cash flows:				
Depreciation and amortization	22,708	17,381	15,977	28,539
Provisions for loan losses	104,192	61,612	73,512	131,311
Provisions for assets received in lieu of payment	2,322	1,505	889	1,588
Net change in trading investments	202,000	(422,642)	317,956	567,951
Equity participation in net (income) loss in investments in other companies	1,005	1,250	(436)	(779)
Net (gain) loss on sales of assets received in lieu of payment	(3,035)	(4,284)	(5,491)	(9,808)
Net gain on sales of bank premises and equipment	(363)	(451)	(217)	(388)
Net loss from price-level restatement	9,934	4,137	7,466	13,336
Minority interest	1	2	1	2
Other charges not representing cash flows	39,443	1,317	9,247	16,518
Net change in interest accruals	162	89,271	3,272	5,845
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	**432,859**	**(117,085)**	**574,804**	**1,026,748**
CASH FLOWS FROM INVESTING ACTIVITIES				
Net (increase) decrease in loans	(152,143)	(122,823)	(501,515)	(895,833)
Net decrease in investments purchased under agreements to resell	18,384	2,591	3,356	5,995
Purchases of bank premises and equipment	(12,420)	(6,975)	(12,310)	(21,989)
Proceeds from sale of bank premises and equipment	1,338	3,553	1,346	2,404
Investments in other companies	(670)	(2,339)	(292)	(522)
Sale of investments in other companies	—	—	12	21
Dividends received from investments in other companies	270	559	733	1,309
Proceeds from sale of assets received in lieu of payment	25,727	20,649	16,712	29,852
Net changes in other assets and liabilities	(139,848)	(65,736)	(150,710)	(269,207)
NET CASH USED IN INVESTING ACTIVITIES	**(259,362)**	**(170,521)**	**(642,668)**	**(1,147,970)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Net increase in current accounts	166,841	159,586	196,694	351,346
Net increase (decrease) in savings accounts and time deposits	(485,228)	(72,060)	228,955	408,972
Net increase in bankers drafts and other deposits	65,040	97,295	33,679	60,159
Net increase (decrease) in investments sold under agreements to repurchase	29,803	153,851	(77,542)	(138,510)
Increase in mortgage finance bonds	127,161	312,450	134,049	239,446
Repayment of mortgage finance bonds	(195,791)	(338,547)	(318,632)	(569,159)
Proceeds from bond issues	11,034	—	174,321	311,382
Repayments of bond issues	(11,031)	(9,334)	(9,963)	(17,796)
Net increase (decrease) in short-tem borrowings	72,012	135,268	116,249	207,651
Proceeds from issuance of long-term borrowings	632,283	411,186	234,657	419,158
Repayment of long-term borrowings	(581,100)	(322,378)	(430,510)	(769,001)
Repurchase of shares	—	—	(52,762)	(94,247)
Dividends paid	(100,490)	(53,949)	(130,550)	(233,196)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	**(269,466)**	**473,368**	**98,645**	**176,205**
EFFECT OF PRICE-LEVEL RESTATEMENT ON CASH AND DUE FROM BANKS	**(26,755)**	**(7,774)**	**(18,420)**	**(32,903)**
NET INCREASE (DECREASE) IN CASH AND DUE FROM BANKS	**(122,724)**	**177,988**	**12,361**	**22,080**
CASH AND DUE FROM BANKS AT BEGINNING OF YEAR	**562,956**	**700,267**	**878,255**	**1,568,789**
CASH ACQUIRED IN MERGER WITH BANCO EDWARDS	**260,035**	**—**	**—**	**—**
CASH AND DUE FROM BANKS AT END OF YEAR	**700,267**	**878,255**	**890,616**	**1,590,869**
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:				
Cash paid during the year for:				
Interest paid	290,829	260,823	238,769	426,502
Income taxes paid	29,601	28,290	32,445	57,954
Non- cash investing transaction during the year for:				
Issuance of stock for net assets of Banco de A. Edwards, as follows:				
Cash acquired	260,035	—	—	—
Financial investments and loans, net	2,649,190	—	—	—
Bank premises and equipment	63,372	—	—	—
Other assets	106,507	—	—	—
Liabilities	(2,823,861)	—	—	—
Sub-Total	255,243	—	—	—
Stock issued	(255,243)	—	—	—
Total	—	—	—	—

The accompanying notes 1 to 30 are an integral part of these consolidated financial statements

BANCO DE CHILE AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Restated for general price-level changes and expressed in millions of constant Chilean pesos as of December 31, 2004 and thousands of U.S. dollars)

	Number of shares	Paid in share capital	Reserves	Other Accounts	Net Income	Total
	Millions	MCh$	MCh$	MCh$	MCh$	MCh$
Balance as of January 1, 2002	68,079.8	463,813	75,929	826	97,071	637,639
Transfer to retained earnings	—	—	3	—	(3)	—
Dividends paid (1)	—	—	—	—	(97,068)	(97,068)
Price-level restatement	—	13,914	1,873	—	—	15,787
Absorption of subsidiaries companies	—	—	(108)	—	—	(108)
Net change in unrealized gains (losses) on permanent financial investments (*)	—	—	—	7,620	—	7,620
Net adjustment for translation differences	—	—	—	1,725	—	1,725
Net Income for the year	—	—	—	—	52,635	52,635
Balance as of December 31, 2002	68,079.8	477,727	77,697	10,171	52,635	618,230
Balance as of December 31, 2002 restated in constant Chilean pesos as of December 31, 2004	—	494,566	80,436	10,530	54,490	640,022
Balance as of January 1, 2003	68,079.8	477,727	77,697	10,171	52,635	618,230
Transfer to retained earnings	—	—	3	—	(3)	—
Dividends paid (2)	—	—	—	—	(52,632)	(52,632)
Price-level restatement	—	4,777	1,041	—	—	5,818
Net change in unrealized gains (losses) on permanent financial investments (*)	—	—	—	(2,617)	—	(2,617)
Net adjustment for translation differences	—	—	—	(3,676)	—	(3,676)
Net Income for the year	—	—	—	—	130,553	130,553
Balance as of December 31, 2003	68,079.8	482,504	78,741	3,878	130,553	695,676
Balance as of December 31, 2003 restated in constant Chilean pesos as of December 31, 2004	—	494,566	80,710	3,975	133,817	713,068
Balance as of January 1, 2004	68,079.8	482,504	78,741	3,878	130,553	695,676
Transfer to retained earnings	—	—	3	—	(3)	—
Dividends paid (3)	—	—	—	—	(130,550)	(130,550)
Common stock repurchased (4)	(1,702.0)	—	(52,762)	—	—	(52,762)
Price-level restatement	—	12,062	(75)	—	—	11,987
Net change in unrealized gains (losses) on permanent financial investments (*)	—	—	—	(195)	—	(195)
Net adjustment for translation differences	—	—	—	(2,251)	—	(2,251)
Net Income for the year	—	—	—	—	152,628	152,628
Balance as of December 31, 2004	**66,377.8**	**494,566**	**25,907**	**1,432**	**152,628**	**674,533**

(1) On March 21, 2002, the Ordinary General Shareholders' Meeting agreed to distribute a dividend for a total of MCh$ 97,068 (in historical pesos).

(2) On March 20, 2003, the Ordinary General Shareholders' Meeting agreed to distribute a dividend for a total of MCh$ 52,632 (in historical pesos).

(3) On March 18, 2004, the Ordinary General Shareholders' Meeting agreed to distribute a dividend for a total of MCh$ 130,550 (in historical pesos).

(4) During the month of April 2004, Banco de Chile purchased 1,701,994,590 of its own shares for Ch$ 31 per share, which totaled MCh$ 52,762 (in historical pesos).

(*) These balances are presented net of the deferred taxes originated from adjustments to the market value of the permanent investment portfolio.

The accompanying notes 1 to 30 are an integral part of these consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Restated for general price - level changes and expressed in millions of constant Chilean pesos as of December 31, 2004)

1. Summary of Significant Accounting Policies

(a) Basis of presentation

Banco de Chile ("Banco de Chile or the "Bank") is a corporation organized under the laws of the Republic of Chile, regulated by the Chilean Superintendencia de Bancos e Instituciones Financieras (the "Superintendency of Banks and Financial Institutions"). Starting in 2001, Banco de Chile is regulated by the United States Securities and Exchange Commission ("SEC"), as the Bank is listed on the New York Stock Exchange ("NYSE") through its American Depository Receipt (ADR) program, which is also registered with the London Stock Exchange. Banco de Chile's shares are also listed on the Madrid Stock Exchange to be traded on the Latinamerican securities market ("LATIBEX").

Banco de Chile offers a broad range of banking services to customers ranging from individuals to large corporations. The services are managed in the following segment areas for internal reporting purposes: large corporate banking, middle market corporate banking, retail and personal banking services, international banking services and treasury banking services. The Bank's subsidiaries provide other services including securities brokerage, mutual fund management, factoring, securitization activities, insurance brokerage and financial advisory services.

The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles in Chile and regulations of the Superintendency of Banks. For the convenience of the reader, the consolidated financial statements have been translated into English, certain reclassifications have been made and certain subtotals and clarifying account descriptions have been added.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. In certain cases generally accepted accounting principles require that assets or liabilities be recorded or disclosed at their fair values. The fair value is the amount at which an asset could be bought or sold or in the case of a liability could be incurred or settled in a current transaction between willing parties, other than in a forced or liquidation sale. Where quoted markets are not available the Bank has estimated such values based on the best information available, including using modeling and other valuation techniques.

The consolidated financial statements include the financial position and results of operations of Banco de Chile and its majority-owned subsidiaries. All significant intercompany transactions and balances have been eliminated in the consolidation. The majority-owned subsidiaries of Banco de Chile as of December 31, 2003 and 2004 are as follows:

Subsidiary	**Interest Owned %**					
	2003			**2004**		
	Direct	**Indirect**	**Total**	**Direct**	**Indirect**	**Total**
Banchile Trade Services Limited	—	—	—	100.00	—	100.00
Banchile Administradora General de Fondos S.A.	99.98	0.02	100.00	99.98	0.02	100.00
Banchile Asesoría Financiera S.A.	99.94	—	99.94	99.94	—	99.94
Banchile Corredores de Seguros Ltda.	99.75	0.25	100.00	99.75	0.25	100.00
Banchile Corredores de Bolsa S.A.	99.68	0.31	99.99	99.68	0.32	100.00
Banchile Factoring S.A.	99.52	0.48	100.00	99.52	0.48	100.00
Banchile Securitizadora S.A.	99.00	1.00	100.00	99.00	1.00	100.00
Socofin S.A.	99.00	1.00	100.00	99.00	1.00	100.00
Promarket S.A.	99.00	1.00	100.00	99.00	1.00	100.00

(Restated for general price - level changes and expressed in millions of constant Chilean pesos as of December 31, 2004)

1. Summary of Significant Accounting Policies (continued)

(b) Price-level restatement

The consolidated financial statements are prepared on the basis of general price-level accounting in order to reflect the effect of changes in the purchasing power of the Chilean peso for the Bank and its Chilean subsidiaries during each year. At the end of each reporting period, the consolidated financial statements are stated in terms of the general purchasing power of the Chilean peso using changes in the Chilean consumer price index (“CPI”) as determined by the Chilean National Institute of Statistics as follows:

- Non-monetary assets, liabilities, and Shareholders’ equity accounts are restated in terms of year-end purchasing power using the “prior month rule”, as described below.

- Consistent with general banking practices in Chile, no specific purchasing power adjustments are made to the income statement accounts.

- Monetary items are not restated, as such items are, by their nature, stated in terms of current purchasing power in the consolidated financial statements.

- The price-level restatement debit or credit in the income statement represents the monetary loss or gain in purchasing power from holding monetary assets and liabilities exposed to the effects of inflation.

- For comparative purposes, the consolidated financial statements for periods through December 31, 2003 have been restated in Chilean pesos of general purchasing power as of December 31, 2004 (“constant pesos”), to reflect changes in the CPI from the financial statement dates to December 31, 2004. This updating does not change the prior year’s financial statements or information in any way except to update the amounts therein to constant pesos of similar purchasing power. Amounts previously presented in constant Chilean pesos as of each balance sheet date have been adjusted by the percentage changes in the Chilean CPI to December 31, 2004, as follows:

Year	Change in Index
2002..............................	3.5 %
2003..............................	2.5 %

The general price-level restatements are calculated using the CPI, and are based on the “prior month rule”, in which the inflation adjustments are based on the CPI at the close of the month preceding the close of the respective period or transaction. The CPI is considered by the business community, the accounting profession, and the Chilean government to be the index that most closely complies with the technical requirement to reflect the variation in the general level of prices in the country and, consequently, is widely used for financial reporting purposes in Chile.

The values of the CPI used for price-level restatement purposes are as follows:

Year	Index (*)	Change in Index
2002..............................	113.36	3.0 %
2003..............................	114.44	1.0 %
2004..............................	117.28	2.5 %

* Index as of November 30, of each year under prior month rule described above.

(Restated for general price - level changes and expressed in millions of constant Chilean pesos as of December 31, 2004)

1. Summary of Significant Accounting Policies (continued)

(b) Price-level restatement (continued)

The price-level adjusted consolidated financial statements do not purport to represent appraised values, replacement cost, or any other current value of assets at which transactions would take place currently and are only intended to restate all non-monetary financial statement components in terms of local currency of a single purchasing power and to include in the net result for each year the gain or loss in purchasing power arising from the holding of monetary assets and liabilities exposed to the effects of inflation.

The net charge to income for price-level restatement is comprised of the following restatements of non-monetary assets and liabilities. These figures are expressed in constant Chilean pesos of December 31, 2004.

	Year ended December 31,		
	2002 MCh$	2003 MCh$	2004 MCh$
Shareholders' equity	(16,344)	(5,964)	(11,987)
Bank premises and equipment	4,688	1,264	3,019
Investment in other companies	1,037	381	1,036
Other, net	685	182	466
Net loss from price-level restatement	**(9,934)**	**(4,137)**	**(7,466)**

(c) Index-linked assets and liabilities

Certain of the Bank's interest-bearing assets and liabilities are denominated in index-linked units of account.

The principal index-linked unit used in Chile is the Unidad de Fomento ("UF"), a unit of account, which changes daily to reflect changes in the CPI. The carrying amounts of such assets and liabilities change with the respective changes in the UF and serve to offset the monetary gains or losses from holding such assets and liabilities. As the Bank's UF-denominated assets exceed its UF-denominated liabilities, any increase in the Chilean CPI results in a net gain on indexation. Values for the UF are as follows (historical Chilean pesos per UF).

December 31,	Ch$
2002	16,744.12
2003	16,920.00
2004	17,317.05

The UF daily indexation adjustments from the 10th day of the month in question to the 9th day of the subsequent month are determined based on the previous month's changes in the Chilean CPI. The effect of changes in the UF index on interest earning assets and interest bearing liabilities is reflected in the income statement as an increase or decrease in interest income or expense.

(d) Interest revenue and expense recognition

Interest revenue and expense are recognized on an accrual basis using the effective interest method. Loans, investments and liabilities are stated at their cost, adjusted for accrued interest and the indexation adjustment applicable to such balances that are index-linked.

The Bank suspends the accrual of interest and readjustments on loans when there is a high risk of unrecoverability or from the first day in which they become overdue. Accrued interest up to the suspension date remains on the Bank's assets and is considered a part of the loan balance when determining the allowance for loan losses. Payments received on past due loans are recognized as income, after reducing the balance of accrued interest, if applicable.

1. Summary of Significant Accounting Policies (continued)

(e) Foreign currency and derivative activities

The Bank and its subsidiaries protect themselves against variations in the foreign exchange market by using forward contracts, currency forward contracts, currency swaps and interest rates swaps. These activities include hedging and treasury operations and help the Bank and its subsidiaries provide capital markets products to their clients.

Forward contracts are valued at the exchange rate prevailing as of the close of each month and, in accordance with regulations of the Superintendency of Banks and Financial Institutions, the initial differences produced by this type of operation are recognized as deferred assets or liabilities and are amortized over the duration of the respective contract. In addition to the aforementioned forward contracts, the Bank and its subsidiaries have currency futures contracts. These contracts are valued at the daily observed exchange rate and resulting gains or losses are charged to income on an accrual basis.

The interest rate swap contracts are valued at the close of each month in accordance with the agreed-upon interest rates, recording the differences as a credit or charge to income. Additionally, the Bank and its subsidiaries charge to income the adjustment to market value of the swap contract portfolio which is used to hedge interest rate and foreign currency risks.

The amount of net gains and losses on foreign exchange includes the recognition of the effects that variations in the exchange rates have on assets and liabilities denominated in foreign currencies and their gains or losses on foreign exchange spot and forward transactions undertaken by the Bank. The results of such foreign exchange transactions undertaken by the Bank and its subsidiaries are included as other non-operating income (for gross gains) and other non-operating expenses (for gross losses).

The Bank's interest rate swap agreements are treated as off-balance-sheet financial instruments and the net interest effect, which corresponds to the difference between interest income and interest expense arising from such agreements, is recorded in net income in the period that such differences originate, except for interest rate and cross currency swaps designated as a hedge of the foreign investment portfolio, which are recorded at their estimated fair market values.

(f) Financial investments

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 require that such adjustments be recognized against income, except in the case of the investment portfolio classified as permanent which may be recorded directly in the equity account, "Change in unrealized gains (losses) on permanent financial investments".

The application of this adjustment generated net unrealized gains in income of MCh$ 16,121 and a net unrealized loss in income of MCh$ 10,483 and MCh$ 717, in 2002, 2003 and 2004 respectively, which was included in operating income under "Gains (losses) from trading activities". The adjustment of the permanent investment portfolio was a net credit of MCh$ 9,403, a net debit of MCh$ 3,190 and MCh$ 235, in 2002, 2003 and 2004, respectively, which is presented in equity net of taxes.

The Bank and its subsidiaries enter into security repurchase agreements as a form of borrowing. The Bank's investments that are sold subject to a repurchase obligation and that serve as collateral for borrowings are reclassified as "Investment collateral under agreements to repurchase". The liability to repurchase the investment is classified as "Investments sold under agreements to repurchase", which is valued in accordance with the agreed-upon interest rate.

The Bank and its subsidiaries also enter into resale agreements as a form of investment. Under these agreements the Bank and its subsidiaries purchases securities, which are included as assets under the caption "Investments purchased under agreements to resell", which are valued in accordance with the agreed-upon interest rate.

1. Summary of Significant Accounting Policies (continued)

(g) Bank premises and equipment

Bank premises and equipment are stated at acquisition cost net of accumulated depreciation and have been restated for price-level changes. Depreciation is calculated using the straight-line method over the estimated useful lives of the underlying assets. Maintenance and repair costs are charged to income. The cost of significant renovations and improvements is capitalized.

Property, plant and equipment	Estimated Useful Life
Land and buildings....................................	5-80
Furniture and fixtures................................	3-10
Machinery and equipment.........................	2-10
Vehicles...	5
Other..	6-8

(h) Leasing contracts

The Bank leases certain property that meets the criteria for direct financing leases. At the time of entering into a direct financing lease transaction, the Bank records the minimum lease payments receivable as unearned income. Generally, the lessee acquires the leased asset by remitting all lease payments due. There are no significant residual values assumed by the Bank. Unearned income represents the excess of the minimum lease payments receivable plus any estimated residual value over the cost of the property acquired.

Unearned income is recognized in such a manner as to produce a constant periodic rate of return on the net investment in the direct financing lease. The net investment in financing leases is classified as “leasing contracts” in the accompanying consolidated balance sheets.

(i) Factoring transactions

The Bank and its subsidiary Banchile Factoring S.A. carry out factoring transactions with their customers, by means of which they receive invoices and other commercial instruments representative of credit and they advance to the assigner a percentage of the total amounts to be collected from the original debtor.

The caption “Other outstanding loans” includes MCh$197,365 (MCh$101,683 in 2003), corresponding to the amount advanced to the assigner plus accrued interest net of payments received.

(j) Investments in other companies

Shares or rights in other companies which are integral to the operations of the Bank and where the Bank holds a less than majority interest but has significant influence over the operating activities of the invested are accounted for under the equity method. Other minority investments are carried at cost restated for price-level changes.

(Restated for general price - level changes and expressed in millions of constant Chilean pesos as of December 31, 2004)

1. Summary of Significant Accounting Policies (continued)

(k) Intangibles

In accordance with instructions from the Superintendency of Banks and Financial Institutions, intangible assets are classified in "Other Assets". Both investments in software and licenses to use trademarks are valued at price-level restated cost and amortized using the straight-line method over their useful lives. The amortization period of the investments in software cannot exceed six years.

As of December 31, 2004, intangible assets amount to MCh$11,085 (MCh$5,459 in 2003), corresponding to investments in software and MCh$2 (MCh$5 in 2003) corresponding to payments for licenses to use trademarks.

(l) Allowance for loan losses

The loans granted and acquired by the Bank and its subsidiaries are initially recorded at cost (i.e. the original amount loaned). After this initial recording, the loans are valued at their amortized cost and presented net of allowances for loan losses.

Beginning on January 1, 2004, in accordance with Circular No. 3,246 of the Superintendency of Banks and Financial Institutions, the Bank, its subsidiaries and foreign branches are required to apply new models and methods, based on an individual and group analysis of the debtors, to constitute the allowances for loan losses.

- Allowances for individual evaluations

  An individual analysis of debtors is applied to individuals or companies with whom, due to size, complexity or level of exposure with the entity, the Bank is required to have an in-depth understanding of their financial condition. Likewise, it requires assigning a risk category to each debtor and its respective loans. This risk category should contemplate the following factors: industry or sector, partners and administration, financial situation, conduct and payment capacity.

  One of the following categories must be assigned to each debtor and its loans after the analysis has been finalized:

  i. Categories A1, A2 and A3 correspond to debtors without significant risks, whose payment capacity will continue to be positive even if unfavorable business, economic or financial situations should arise.
  ii. Category B corresponds to debtors that present some risk, but that do not show any sign of impairment. However, these debtors might stop paying some of their obligations in the face of foreseeable, adverse business, economic or financial situations.
  iii. Categories C1, C2, C3, C4, D1 and D2 correspond to debtors with insufficient payment capacity.

In order to determine allowances for loan losses classified as A1, A2, A3 and B, the Bank uses percentages approved by its Board of Directors. Allowance for debtors classified as C1, C2, C3, C4, D1 and D2 were determined, in conformity with new regulations, as follows:

Category	Range of estimated loss	Allowance
C1	Up to 3%	2%
C2	More than 3% up to 19%	10%
C3	More than 19% up to 29%	25%
C4	More than 29% up to 49%	40%
D1	More than 49% up to 79%	65%
D2	More than 79%	90%

1. Summary of Significant Accounting Policies (continued)

(l) Allowance for loan losses (continued)

- Allowances for group evaluations

  The group analysis is used to analyze a large number of operations whose individual amounts are not significant. For this analysis, the Bank uses models based on attributes of the debtors and their loans, and on the behavior of a group of loans. In the group evaluations, the allowances are always constituted in accordance with the estimated loss using the aforementioned models.

- Additional allowances

  In conformity with regulations of the Superintendency of Banks and Financial Institutions, the Bank has constituted additional allowances for its individually evaluated loan portfolio, taking into consideration the estimated credit loss of this portfolio. The calculation of this allowance is performed based on the Bank's historical experience and considering possible future adverse macroeconomic conditions or circumstances that could affect a certain sector, industry or groups of debtors or projects.

- Charge-offs

  Loans are written-off when the collection efforts have been exhausted but not later than the maximum periods prescribed by the Superintendency of Banks, which are as follows:

  - 24 months past due (3 months past due for consumer loans) for loans without collateral.
  - 36 months past due for loans with collateral.

- Loan loss recoveries

  Cash recoveries on written-off loans including loans which were reacquired from the Central Bank, recorded in memorandum accounts (see Note 19), are recorded directly to income.

Previous Guidelines

- Global loan loss allowance

  Prior to 2004, the global loan loss allowance was calculated by multiplying the Bank's outstanding loans by the greater of its "risk index" or 0.75%. The Bank's risk index calculation was based upon a classification of a portion of its customers' outstanding loans into five categories based upon risk of loss for commercial loans and overdue status for consumer and residential mortgage loans. The classifications for risk index calculation purposes must have included the largest commercial loans and represent at least 75% of the commercial loan portfolio, and 100% of consumer and residential mortgage loans. Commercial and consumer loans are classified based on risk in categories denominated A, B, B -, C or D, while residential mortgage loans are classified only as A, B or B-. The total exposure of the Bank to each of its customers and the classification of such customer's loans are continuously reviewed by the commercial officers of the bank and by the control risk division. The provisions required for each category of loans, which were established by the Chilean Superintendency of Banks, were as follows:

(Restated for general price - level changes and expressed in millions of constant
Chilean pesos as of December 31, 2004)

1. Summary of Significant Accounting Policies (continued)

(l) Allowance for loan losses (continued)

Category	Provisions as a percentage of aggregate exposure
A	0%
B	1
B-	20
C	60
D	90%

The resulting weighted average allowance rate was the risk index utilized in the calculation of the global loan loss reserve.

- Individual loan loss allowance

Once a loan became overdue for more than 90 days, a specific allowance was calculated for 100% of the uncollateralized portion of the loan. Individual loan loss reserves are required only to the extent that, in the aggregate, they exceed the global loan loss reserve.

- Voluntary loan loss allowance

Prior to 2004, the Bank made a provision for voluntary allowances in addition to those required by the rules of the Superintendency of Banks. Such voluntary reserves were established to cover additional risks inherent in the portfolio.

(m) Income taxes

Effects of deferred income taxes are recorded in conformity with Technical Bulletin No. 60 and its related amendments, issued by the Chilean Association of Accountants (see Note 21).

The income tax provision is determined based on current Chilean tax legislation.

(n) Consolidated statements of cash flows

For purposes of reporting cash flows, cash and cash equivalents include cash and due from banks. For the years ended December 31, 2002, 2003 and 2004 the consolidated statement of cash flows has been prepared in accordance with Technical Bulletin No.65 of the Chilean Association of Accountants.

(o) Staff severance indemnities

The Bank has recorded a liability for long-term severance indemnities in accordance with employment contracts it has with certain employees. The liability, which is payable to specified retiring employees with more than 30 years of service, is recorded at the present value of the accrued benefits, which are calculated by applying a real discount rate to the benefit accrued as of year-end over the estimated average remaining service period. For the years ended December 31, 2002, 2003 and 2004, the obligation has been discounted using the real interest rate of 7% per annum.

1. Summary of Significant Accounting Policies (continued)

(p) Fees and expenses related to loans and services

Fees and expenses related to loans and services are deferred and recognized in income over the term of the loans to which they relate, and to the period that the services are performed.

(q) Convenience translation to U.S. dollars

The Bank maintains its accounting records and prepares its consolidated financial statements in Chilean pesos. The U.S. dollar amounts disclosed in the accompanying financial statements are presented solely for the convenience of the reader at the observed exchange rate for December 31, 2004 of Ch$ 559.83 per US$1.00. This translation should not be construed as representing that the Chilean peso amounts actually represent or have been, or could be, converted into U.S. dollars at such a rate or, any other rate.

(r) Translation of financial statements of the Bank's foreign branches and subsidiaries

The Bank translates the accounting records of its branches in New York and Miami, USA and its subsidiary Banchile Trade Services Limited, Hong Kong to Chilean pesos from US dollars in accordance with guidelines established by the Superintendency of Banks and Financial Institutions which are consistent with Technical Bulletin No. 64, "Accounting for investments abroad", issued by the Chilean Association of Accountants. All income statement and balance sheet amounts are translated into Chilean pesos as of the exchange rate in effect as of the applicable balance sheet date. Under this standard the foreign investment recorded in the parent company's books is price-level restated, the effects of which are reflected in income, while any foreign exchange gains or losses between the Chilean peso and the US dollar, net of the effects of Chilean inflation, is recorded in shareholders' equity in the account "Other equity accounts".

(s) Reclassifications

Certain minor reclassifications have been made to balances in the 2002 and 2003 financial statements in order to conform with the 2004 presentation.

(t) Assets received in lieu of payment

Assets received in lieu of payment are recorded at restated cost less regulatory charge-offs and presented net of a global valuation allowance. Regulatory charge-offs are required by the Superintendency of Banks and Financial Institutions if the asset is not sold within one year of foreclosure. As instructed by the Superintendency of Banks and Financial Institutions, charge-offs are recorded on a straight-line basis over the following 12 month period.

2. Changes in Accounting Principles

On January 1, 2004, in accordance with Circular No. 3,246 of the Superintendency of Banks and Financial Institutions, the new standards on determination of Loan Loss Provisions established in Chapter 7-10 of this Superintendency's accounting rules became effective. Application of this new criterion for determining provisions did not have a significant effect on the financial situation of the Bank and its subsidiaries presented in these consolidated financial statements. In addition, the Bank redesignated the voluntary provisions recorded as of December 31, 2003 to the additional provisions category in conformity with the new regulations.

3. Cash and Due from Banks

Included in cash and due from banks are amounts maintained by the Bank with various foreign and local banks, including the Chilean Central Bank ("Central Bank").

In accordance with guidelines established by the Superintendency of Banks, the Bank must maintain certain non-interest bearing balances in its account with the Central Bank. The required balances are based upon specified financial criteria, including the level of the Bank's deposits, the amounts of its foreign borrowings and its average liabilities. These restricted cash amounts totaled MCh$ 167,839 and MCh$ 164,500 as of December 31, 2003 and 2004, respectively.

(Restated for general price - level changes and expressed in millions of constant Chilean pesos as of December 31, 2004)

4. Financial Investments

A summary of financial investments is as follows:

	As of December 31, 2003 MCh$	As of December 31, 2004 MCh$	Weighted Average Nominal Rate as of December 31, 2004 %
Central Bank and Government Securities			
Marketable debt securities	992,611	903,733	2.83
Chilean government securities	42,894	9,923	4.21
Investments purchased under agreements to resell	30,402	26,310	2.47
Investment collateral under agreements to repurchase	332,690	169,982	5.15
Subtotal	1,398,597	1,109,948	3.19
Corporate Securities and Other Financial Investments			
Investments in Chilean financial institutions	135,244	43,203	4.66
Foreign government notes	34,453	28,298	2.16
Investments in foreign countries	191,223	137,288	3.36
Other financial investments	109,024	111,336	6.85
Investments collateral under agreements to repurchase	95,691	177,200	7.47
Subtotal	565,635	497,325	5.65
Total	**1,964,232**	**1,607,273**	**3.95**

Financial investments are classified at the time of the purchase, based on management's intentions, as either trading or permanent. The related amounts are as follows:

	As of December 31, 2003 MCh$	As of December 31, 2004 MCh$
Permanent	42,981	44,134
Trading	1,921,251	1,563,139
Total	**1,964,232**	**1,607,273**

(Restated for general price - level changes and expressed in millions of constant
Chilean pesos as of December 31, 2004)

5. Loans

The loans included in the accompanying consolidated balance sheets are segregated into subcategories as described below:

Commercial loans are short-term and long-term loans granted to companies or businesses, at variable or fixed interest rates in order to finance working capital or investments.

Consumer loans are loans to individuals granted principally in Chilean pesos or UF, generally on a fixed rate basis, to finance the purchase of consumer goods or to pay for services. Credit card balances subject to interest charges are also included in this category.

Mortgage loans are inflation indexed, fixed rate, long-term loans with monthly payments of principal and interest collateralized by a real property mortgage. These loans are financed through the issuance of mortgage finance bonds. At the time of its issuance the amount of a mortgage loan cannot be more than 75% of the value of the property.

Foreign trade loans are fixed rate, short-term loans granted in foreign currencies (principally U.S. dollars) to finance imports and exports.

Interbank loans are fixed rate, short-term loans to financial institutions that operate in Chile.

Leasing contracts are agreements for financing leases of capital equipment and other property.

Other outstanding loans principally include bills of exchange, other mortgage loans, which are financed by the Bank's general borrowings and factoring.

Past due loans represent loans or shares of loans that are overdue as to any payment of principal or interest by 90 days or more.

Contingent loans consist of open and unused letters of credit together with guarantees granted by the Bank in Ch$, UF and foreign currencies (principally U.S. dollars).

The following table summarizes the most significant loan concentrations expressed as a percentage of total loans, excluding contingent loans and before allowance for loan losses:

	As of December 31,	
	2003	**2004**
	%	**%**
Financial Services..	18.83	19.91
Residential mortgage loans......................................	19.03	20.10
Manufacturing	10.46	10.22
Commerce..	12.11	11.82
Agriculture, livestock, forestry, agribusiness, fishing	8.10	7.85
Consumer loans	12.49	13.81

Substantial portions of the Bank's loans are to borrowers doing business in Chile.

(Restated for general price - level changes and expressed in millions of constant Chilean pesos as of December 31, 2004)

6. Leasing Contracts

The Bank's scheduled cash flows to be received from leasing contracts have the following maturities as of December 31, 2004:

Maturity	As of December 31, 2004 Total Receivable	Unearned Income	Net lease Receivable
	MCh$	MCh$	MCh$
Due within one year	108,447	(17,152)	91,295
Due after 1 year but within 2 years	77,945	(13,035)	64,910
Due after 2 years but within 3 years	58,970	(9,730)	49,240
Due after 3 years but within 4 years	42,880	(7,336)	35,544
Due after 4 years but within 5 years	35,533	(5,413)	30,120
Due after 5 years	85,489	(12,745)	72,744
Total leasing contracts	**409,264**	**(65,411)**	**343,853**

Leased assets consist principally of real estate, industrial machinery, vehicle, and computer equipment. The allowance for uncollectible lease receivable was MCh$ 5,861 as of December 31, 2004 (MCh$ 8,480 as of December 31, 2003), which forms part of the allowance for loan losses.

7. Allowance for Loan Losses

The changes in the allowance for loan losses for the periods indicated are as follows:

	2002 MCh$	2003 MCh$	2004 MCh$
Balance as of January 1,	241,002	223,678	183,938
Price-level restatement (1)	(6,660)	(2,817)	(4,608)
Charge-offs	(114,856)	(98,535)	(99,100)
Provisions established	129,538	63,103	75,069
Provisions released	(25,346)	(1,491)	(1,557)
Balance as of December 31,	**223,678**	**183,938**	**153,742**

(1) Reflects the effect of both inflation and exchange rate changes of foreign branches and the Bank's subsidiaries on the allowance for loan losses at the beginning of each period, adjusted to constant pesos of December 31, 2004.

The provisions for loan losses included in the results of operations for the periods indicated is as follows:

	Years ended December 31, 2002 MCh$	2003 MCh$	2004 MCh$
Provisions established	129,538	63,103	75,069
Provisions released	(25,346)	(1,491)	(1,557)
Net charges to income	**104,192**	**61,612**	**73,512**

(Restated for general price - level changes and expressed in millions of constant
Chilean pesos as of December 31, 2004)

8. Bank Premises and Equipment, net

The major categories of Bank premises and equipment net of accumulated depreciation are as follows:

	As of December 31, 2003 MCh$	As of December 31, 2004 MCh$
Land and buildings	95,013	92,141
Machinery and equipment	27,400	31,945
Furniture and fixtures	5,676	5,347
Vehicles	641	812
Others	2,219	2,425
Bank premises and equipment, net	**130,949**	**132,670**

In accordance with rules of the Superintendency of Banks, Bank premises and equipment are presented net of accumulated depreciation.

9. Investments in other companies

As of December 31, 2002, 2003 and 2004, investments in other companies and the Bank's participation in such companies' results of operations for each of the periods indicated, consist of the following:

	As of and for the years ended December 31,						
	2002		2003		2004		Ownership
	Investment	Income (Loss)	Investment	Income (Loss)	Investment	Income (Loss)	Interest 2004
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	%
Soc. Operadora de Tarjetas de Crédito Nexus S.A.	905	49	1,011	146	1,066	172	25.81
Servipag Ltda.	741	52	831	90	984	152	50.00
Redbanc S.A.	903	157	1,046	298	884	138	25.42
Transbank S.A.	864	132	867	132	865	132	17.44
Bolsa de Comercio de Santiago (Stock Exchange)	659	96	559	90	558	90	4.17
Soc. Operadora Cámara Compensación de Pagos Alto Valor S.A. (1)	—	—	—	—	276	(17)	18.16
Sociedad Interbancaria de Depósito de Valores S.A.	251	44	244	37	217	34	17.60
Centro de Compensación Automatizado S.A. (CCA S.A.)	158	12	204	45	189	31	33.33
Bolsa de Valores de Chile (Stock Exchange)	126	1	127	1	130	3	5.00
Artikos Chile S.A (2)	(71)	(1,287)	208	(2,046)	43	(165)	50.00
Empresa de Tarjetas Inteligentes S.A.	161	(150)	117	(44)	—	(134)	26.67
Total investments in other companies accounted for under the equity method	4,697	(894)	5,214	(1,251)	5,212	436	
Other investments carried at cost	248	(110)	214	—	200	—	
Total investments in other companies	**4,945**	**(1,004)**	**5,428**	**(1,251)**	**5,412**	**436**	

(1) On September 23, 2004, a banking support company, Sociedad Operadora de la Cámara de Compensación de Pagos de Alto Valor S.A., was formed. This company's objective is to provide pay compensation services among its members. The Bank subscribed and fully paid MCh$292 for this company's capital, which gives it a participation of 18.16%.

(2) On May 19, 2003, the Extraordinary General Shareholders' Meeting of Artikos S.A., agreed to increase the capital of this company by means of issuing 10,000 shares. On June 2, 2003, the Bank subscribed and paid for 5,000 shares for a value of MCh$2,339.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Restated for general price - level changes and expressed in millions of constant Chilean pesos as of December 31, 2004)

10. Other Assets and Other Liabilities

(a) Other assets

	As of December 31,	
	2003	**2004**
	MCh$	**MCh$**
Deferred income tax assets	93,751	64,749
Credit card charges in process	45,408	51,970
Amounts receivable under spot foreign exchange transaction	40,127	50,483
Assets for leasing	25,111	26,843
Software investment	5,459	11,085
Deferred asset on bonds issuances	6,255	8,080
Accounts receivable	—	7,548
Transactions in process	1,407	6,789
Deferred fees	2,819	5,252
Balances with domestic branches	9,299	4,174
VAT fiscal credit	3,300	3,198
Accounts receivable for assets received in lieu of payment sold	4,697	2,915
Deferred asset related to mortgage finance bonds issued by the bank	2,138	2,152
Deferred expenses	1,092	2,068
Recoverable taxes	964	1,386
Materials and supplies	490	475
Other	16,096	12,766
Total other assets	**258,413**	**261,933**

(b) Other liabilities

	As of December 31,	
	2003	**2004**
	MCh$	**MCh$**
Accounts payable	103,450	125,529
Amounts payable under spot foreign exchange transaction	48,206	52,035
Derivative instruments, net	9,538	44,581
Deferred tax liabilities	49,455	18,899
Accrued staff vacation expense	9,398	9,826
Deferred liability on bonds issuances	6,256	8,080
Allowance of income taxes	10,157	8,008
Accrued severance staff indemnities	7,721	7,633
Commissions deferred	3,935	4,177
Leasing deferred gains	4,277	4,174
Administration and credit card contract provision	4,741	3,226
VAT fiscal debit	3,289	3,205
Transactions in process	1,670	1,341
Legal contingencies provision	775	925
Other	3,501	2,971
Total other liabilities	**266,369**	**294,610**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Restated for general price - level changes and expressed in millions of constant Chilean pesos as of December 31, 2004)

10. Other Assets and Other Liabilities (continued)

(c) Contingent Liabilities

Contingent liabilities consist of open and unused letters of credit, together with guarantees granted by the Bank in Chilean pesos, UF and foreign currencies (principally U.S. dollars). The liability represents the Bank's obligations under such agreements. The Bank's rights under these agreements are recognized as assets on the Bank's balance sheets under the caption "Contingent loans". (See note 5).

11. Other Interest Bearing Liabilities

The Bank's long-term and short-term borrowings are summarized below. In accordance with the guidelines established by the Superintendency of Banks, the Bank does not present a classified balance sheet. Borrowings are described as short-term when they have original maturities of less than one year or are due on demand. All other borrowings are described as long-term, including the amounts due within one year on such borrowings.

	As of December 31, 2003			As of December 31, 2004		
	Long-term MCh$	Short-term MCh$	Total MCh$	Long-term MCh$	Short-term MCh$	Total MCh$
Central Bank Credit lines for renegotiation of loans	3,049	—	3,049	1,930	—	1,930
Other Central Bank borrowings	—	25,529	25,529	—	107,643	107,643
Mortgage finance bonds	1,039,813	—	1,039,813	788,888	—	788,888
Bonds	3,205	—	3,205	181,515	—	181,515
Subordinated bonds	277,977	—	277,977	266,304	—	266,304
Borrowings from domestic financial institutions	106	51,023	51,129	—	26,399	26,399
Foreign borrowings	462,131	273,787	735,918	254,812	340,736	595,548
Investments under agreements to repurchase	—	437,410	437,410	—	349,086	349,086
Other obligations	10,092	50,998	61,090	11,089	33,758	44,847
Total other interest bearing liabilities	**1,796,373**	**838,747**	**2,635,120**	**1,504,538**	**857,622**	**2,362,160**

(a) Central Bank borrowings

Central Bank borrowings include credit lines for the renegotiation of loans and other Central Bank borrowings. Credit lines were provided by the Central Bank for the renegotiation of mortgage loans due to the need to refinance debts as a result of the economic recession and crisis of the Chilean banking system from 1982 to 1985. The credit lines for the renegotiations of mortgage loans are linked to the UF index and carry a real annual interest rate of 2.29%. The maturities of the outstanding amounts are as follows:

	As of December 31, 2004
	MCh$
Due within 1 year	1,930
Due after 1 year but within 2 years	—
Due after 2 years but within 3 years	—
Due after 3 years but within 4 years	—
Due after 4 years but within 5 years	—
Due after 5 years	—
Total long-term (Credit lines for renegotiation of loans)	**1,930**
Total short-term (Other Central Bank borrowings)	**107,643**
Total Central Bank borrowings	**109,573**

(Restated for general price - level changes and expressed in millions of constant Chilean pesos as of December 31, 2004)

11. Other Interest Bearing Liabilities (continued)

(b) Mortgage finance bonds

These bonds are used to finance the granting of mortgage loans. The outstanding principal amounts of the bonds are amortized on a quarterly basis. The range of maturities of these bonds is between five and twenty years. The bonds are linked to the UF index and carry a weighted average annual rate of interest of 5.9% as of December 31, 2004.

The maturities of outstanding mortgage bond amounts as of December 31, 2004 are as follows:

	As of December 31, 2004
	MCh$
Due within 1 year	79,647
Due after 1 year but within 2 years	71,034
Due after 2 years but within 3 years	71,525
Due after 3 years but within 4 years	69,640
Due after 4 years but within 5 years	68,004
Due after 5 years	429,038
Total mortgage finance bonds	**788,888**

(c) Bonds

The maturities of outstanding bonds amounts as of December 31, 2004 are as follows:

	As of December 31, 2004
	MCh$
Due within 1 year	29,408
Due after 1 year but within 2 years	28,311
Due after 2 years but within 3 years	27,931
Due after 3 years but within 4 years	27,387
Due after 4 years but within 5 years	27,486
Due after 5 years	40,992
Total bonds	**181,515**

Bonds are linked to the UF Index and carried an average real annual interest rate of 3.6% as of December 31, 2004, with interest and principal payments due semi-annually. The bonds were originally intended to finance loans that had a maturity of greater than one year.

(d) Subordinated bonds

In 2002 the Bank issued Bonds totaling UF1,580,000 (known as "6.5% Bonds") at a discount of UF98,670. The 6.5% Bonds are linked to the UF index with interest and principal payments due semi-annually. The discount on the issuance of the "6.5% Bonds" is amortized over the life of the bond. As of December 31, 2004, the effective real interest rate is 7.0%, taking into consideration the discount on issuance.

(Restated for general price - level changes and expressed in millions of constant
Chilean pesos as of December 31, 2004)

11. Other Interest Bearing Liabilities (continued)

(d) Subordinated bonds (continued)

The 6.5% Bonds are intended for the financing of loans having a maturity of greater than one year. As of December 31, 2004 the outstanding maturities of these bonds, which are considered long-term, are as follows:

	As of December 31, 2004
	MCh$
Due within 1 year	26,605
Due after 1 year but within 2 years	20,417
Due after 2 years but within 3 years	20,417
Due after 3 years but within 4 years	20,417
Due after 4 years but within 5 years	20,417
Due after 5 years	158,031
Total subordinated bonds	**266,304**

Subordinated bonds are considered in the calculation of "effective equity" for the purpose of determining the Bank's minimum capital requirements (See Note 14).

(e) Borrowings from domestic financial institutions

Borrowings from domestic financial institutions are used to fund the Bank's general activities, carry a weighted average annual real interest rate of 2.4% and have the following outstanding maturities as of December 31, 2004.

	As of December 31, 2004
	MCh$
Due within 1 year	—
Due after 1 year but within 2 years	—
Due after 2 years but within 3 years	—
Due after 3 years but within 4 years	—
Due after 4 years but within 5 years	—
Due after 5 years	—
Total long-term	—
Total short-term	**26,399**
Total borrowings from domestic financial institutions	**26,399**

(Restated for general price - level changes and expressed in millions of constant
Chilean pesos as of December 31, 2004)

11. Other Interest Bearing Liabilities (continued)

(f) Foreign borrowings

The Bank has short-term and long-term borrowings from foreign banks. The outstanding maturities of these borrowings as of December 31, 2004 are as follows:

	As of December 31, 2004
	MCh$
Due within 1 year	215,576
Due after 1 year but within 2 years	39,236
Due after 2 years but within 3 years	—
Due after 3 years but within 4 years	—
Due after 4 years but within 5 years	—
Due after 5 years	—
Total long-term	**254,812**
Total short-term	**340,736**
Total foreign borrowings	**595,548**

All of these loans are denominated in U.S. dollars, are principally used to fund the Bank's foreign trade loans and carry an average annual nominal interest rate of 2.3% as of December 31, 2004.

(g) Other obligations

	As of December 31,	
	2003	2004
	MCh$	MCh$
Other long-term obligations:		
Obligations with Chilean government	10,092	11,089
Total other long-term obligations	**10,092**	**11,089**
Other short-term obligations	50,998	33,758
Total other obligations	**61,090**	**44,847**

As of December 31, 2004, other obligations had the following maturities:

	As of December 31, 2004
	MCh$
Due within 1 year	1,396
Due after 1 year but within 2 years	1,595
Due after 2 years but within 3 years	1,787
Due after 3 years but within 4 years	1,762
Due after 4 years but within 5 years	1,555
Due after 5 years	2,994
Total long-term	**11,089**
Total short-term	**33,758**
Total other obligations	**44,847**

(Restated for general price - level changes and expressed in millions of constant
Chilean pesos as of December 31, 2004)

12. Obligations Arising From Lease Commitments

The Bank leases certain premises under operating leases. The following table shows the future minimum payments under the terms of the lease commitments, expressed in constant Chilean pesos as of December 31, 2004.

	As of December 31, 2004
	MCh$
Due within 1 year	5,711
Due after 1 year but within 2 years	4,401
Due after 2 years but within 3 years	3,732
Due after 3 years but within 4 years	2,941
Due after 4 years but within 5 years	2,031
Due after 5 years	3,341
Total obligations arising from lease commitments	**22,157**

The rental expense on premises was MCh$ 7,338, MCh$ 7,172 and MCh$ 7,080 for the years ended December 31, 2002, 2003 and 2004, respectively, and is included in the Consolidated Statements of Income under "Administrative and other expenses".

13. Derivative Financial Instruments

(a) Derivative activities

The Bank takes positions in the foreign exchange market by the use of forward exchange contracts and spot exchange contracts. These activities constitute treasury business and help the Bank to provide customers with capital markets products. Other derivative transactions include primarily interest rate swaps (paid fixed-received floating) and rate lock.

(b) Market risk and risk management activities

All derivative instruments are subject to market risk. This is defined as the risk that future changes in market conditions may make an investment more or less valuable. The Bank manages exposure to market risk in accordance with risk limits set by senior management by buying or selling instruments or entering into off-setting positions.

The Bank is exposed to credit related losses in the event of non-performance by counterparties to these financial instruments, risk that is monitored on an ongoing basis. In order to manage the level of credit risk, the Bank enters into transactions with counterparties whom it believes have a good credit standing and, when appropriate, obtains collateral.

The Central Bank requires that foreign exchange forward contracts be made only in U.S. dollars and other major foreign currencies. In the case of the Bank, most forward contracts are made in U.S. dollars against the Chilean peso or the UF. Occasionally, forward contracts are also made in other currencies, but only when the Bank acts as an intermediary. Unrealized gains, losses, premiums and discounts arising from foreign exchange forward contracts are shown on a net basis under "Other assets" and "Other liabilities". (See note 10).

(Restated for general price - level changes and expressed in millions of constant
Chilean pesos as of December 31, 2004)

13. Derivative Financial Instruments (continued)

(b) Market risk and risk management activities (continued)

The notional amounts of these contracts as of December 31, 2003 and 2004 are as follows:

Description of transaction	Number of operations		Contract Amounts Less than 3 months		Contract Amounts Over 3 months	
	2003	2004	2003 ThUS$	2004 ThUS$	2003 ThUS$	2004 ThUS$
Local Market:						
- Foreign currency future purchase contracts with Chilean currency	1,144	850	691,065	599,971	1,343,865	1,906,977
- Foreign currency future sale contracts with Chilean currency	1,097	1,214	505,762	555,310	1,224,347	1,494,802
- Foreign currency forward contracts	21	24	10,101	18,588	7,449	3,551
Foreign Markets:						
- Foreign currency future contracts with Chilean currency	4	18	12,000	55,500	40,000	72,085
- Foreign currency forward contracts	70	84	19,104	46,616	26,492	12,953
- Foreign currency futures sold	179	171	24,540	25,560	—	—
- Interest rate swaps	137	89	32,000	—	1,480,385	1,048,184

The amounts refer to United States dollar amounts purchased or sold, or the equivalent in United States dollars of the foreign currency purchased or sold or the future amount, or the amount on which interest rate contracts are agreed. The period refers to the contract maturity from the date of the transaction.

(c) Contracts on the value of authorized readjustment systems and on interest rates in Chilean currency

Description of transaction	Number of operations		Contract Amounts Less than 3 months		Contract Amounts Over 3 months	
	2003	2004	2003 MCh$	2004 MCh$	2003 MCh$	2004 MCh$
UF/pesos forward contracts purchased	27	68	1,734	3,463	48,560	237,244
UF/pesos forward contracts sold	76	31	6,937	3,459	140,478	102,856
Interest rate swaps	10	30	—	17,317	62,435	127,110

(d) Options

As of December 31 of each year, the balances for this type of transaction are as follows:

Description of transaction	Number of operations		Contract Amounts Less than 3 months		Contract Amounts Over 3 months	
	2003	2004	2003 ThUS$	2004 ThUS$	2003 ThUS$	2004 ThUS$
Purchase option	—	1	—	—	—	6,000

(e) Fair value of traded instruments

The table below sets forth the estimated fair value of derivative financial instruments held or issued by the Bank for trading purposes as of December 31, 2003 and 2004.

	Fair value as of December 31, 2003 MCh$	Fair value as of December 31, 2004 MCh$
Contracts to purchase and sell foreign exchange	(13,459)	(17,597)
Interest rate swaps	15,719	(21,125)

For those instruments held by the Bank where no quoted market prices are available, fair values have been estimated using modeling and other valuation techniques.

(Restated for general price - level changes and expressed in millions of constant Chilean pesos as of December 31, 2004)

14. Minimum Capital Requirements

In accordance with the Chilean Banking Law, Chilean Banks are required to maintain a minimum equity level of UF800,000, equivalent to MCh$ 13,854 as of December 31, 2004. In addition, Chilean Banks are required to maintain a minimum "capital" (capital and reserves) of at least 3% of their total assets net of provisions, and an "effective equity" of not less than 8% of their "risk-weighted assets". The "effective equity" is defined as "net capital base" plus subordinated bonds, up to 50% of the capital and reserves, plus voluntary provisions of up to 1.25% of their risk-weighted assets. The value of the subordinated bonds that can be considered in the "effective equity" should decrease by 20% per year beginning six years prior to maturity.

The Bank's actual qualifying "net capital base" and "effective equity" used to support its "risk-weighted assets" as of December 31, 2004, are set forth in the following table:

	As of December 31, 2004
	MCh$
Basic Capital	521,905
3% of total assets net of provisions	(291,354)
Excess over minimum required equity	230,551
Net capital base as a percentage of the total assets, net of provisions	5.37%
Effective equity	779,870
8% of risk-weighted assets	(534,429)
Excess over minimum required equity	245,441
Effective equity as a percentage of the risk-weighted assets (*)	11.67%

(*) This ratio has been determined on total assets adjusted by risk on a consolidated basis, as established by Circular No.3,178 dated June 7, 2002, from the Superintendency of Banks.

15. Shareholders' Equity

Dividends

Dividends are declared and paid during the year subsequent to that in which the related net income was earned. Dividends declared and paid in 2002, 2003 and 2004 in constant Chilean pesos of December 31, 2004 are as follows:

	Paid during the year ended December 31,		
	2002	2003	2004
	MCh$	MCh$	MCh$
Dividends relating to prior year net income	100,490	53,949	130,550

(Restated for general price - level changes and expressed in millions of constant Chilean pesos as of December 31, 2004)

16. Transactions with Related Parties

In accordance with the rules of the Superintendency of Banks, related parties are defined as individuals or companies who are directors, officers, or shareholders who own more than 1% of the Bank's shares.

Entities in which a director, officer or shareholder of the Bank holds more than a 5% interest as well as entities that have directors in common with the Bank are also considered to be related parties. In the following tables, trading and manufacturing companies are defined as operating companies, and companies whose purpose is to hold shares in other companies are defined as investment companies.

(a) Loans granted to related parties

Loans to related parties, all of which are current, are as follows:

	As of December 31,					
	2002		2003		2004	
	Loans MCh$	Collateral Pledged MCh$	Loans MCh$	Collateral Pledged MCh$	Loans MCh$	Collateral Pledged MCh$
Operating companies	99,824	23,830	80,961	22,041	110,806	45,014
Investment companies	7,188	2,286	18,193	2,371	17,023	2,343
Individuals (1)	1,815	1,422	2,337	1,617	2,930	2,629
Total	**108,827**	**27,538**	**101,491**	**26,029**	**130,759**	**49,986**

(1) Includes only debt obligations that are equal to or greater than UF3,000, equivalent to approximately MCh$ 52 as of December 31, 2004.

The activity in the balances of loans to related parties are as follows:

	2003 MCh$	2004 MCh$
Balance as of January 1,	108,827	101,491
New loans	30,039	72,062
Repayments	(36,298)	(40,319)
Price-level restatement (1)	(1,077)	(2,475)
Balance as of December 31,	**101,491**	**130,759**

(1) Reflects the effect of restatement of beginning balances to constant pesos of December 31, 2004.

(Restated for general price - level changes and expressed in millions of constant
Chilean pesos as of December 31, 2004)

16. Transactions with Related Parties (continued)

(b) Other transactions with related parties.

During the years ended December 31, 2002, 2003 and 2004, the Bank incurred the following expenses and income as a result of transactions with related parties equal to or greater than UF 5,000 equivalent to approximately MCh$ 87 as of December 31, 2004.

	Years ended December 31,					
	2002		2003		2004	
	Expense MCh$	Revenue MCh$	Expense MCh$	Revenue MCh$	Expense MCh$	Revenue MCh$
Redbanc S.A.	2,295	—	2,494	—	2,807	—
Empresa Nacional de Telecomunicaciones S.A.	2,709	—	1,898	—	2,290	—
Operadora de Tarjetas de Crédito Nexus S.A.	1,648	—	1,747	—	2,066	—
Entel Telefonía Local S.A.	117	—	207	—	280	—
Depósito Central de Valores, Depósitos de Valores S.A.	199	—	288	—	260	—
Compañía Nacional de Teléfonos Telefónica del Sur S.A.	104	—	139	—	251	—
Banchile Cía de Seguros de Vida S.A.	161	—	224	—	242	—
Entel PCS Telecomunicaciones S.A.	345	—	231	—	218	—
Centro de Compensación Automatizado S.A.	131	—	32	—	135	—
Asociación de Bancos e Instituciones Financieras	—	—	109	—	106	—
Hoteles Carrera S.A.	156	—	141	—	19	—
Línea Aérea Nacional Chile S.A.	—	107	—	109	—	108
Subtotal	**7,865**	**107**	**7,510**	**109**	**8,674**	**108**
Transactions between 1,000 and 5,000 UF:						
Services expenses	341	—	265	—	269	—
Advisory	—	—	63	—	—	—
Rental income.	—	—	—	50	—	—
Subtotal	**341**	—	**328**	**50**	**269**	—
Total	**8,206**	**107**	**7,838**	**159**	**8,943**	**108**

These expense and revenue items are for services received and rendered by the Bank from related parties at market rates. Article 89 of the Chilean Corporations Law requires that the Bank's transactions with related parties be carried out on a market basis or on terms similar to those prevailing in the market.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Restated for general price - level changes and expressed in millions of constant Chilean pesos as of December 31, 2004)

17. Fees and income from services and non-operating income and expenses

The Bank's fees and income from services and non-operating income and expenses for the years ended December 31, 2002, 2003 and 2004 are summarized as follows:

	Years ended December 31,					
	2002		2003		2004	
	Income MCh$	Expenses MCh$	Income MCh$	Expenses MCh$	Income MCh$	Expenses MCh$
Fees and income from services						
Credit cards	12,412	(5,790)	15,053	(6,421)	18,470	(6,875)
Sight accounts and ATMs	12,282	(2,666)	15,678	(7,304)	17,570	(7,138)
Demand deposits and overdrafts	20,893	—	22,200	—	24,037	—
Credit lines	5,158	—	5,659	—	6,747	—
Mutual funds	13,619	(1,371)	15,029	(1,429)	20,446	(1,830)
Stock brokerage	4,162	(446)	10,160	(627)	12,858	(775)
Collection services	2,675	—	2,946	—	3,561	—
Receipts and payment of services	5,891	—	7,358	(7)	7,970	(10)
Collection of over-due loans	6,558	—	8,837	—	8,569	—
Income and revenue from goods received in lieu of payment	3,035	(1,774)	4,284	(1,796)	5,491	(1,617)
Letters of credit, guarantees, collaterals and other contingent loans	4,184	—	4,073	—	5,148	—
Insurance	7,032	(738)	10,752	(1,156)	14,408	(172)
Financial advisory services	1,977	—	5,484	—	4,632	—
Foreign trade and currency exchange	2,300	—	3,340	—	3,409	—
Prepaid loans	1,238	—	2,018	—	3,317	—
Leasing	1,727	(496)	1,678	(527)	1,625	(86)
Factoring	305	(4)	753	(3)	634	(50)
Custody and trust services	609	—	934	—	1,399	—
Sales force expenses	—	(8,767)	—	(11,135)	—	(11,193)
Teller services expenses	—	(2,834)	—	(3,252)	—	(3,388)
Cobranding expenses	—	(3,149)	—	(6,095)	—	(3,633)
Other	2,190	(1,479)	4,282	(2,515)	6,413	(3,095)
Total	**108,247**	**(29,514)**	**140,518**	**(42,267)**	**166,704**	**(39,862)**
Non-operating income and expenses						
Rental income	2,766	—	2,427	—	2,356	—
Gains on sales of assets received in lieu of payment	856	—	1,314	—	843	—
Recoveries of expenses	540	—	533	—	583	—
Income from sale of fixed assets	537	—	540	—	297	—
Foreign trade income	45	—	6	—	146	—
Leasing income	10	—	1	—	75	—
Dividends received	10	—	20	—	56	—
Indemnity of sinesters	—	—	111	—	1	—
Charge-offs	—	(1,347)	—	(2,313)	—	(1,327)
Provision for recovered leased assets	—	(235)	—	(1,407)	—	(1,454)
Charge-offs assets received in lieu of payment	—	(8,582)	—	(7,540)	—	(8,219)
Tax expenses from previous years	—	—	—	—	—	(2,247)
Write-offs for frauds	—	—	—	(110)	—	(1,063)
Delivery services of bank products	—	(661)	—	(653)	—	(647)
Provision and charge-offs other assets	—	(20)	—	(677)	—	(408)
Expenses on charge-offs for leasing	—	(6)	—	(620)	—	(242)
Legal contingencies provision	—	(995)	—	(151)	—	(182)
Reversal of adjustments and interest from previous years	—	(36)	—	(695)	—	(124)
Cash losses	—	(146)	—	(129)	—	(82)
Advertising expenses	—	(59)	—	(45)	—	(53)
Charge-offs and provisions related to fixed assets	—	(3,016)	—	(127)	—	(43)
Charge-off obsolete materials	—	(289)	—	(329)	—	(1)
Charge-offs of transaction in process related to the merger	—	(2,087)	—	—	—	—
Amortization of negative goodwill	—	(11)	—	(55)	—	—
Other	1,371	(3,430)	477	(1,112)	464	(466)
Total	**6,135**	**(20,920)**	**5,429**	**(15,963)**	**4,821**	**(16,558)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Restated for general price - level changes and expressed in millions of constant Chilean pesos as of December 31, 2004)

18. Board of Directors Compensation

As agreed at the Shareholders Meeting, during 2003 and 2004 the Bank and its subsidiaries have paid, and charged to income, remunerations to the Directors:

	Remunerations		Fees for attending Board meetings		Fees for attending Committees and Subsidiary Board meetings		Travel expenses and other		Total	
Name of Director	**2003 MCh$**	**2004 MCh$**	**2003 MCh$**	**2004 MCh$**	**2003 MCh$**	**2004 MCh$**	**2003 MCh$**	**2004 MCh$**	**2003 MCh$**	**2004 MCh$**
Segismundo Schulin-Zeuthen Serrano	83.1	115.9	39.0	40.1	157.1	153.0	19.6	5.0	298.8	314.0
Andrónico Luksic Craig	83.1	115.9	20.0	13.7	—	—	52.0	36.2	155.1	165.8
Jorge Awad Mehech	41.6	40.9	22.5	18.8	79.9	111.1	—	—	144.0	170.8
Jorge Díaz Vial	41.6	40.9	20.8	21.3	38.1	39.2	8.5	5.0	109.0	106.4
Edmundo Eluchans Urenda	41.6	40.9	18.1	19.6	37.3	46.0	—	—	97.0	106.5
Jacob Ergas Ergas	41.6	40.9	20.0	14.5	71.1	65.7	—	—	132.7	121.1
Guillermo Luksic Craig	41.6	40.9	13.0	11.9	11.2	12.8	—	—	65.8	65.6
Rodrigo Manubens Moltedo	41.6	40.9	22.5	19.6	124.6	131.7	—	146.1*	188.7	338.3
Gonzalo Menéndez Duque	41.6	40.9	20.0	20.4	148.2	165.4	43.1	44.7	252.9	271.4
Máximo Pacheco Matte	41.6	40.9	19.1	18.7	48.5	6.0	—	—	109.2	65.6
Francisco Pérez Mackenna	41.6	40.9	19.1	19.6	47.6	60.6	—	—	108.3	121.1
Máximo Silva Bafalluy	41.6	40.9	22.5	21.3	50.3	66.5	—	—	114.4	128.7
Manuel Sobral Fraile	41.6	37.4	22.5	18.7	61.6	69.1	—	—	125.7	125.2
Thomas Fürst Freiwirth	—	3.5	—	2.6	—	3.5	—	—	—	9.6
Other subsidiaries directors	—	—	—	—	87.9	70.0	—	—	87.9	70.0
Total	**623.8**	**681.7**	**279.1**	**260.8**	**963.4**	**1,000.6**	**123.2**	**237.0**	**1,989.5**	**2,180.1**

* Includes fees for consulting agreed upon by the Board of Directors of MCh$77.9.

19. Loan Loss Recoveries

	Years ended December 31,		
	2002 MCh$	**2003 MCh$**	**2004 MCh$**
Loan portfolio previously charged-off	11,591	25,228	28,359
Loans reacquired from Central Bank	743	798	5,377
Total	**12,334**	**26,026**	**33,736**

Recovery of loans reacquired from the Central Bank includes payments received on such loans, which at the date of their repurchase from the Central Bank were deemed to have no value and were recorded in memorandum accounts.

(Restated for general price - level changes and expressed in millions of constant
Chilean pesos as of December 31, 2004)

20. Foreign Currency Position

The consolidated balance sheets include assets and liabilities denominated in foreign currencies, which have been translated to Chilean pesos at the Observed Exchange Rates as of December 31, 2003 and 2004 and assets and liabilities denominated in Chilean pesos but that contain repayment terms linked to changes in foreign currency exchange rates, detailed below:

	As of December 31, 2003			As of December 31, 2004		
	Payable in Foreign Currency	Payable in Chilean Pesos	Total	Payable in Foreign Currency	Payable in Chilean Pesos	Total
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
ASSETS						
Cash and due from banks	176,895	—	176,895	185,058	—	185,058
Loans	764,897	30,170	795,067	764,563	20,797	785,360
Contingent loans	210,254	—	210,254	221,912	—	221,912
Interbank loans	4,840	—	4,840	1,153	—	1,153
Financial investments	423,049	436,182	859,231	502,819	213,363	716,182
Leasing contracts	—	34,317	34,317	—	30,649	30,649
Other assets	263,093	—	263,093	304,406	—	304,406
Total assets	**1,843,028**	**500,669**	**2,343,697**	**1,979,911**	**264,809**	**2,244,720**
LIABILITIES						
Deposits	1,145,352	1,094	1,146,446	1,187,144	173	1,187,317
Contingent liabilities	211,120	—	211,120	223,984	—	223,984
Borrowings from domestic financial institutions	15,159	—	15,159	21,789	—	21,789
Foreign borrowings	735,869	—	735,869	595,511	—	595,511
Other liabilities	211,706	123	211,829	179,501	77	179,578
Total liabilities	**2,319,206**	**1,217**	**2,320,423**	**2,207,929**	**250**	**2,208,179**
NET (LIABILITIES) ASSETS	**(476,178)**	**499,452**	**23,274**	**(228,018)**	**264,559**	**36,541**

(Restated for general price - level changes and expressed in millions of constant Chilean pesos as of December 31, 2004)

21. Income Taxes

The Bank has recorded the effects of deferred taxes on its consolidated financial statements in accordance with Technical Bulletin No.60 and the related amendments thereto issued by the Chilean Association of Accountants.

As described in these accounting standards, beginning January 1, 1999, the Bank recognized the consolidated tax effects generated by the temporary differences between financial and tax values of assets and liabilities. At the same date, the net deferred tax determined was completely offset against a net "complementary" account. Such complementary deferred tax balances are being amortized over the estimated reversal periods corresponding to the underlying temporary differences as of January 1, 1999. The net balance to be amortized as of December 31, 2003 was MCh$(479), and as of December 31, 2004 was MCh$0. Deferred tax asset and liability amounts are presented on the balance sheet net of the related unamortized complementary account balances in the balance sheet. The corresponding movements and effects are as follows:

	Balance as of December 31, 2003 (1)	2004 Amortizations	2004 Deferred taxes	Balance as of December 31, 2004
	MCh$	MCh$	MCh$	MCh$
Deferred tax assets				
Allowances for loan losses	23,453	—	4,243	27,696
Obligations with repurchase agreements	42,075	—	(31,507)	10,568
Leasing equipment	8,517	—	(947)	7,570
Assets at market value	1,829	—	942	2,771
Personnel provisions	1,524	—	552	2,076
Staff vacations	1,512	—	153	1,665
Accrued interests and readjustments from risky loan portfolio	1,936	—	(844)	1,092
Accruals interest and readjustments from past due loans	807	—	7	814
Staff severance indemnities	680	—	27	707
Charge-offs from financial investment	332	—	(266)	66
Other adjustments	9,325	—	399	9,724
Total	91,990	—	(27,241)	64,749
Complementary account balance	(526)	526	—	—
Net assets	91,464			64,749
Deferred tax liabilities				
Investments with repurchase agreements	41,563	—	(31,153)	10,410
Depreciation and price-level restatement of fixed assets	5,307	—	(397)	4,910
Transitory assets	1,112	—	669	1,781
Other adjustments	1,260	—	538	1,798
Total	49,242	—	(30,343)	18,899
Complementary account balance	(993)	993	—	—
Net liabilities	48,249			18,899

(1) For presentation purposes, deferred income tax balances as of December 31, 2003 are presented on a historical basis. For comparison purposes, price-level restated amounts for 2003 correspond to MCh$ 93,751 for net deferred tax assets and MCh$ 49,455 for net deferred tax liabilities.

(Restated for general price - level changes and expressed in millions of constant Chilean pesos as of December 31, 2004)

21. Income Taxes (continued)

"Income taxes" as presented in the Consolidated Statements of Income for the years ended December 31, 2002, 2003 and 2004 are summarized as follows:

	Years ended December 31,		
	2002 MCh$	2003 MCh$	2004 MCh$
Current income tax provision	(8,580)	(17,378)	(20,216)
Amortization of complementary accounts	2,315	1,302	(467)
Deferred tax effect for the year	8,491	1,942	3,102
Deferred taxes from previous year	2,830	—	—
Income tax (reassessment of previous year)	(3,349)	—	—
Non-deductible expenses Art. 21	(443)	(694)	(768)
Tax benefit related to absorption of tax losses carry forwards	(70)	578	—
Income taxes benefit (expense)	**1,194**	**(14,250)**	**(18,349)**

22. Commitments and contingencies

(a) Legal contingencies

In the ordinary course of business, the Bank and its subsidiaries act as defendant or co-defendant in various litigation matters. Although there can be no assurances, the Bank's management believes, based on information currently available, that the ultimate resolution of these legal proceedings are not likely to have a material adverse effect on its results of operations, financial condition, or liquidity. The Bank has established provisions for legal contingencies in the amount of MCh$775 and MCh$925 as of December 31, 2003 and 2004, respectively.

(b) Commitments

The Bank is party to transactions with off-balance sheet risk in the normal course of its business, which exposes the Bank to credit risk in addition to amounts recognized in the consolidated financial statements. These transactions include commitments to extend credit not otherwise accounted for as contingent loans, such as overdrafts and credit card lines of credit. Such commitments are agreements to lend to a customer at a future date, subject to compliance with the contractual terms. Since a substantial portion of these commitments is expected to expire without being drawn on, the total commitment amounts do not necessarily represent actual future cash requirements of the Bank. The amounts of these loan commitments are MCh$593,001 and MCh$909,217 and the amounts of subscribed leasing contracts are MCh$41,195 and MCh$55,537 as of December 31, 2003 and 2004, respectively.

(c) Other contingencies

The Office of the Comptroller of the Currency (OCC) is conducting a targeted examination of the New York Branch of Banco de Chile to determine the Bank's compliance with U.S. Bank Secrecy Act and anti-money laundering requirements with respect to certain accounts of the New York Branch. The Federal Reserve Bank of Atlanta is also conducting a targeted examination with respect to certain accounts of the Bank's Miami Branch. The Bank is cooperating fully with these examinations. In connection with its examination, the OCC has designated the New York Branch to be in such a condition that it must obtain prior approval from the OCC before making new appointments of certain senior executive officers. The ongoing examinations are likely to result in additional supervisory actions by the OCC and the Federal Reserve Bank of Atlanta, which could include operating restrictions and the assessment of monetary penalties, although the extent of such actions cannot be determined at this time (see note 27 (a)).

(Restated for general price - level changes and expressed in millions of constant
Chilean pesos as of December 31, 2004)

23. Fiduciary Activities

The following items are recorded in memorandum accounts by the Bank and represent fiduciary safekeeping and custody services:

	As of December 31,	
	2003 MCh$	2004 MCh$
Securities held in safe custody	2,837,147	3,046,038
Amounts to be collected on behalf of domestic third parties	192,668	273,994
Amounts to be collected on behalf of foreign third parties	339,535	359,152
Administration of assets	38	—
Total fiduciary activities	**3,369,388**	**3,679,184**

24. Concentrations of Credit Risk

Concentrations of credit risk (whether on or off-balance sheet) arising from financial instruments exist in relation to certain groups of customers. A group concentration arises when a number of parties have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The Bank does not have a significant exposure to any individual customer or counterparty.

Counterparty risk

The Bank maintains a series of deposits, investments purchased under agreements to resell, forward contract agreements and other financial instruments with institutions in the Chilean banking sector. The principal counterparties within the Chilean banking sector, excluding the Central Bank, and the Bank's related exposure to credit risk, as of December 31, 2003 and 2004 are as follows:

	Credit Risk As of December 31,	
Bank	2003 MCh$	2004 MCh$
Banco Santander - Chile	25,394	17,019
Banco Bice	8,221	8,566
BBVA Banco Bhif	10,821	3,330
Banco Security	151	3,105
Banco del Estado de Chile	61,245	1,757
Banco de Crédito e Inversiones	21,432	1,568
BankBoston N.A.	330	1,192
Scotiabank Sud Americano	108	1,108
Corpbanca	—	856
Citibank N.A.	70	704
JP Morgan Chase Bank	364	660
ABN Amro Bank (Chile)	1,827	561
Deutsche Bank (Chile)	—	88
Banco Falabella	—	65
Banco Internacional	68	57
Banco Monex	—	44
Banco Ripley	—	38

The Bank maintains a policy of placing deposits with a number of different financial institutions and does not believe that any one of these banks represents an unacceptable credit risk. The Bank does not usually require collateral from these counterparties.

(Restated for general price - level changes and expressed in millions of constant
Chilean pesos as of December 31, 2004)

25. Sales and Purchases of Loans

From time to time, the Bank does sell and purchase loans based on specific requirements from customers. During the years ended December 31, 2002, 2003 and 2004, the Bank sold loans totaling MCh$11,949, MCh$15,668 and MCh$64,407, respectively, however, the Bank does not originate loans for future sale. The Bank did not retain servicing or any other interest in the loans sold or retains any risks in the event of non-collection by the purchaser. During the year ended December 31, 2004, the Bank purchased loans amounting to MCh$4,908. During prior years the Bank did not purchased loans. Any gains or losses on such transactions are recognized in results of operations at the time of the transactions.

The aggregate gains on sales of loans were MCh$88, MCh$ 410 and MCh$9,924 for the years ended December 31, 2002, 2003 and 2004, respectively.

26. Maturity of Assets and Liabilities

The maturity dates of assets and liabilities are shown in the following table including accrued interest as of December 31, 2004.

	As of December 31, 2004					
	Due within 1 year	Due after 1 year but within 3 years	Due after 3 years but within 6 years	Due after 6 years	Total 2004	Total 2003
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
ASSETS						
Loans (1)	2,996,428	1,136,156	878,271	1,222,926	6,233,781	5,848,691
Securities (2)	1,601,449	5,731	—	—	1,607,180	1,963,896
Total	**4,597,877**	**1,141,887**	**878,271**	**1,222,926**	**7,840,961**	**7,812,587**
LIABILITIES						
Deposit and other obligations (3)	3,296,296	224,033	1,020	—	3,521,349	3,344,337
Mortgage finance bonds	79,647	142,559	203,348	363,334	788,888	1,039,813
Bonds	56,013	97,076	118,537	176,193	447,819	281,182
Chilean Central Bank borrowings:						
Central Bank credit lines for renegotiations of loans	1,930	—	—	—	1,930	3,049
Other Central Bank borrowings	107,643	—	—	—	107,643	25,529
Borrowings from domestic financial institutions	26,399	—	—	—	26,399	51,129
Foreign borrowings	556,312	39,236	—	—	595,548	735,918
Other obligations	35,154	3,382	4,706	1,605	44,847	61,090
Total	**4,159,394**	**506,286**	**327,611**	**541,132**	**5,534,423**	**5,542,047**

(1) Excludes contingent loans, overdue loans (1-89 days) and past due loans (90 days or more).
(2) Excludes unrealized losses on permanent financial investments included in equity of MCh$336 and MCh$93 for the years ended December 31, 2003 and 2004 respectively. In accordance with Superintendency of Banks trading investments are classified as due within 1 year.
(3) Excludes demand deposit accounts, saving accounts, investments sold under agreements to repurchase and contingent liabilities.

27. Subsequent Events

(a) Cease and Desist Order

Banco de Chile has agreed with the Office of the Comptroller of the Currency (OCC), and separately with the Board of Governors of the Federal Reserve System (FED), that as part of their targeted examinations being conducted on the Bank's New York and Miami branches, respectively, enforcement actions called "Consent Order" and "Cease and Desist Order Upon Consent" be issued, both effective on February 1st, 2005, by virtue of which the Bank and its respective branches have committed to take various steps set forth therein, principally in the areas of compliance with the U.S. Bank Secrecy Act and anti–money laundering laws.

(b) At the Ordinary Shareholders meeting of the Bank, held on March 17, 2005, the Board of Directors was renewed, due to the end of the legal and statutory three year period. It was also agreed to designate Alternate Directors.

The following persons were appointed as Directors for a three year term:

Directors:	Jorge Awad Mehech Serrano
	Fernando Cañas Berkowitz
	Jacob Ergas Ergas
	Thomas Fürst Freiwirth
	Andrónico Luksic Craig
	Guillermo Luksic Craig
	Rodrigo Manubens Moltedo
	Gonzalo Menéndez Duque
	Máximo Pacheco Matte
	Francisco Pérez Mackenna
	Segismundo Schulin-Zeuthen Serrano
Alternate Directors:	Edmundo Eluchans Urenda
	Jorge Ergas Heymann

After the aforesaid Ordinary Shareholders meeting, the Board of Directors agreed to make the following appointments:

Chairman of the Board:	Fernando Cañas Berkowitz
Vice-chairman of the Board:	Andrónico Luksic Craig
Advisers to the Board:	Jorge Díaz Vial
	Francisco Garcés Garrido
	Máximo Silva Bafalluy

27. Subsequent Events (continued)

(c) At the Board Meeting No. 2596, held on March 24, 2005, it was agreed to begin the process to sell the shares acquired under the Repurchase Program approved at the Shareholders meeting held on March 20, 2003. By virtue of such repurchase program 1,701,994,590 shares equivalent to 2.50% of the issued shares, were acquired on April 26, 2004, at Ch$31 per share, equal to 0.001839 Unidades de Fomento each.

Resolution No. 1065-03-030529 of the Chilean Central Bank, dated May 29, 2003, ordered that the Central Bank must be asked to appraise the shares acquired under the Program for the purpose of transferring the same.

On May 5, 2005, the Chilean Central Bank adopted resolution No. 1194-01-050505, in which it resolved to appraise the shares of its own common stock acquired by Banco de Chile in accordance with the aforementioned program, in Ch$35.10, equivalent to 0.002031 Unidades de Fomento.

At the Board Meeting No. 2,599, held May 12, 2005, the Banco de Chile Board of Directors acknowledged the appraisal by the Chilean Central Bank and agreed to make a preemptive offer of 968,822,755 shares, that is, 56.92% of the shares acquired under the aforesaid Repurchase Program, to all shareholders in Banco de Chile and in Sociedad Matriz del Banco de Chile S.A. at the rate of 0.02564 of a share for each share in any series registered in the respective shareholders registries as of May 16, 2005. This preemptive offer will be valid from May 24, 2005 through June 22, 2005.

A special offering period valid for thirty days starting June 23, 2005 will be set to offer the remaining 733,171,835 Banco de Chile shares, equal to 43.08% of all shares acquired under the Repurchase Program, at the same price equivalent to 0.002031 Unidades de Fomento. This offering, corresponding to the preemptive right of purchase of the shareholder SAOS S.A., may be exercised by the shareholders of series A, B and D of Sociedad Matriz del Banco de Chile S.A.

(d) Other:

In the opinion of Bank's Management, as of the date in which these consolidated financial statements were issued there are no other significant subsequent events that affect or that could affect the consolidated financial statements of the Bank and its subsidiaries as of December 31, 2004.

28. Differences between Chilean and United States Generally Accepted Accounting Principles

The following is a description of the significant differences between accounting principles as prescribed by the Superintendency of Banks and accounting principles generally accepted in Chile (collectively "Chilean GAAP"), and accounting principles generally accepted in the United States of America ("U.S. GAAP").

References below to "SFAS" are to United States Statements of Financial Accounting Standards. Pursuant to Chilean GAAP, the Bank's financial statements recognize certain effects of inflation. In addition, the Bank translates the accounting records of its branch in New York, USA, its agency in Miami, USA and its subsidiary Banchile Trade Services Limited in Hong Kong to Chilean pesos from US dollars in accordance with guidelines established by the Superintendency of Banks, which are consistent with Technical Bulletin Nº64, "Accounting for investments Abroad", issued by the Chilean Association of Accountants. In the opinion of the Bank, this foreign currency translation methodology forms part of the comprehensive basis of preparation of price-level adjusted financial statements required by Chilean GAAP. Inclusion of inflation and the effects of translation in the accompanying consolidated financial statements under the Chilean accounting standards in the financial statements is considered appropriate under the inflationary conditions that have historically affected the Chilean economy even though the cumulative inflation rate for the last three years does not exceed 100% and, accordingly have not been eliminated in the reconciliation to U.S. GAAP included under paragraph (s) below.

28. Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

(a) Push Down Accounting

Under Chilean GAAP, the merger on January 1, 2002 between Banco de Chile and Banco de A. Edwards (the "Predecessor Banks") was accounted for as a "pooling of interests" on a prospective basis. As such, the historical financial statements for periods prior to the merger were not restated and Banco de Chile was considered to be the continuing entity for legal and accounting purposes. Under U.S. GAAP, the merger of the two banks was accounted for as a merger of entities under common control, as LQ Inversiones Financieras, a holding company beneficially owned by Quiñenco, controlled both Banco de Chile and Banco de A. Edwards since March 27, 2001.

Under U.S. GAAP, when accounting for a merger of entities under common control, the book values of the merging entities that are held in the books of the common parent must be pushed down to the merged entity. This means that goodwill previously created in the books of Quiñenco, the transferring entity, at the time that it acquired each bank and also any fair value differences created from those purchases must be included in the U.S. GAAP accounting records of the Bank. In practice this means that the goodwill and fair value adjustments created from Quiñenco's purchases of Banco de A. Edwards during September and October, 1999 and from Quiñenco's purchases of Banco de Chile made during 1999, 2000 and March 2001 are pushed down to the merged entity. As this treatment does not apply in Chilean GAAP, there is a significant difference in the asset and liability bases under each body of accounting principles.

Quiñenco acquired Banco de A. Edwards, through step acquisitions between September 2, 1999 and October 26, 1999. There were no additional share transactions between 1999 and the date of the merger. Similarly, Quiñenco acquired Banco de Chile through step acquisitions between October 1999 and March 27, 2001.

Under U.S. GAAP, acquisitions that are accounted for using the purchase method of accounting result in the identifiable assets and liabilities of the acquired bank being adjusted to their fair values in the consolidated financial statements of the acquirer. Adjustments to assets acquired and liabilities assumed to fair value and recording the fair values of unrecognized intangible assets are generically referred to as purchase accounting adjustments. As a result of its acquisitions of Banco de Chile and Banco de A. Edwards, Quiñenco recorded purchase accounting adjustments to reflect differences related to:

- the fair value of intangible assets, including brand names and long-term customer-relationship intangible (core deposit intangibles);
- the fair values of loans, excluding any adjustments in the acquiree's historical allowance for loan losses or other contingent liabilities;
- the accounting for staff severance liabilities;
- the fair value of bank premises and equipment and other

(Restated for general price - level changes and expressed in millions of constant
Chilean pesos as of December 31, 2004)

28. Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

(a) Push Down Accounting (continued)

Such purchase accounting adjustments and goodwill and any equity method investments or equity participation in the results of operations of the acquired banks recorded by the common parent, must be recorded in the U.S. GAAP accounting records of the Bank. The effects of accounting for the push down of these purchase accounting adjustments, goodwill and any equity participation in the results of operations of the acquired banks into the accounting records of the Bank and their subsequent effects on net income is included in paragraph (s), below.

(b) Acquisition of Banco de A. Edwards

Under U.S. GAAP, to the extent that the Predecessor Banks were under common control, the assets and liabilities of Banco de A. Edwards were transferred into Banco de Chile using the U.S. GAAP carrying values of such assets and liabilities included in the records of the common parent. However, as Quiñenco only owned 51.18% of Banco de A. Edwards at the time of the merger, to the extent that the minority interest of Banco de A. Edwards was acquired through the issuance of Banco de Chile shares, Banco de Chile was considered the acquirer.

Therefore, Banco de Chile calculated goodwill based on the difference between the purchase price (i.e. the market value of the shares issued by Banco de Chile) and the fair value of the proportion of assets and liabilities acquired at the date of the merger. As part of this process, under U.S. GAAP, Banco de Chile was also required to value the interest acquired of previously unrecorded intangible assets, such as the Banco de Edwards brand name and core deposit intangibles, and to include these assets in the financial records of the Bank. Such assets were not required to be recorded under existing Chilean GAAP at that time.

As a consequence of the merger between Banco de Chile and Banco de A. Edwards, Banco de Chile issued 23,147,126,425 shares in exchange for all the outstanding common shares of Banco de A. Edwards using an exchange ratio of 3.135826295 Banco de Chile shares for each Banco de A. Edwards share. Under U.S. GAAP Banco de Chile was considered to have acquired 48.82% of the outstanding shares in Banco de A. Edwards, which corresponded to those shares that Quiñenco did not own as of that date. The acquisition of these shares has been accounted for using purchase accounting as described in the preceding paragraph. The consideration paid has been determined using an average of the market value of the publicly traded Banco de Chile shares, which at January 1, 2002 was Ch$ 25.11017 (historical Chilean pesos) per share, plus merger expenses.

Under U.S. GAAP, purchase allocation of the 48.82% participation acquired from shareholders other than Quiñenco and its subsidiaries as of January 1, 2002 was as follows:

	MCh$
Net book value of Banco de A. Edwards	124,610
Incremental fair value of identified intangible assets (1)(2)	32,245
Fair value decrement of identified net assets acquired	(46,497)
Fair value of Banco de A. Edwards	110,358
Purchase price	
Market value of Banco de Chile shares issued	(302,572)
Direct costs of acquisition	(1,216)
Goodwill	(193,430)

(1) Core deposit intangibles resulting from the acquisition amounted to MCh$28,715 and is being amortized over the estimated run-off period by product of the acquired customer base at the date of purchase.

(2) Brand name intangibles resulting from the acquisition amounted to MCh$3,530 and is being amortized over 10 years.

(Restated for general price - level changes and expressed in millions of constant
Chilean pesos as of December 31, 2004)

28. Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

(b) Acquisition of Banco de A. Edwards (continued)

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition.

	As of January 1, 2002
	MCh$
Cash and due from banks	126,979
Financial investments	187,612
Loans, net	1,088,046
Intangibles	32,245
Other	87,150
`otal assets acquired	**1,522,032**
Deposits	862,991
Other interest bearing liabilities	473,468
Other liabilities	75,215
Total liabilities assumed	**1,411,674**
Net assets acquired	**110,358**

Of the MCh$32,245 of acquired intangible assets, MCh$28,715 was assigned to core deposits subject to amortization (using an estimated rate that the bank's customers are expected to leave the bank in future years, based on a historical analyses performed by the Bank), and MCh$3,530 has been assigned to a registered trademark that is being amortized over a 10 year useful life.

The Bank does not amortize goodwill related to the acquisition of Banco de A. Edwards, following the provisions of SFAS No. 142, as described in paragraph (c) below.

(c) Amortization of Goodwill and Intangible Assets

The Bank adopted Statement of Financial Accounting Standard No. 142, “Goodwill and Other Intangible Assets”, (“SFAS 142”) as of January 1, 2002. SFAS 142 applies to all goodwill and identified intangible assets acquired in a business combination. Under this standard, beginning January 1, 2002, all goodwill, including that acquired before initial application of the standard, and indefinite-lived intangible assets are not amortized, but must be tested for impairment at least annually.

The Bank has performed the annual impairment test of goodwill required by the standard, which did not result in any impairment. Under Chilean GAAP, the Bank does not present any goodwill as of December 31, 2004. Under U.S. GAAP, the carrying value of goodwill, net of accumulated amortization, related to the push-down of goodwill from Quiñenco and the acquisitions of Banco de A. Edwards and Leasing Andino, described in paragraphs (a), (b) and (p) to this note, respectively, were MCh$370,542, MCh$193,430 and MCh$1,919, respectively.

The table below presents the allocation of the total carrying value of goodwill by segments of the Bank:

Business Segments	**MCh$**
Large Corporate	212,276
Middle Market	120,919
Retail Banking	158,281
International Banking	39,987
Treasury	10,891
Subsidiaries	23,537
Total goodwill	**565,891**

28. Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

(d) Loan Origination Commissions and Fees

Under Chilean GAAP, as from January 1, 2000, Banco de A. Edwards began recognizing loan origination and service fees and costs over the term of loans to which they relate, and the period that the services are performed. Banco de Chile began applying this accounting treatment during 2001 for loan origination and service fees and certain costs, and from January 1, 2002 for those related costs previously not considered. Prior to this accounting change, loan origination and service fees were recognized when collected and related direct costs when incurred.

Under Statement of Financial Accounting Standard No. 91, "Accounting for Nonrefundable Fees and Costs Associated with Origination of Acquiring Loans and Initial Direct Costs of Leases", loan origination fees and certain direct loan origination costs should be recognized over the term of the related loan as an adjustment to yield. As of December 31, 2002, the accounting treatment applied under Chilean GAAP is considered similar to U.S. GAAP.

The effect of accounting for net loan origination fees in accordance with U.S. GAAP is included in the reconciliation of consolidated net income and shareholders' equity in paragraph (s) below.

(e) Deferred Income taxes

Under Chilean GAAP, prior to 1999, the Bank did not record the effects of deferred income taxes. Effective January 1, 1999, and in accordance with the new accounting standard under Chilean GAAP, the Bank was required to record the effects of deferred tax assets and liabilities based on the liability method, with deferred tax assets and liabilities established for temporary differences between the financial reporting basis and the tax basis of the Bank's assets and liabilities at enacted tax rates expected to be in effect when such amounts are realized. As a transitional provision to reduce the impact of adoption of this standard, the banks were permitted to record a contra ("complementary") asset or liability as of the date of implementation of the new accounting standard, January 1, 1999, related to the effects of deferred income taxes from prior years.

These complementary assets and liabilities are to be amortized over the estimated period of reversal of the temporary differences that generate the future income tax asset or liability. Such period ended as of December 31, 2004.

Under Statement of Financial Accounting Standard No. 109, "Accounting for Income Taxes", income taxes are recognized using the liability method in a manner similar to Chilean GAAP. The effects of recording deferred income taxes and the elimination of the complementary assets and liabilities and their respective amortization are included in the reconciliation of consolidated net income and shareholders' equity in paragraph (s) below.

Additional disclosures required under SFAS No. 109 are further described in paragraph (v) below.

(f) Investments in other companies

As shown in Note 9, certain long-term investments of less than 20% of the outstanding shares in other companies have been recorded using the equity method of accounting. Under U.S. GAAP these investments would generally be accounted for at cost less any non-temporary impairment in value. The effect of recording these assets in accordance with U.S. GAAP is included in the reconciliation of consolidated net income and shareholders' equity in paragraph (s) below.

28. Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

(g) Repurchase agreements

The Bank enters into repurchase agreements as a source of financing. In this regard, under Chilean GAAP the Bank's investments that have been sold subject to repurchase agreements are reclassified from their investment category to investment collateral under agreements to repurchase. Under U.S. GAAP, no such reclassification is made since, in substance, the investment securities serve only as collateral on the borrowing. For purposes of the Article 9 consolidated balance sheets included in paragraph (u) below, investments that collateralize such borrowings are shown as trading investments.

(h) Interest income recognition on non-accrual loans

The Bank suspends the accrual of interest on loans when it is determined to be a loss or when it becomes past due. Previously accrued but uncollected interest is not reversed at the time the loan ceases to accrue interest.

Under U.S. GAAP, recognition of interest on loans is generally discontinued when, in the opinion of management, there is an assessment that the borrower will likely be unable to meet all contractual payments as they become due. As a general practice, this occurs when loans are 90 days or more overdue. Any accrued but uncollected interest is reversed against interest income at that time.

In addition, under Chilean GAAP, any payment received on past due loans is treated as income to the extent that accrued interest is due, but has not been recorded because the status of the loan, after reducing any recorded accrued interest receivable. Any remaining amount is then applied to reduce the outstanding principal balance. Under U.S. GAAP, any payment received on loans when the collectibility of the principal is in doubt is treated as a reduction of the outstanding principal balance of the loan until such doubt is removed. The effect of the difference in interest recognition on non-accrual loans is not material to the Bank’s financial position and results of its operations.

(i) Contingent assets and liabilities

Under Chilean GAAP the Bank recognizes rights and obligations with respect to contingent loans as contingent assets and liabilities. Under U.S. GAAP, such contingent amounts are not recognized on the balance sheet. If U.S. GAAP had been followed, the total assets and liabilities of the Bank would have been lower by MCh$419,879 and MCh$530,901 as of December 31, 2003 and 2004, respectively. This reclassification is included in the Article 9 consolidated financial statements in paragraph (u) below.

Within contingent assets and liabilities the Bank includes financial guarantees. For guarantees, in accordance to FASB Interpretation No. 45, “Guarantor’s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others” (“FIN 45”), a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. Under Chilean GAAP, the Bank recognizes a liability which approximates fair value of the obligation related to guarantees. The required FIN 45 disclosures have been incorporated into paragraph (ab), below.

(j) Allowance for loan losses

The determination of the allowance for loan losses and disclosure requirements under U.S. GAAP differs from that under Chilean GAAP in the following respects:

1) Allowance for loan losses

Under Chilean GAAP, the allowance for loan losses is calculated according to specific guidelines set out by the rules of the Superintendency of Banks, as described in Note 1 (l).

(Restated for general price - level changes and expressed in millions of constant Chilean pesos as of December 31, 2004)

28. Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

(j) Allowance for loan losses (continued)

Under U.S. GAAP allowances for loan losses should be in amounts adequate to cover inherent losses in the loan portfolio at the respective balance sheet dates. The Bank has estimated its required reserve under U.S. GAAP in the following manner:

- Allowances for commercial loans and leasing operations classified in loan risk category A1, A2, A3 and B (A and B under regulations in effect until January 1, 2004), which were not considered impaired under Statement of Financial Accounting Standard No. 114, "Accounting by Creditors for Impairment of a Loan" ("SFAS No. 114"), were analyzed and adjusted, if necessary, to reflect the estimated losses not identified based on individual credit analysis. The estimations were performed using historical loan data, in order to estimate the inherent losses in the Bank's loan portfolio, using patterns and trends based upon historical changes in loan classifications ("migration analysis").

- In addition, specific allowances were determined for loans on the following basis:

  i) Commercial loans and leasing operations greater than UF 5,000 (approximately MCh$87), which were considered impaired in accordance with the criteria established by SFAS No. 114, were valued at the present value of the expected future cash flows discounted at the loan's effective contractual interest rate, or at market rates in the case of those loans that were considered to be collateral dependent.

  ii) Allowances for commercial loans and leasing operations which were under UF 5,000 (approximately MCh$87) (i.e. those loans which were not considered in the above SFAS No. 114 analysis), were calculated using the weighted average loan provision, by loan classification, as determined in i).

  iii) Allowance for loan losses for mortgage and consumer loans were determined based on historical loan charge-offs, after considering the recoverability of the underlying collateral.

Based on the preceding estimation process the Bank computed its allowance for loan losses under U.S. GAAP, and compared this estimate with the reported allowance determined in accordance with the guidelines established by the Superintendency of Banks. The additional loan loss allowance (voluntary allowances under previous regulations) was deducted from the reserve requirements under U.S. GAAP to arrive at a cumulative U.S. GAAP adjustment, as follows:

	As of December 31,	
	2003 MCh$	**2004 MCh$**
U.S. GAAP loan loss reserve	154,242	115,789
Less: Chilean GAAP loan loss allowance as required by the Superintendency of Banks (1)	(162,867)	(153,742)
Chilean GAAP voluntary loan loss allowance	(21,071)	—
U.S. GAAP adjustment	**(29,696)**	**(37,953)**

(1) A reclassification of MCh$(63) was made to the 2003 Chilean GAAP amounts in order to conform with the 2004 presentation.

The effects of adopting SFAS No. 114 are included in the reconciliation included in paragraph (s) below.

(Restated for general price - level changes and expressed in millions of constant
Chilean pesos as of December 31, 2004)

28. Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

(j) Allowance for loan losses (continued)

2) Recognition of income

As of December 31, 2002, 2003 and 2004 the recorded investment in loans for which impairment had been recognized in accordance with SFAS No.114 totaled MCh$426,551, MCh$331,087 and MCh$400,288, respectively, with a corresponding valuation allowance of MCh$165,635 MCh$125,431 and MCh$94,376, respectively. For the years ended December 31, 2002, 2003 and 2004 the average recorded investment in impaired loans was MCh$407,725, MCh$350,523 and MCh$504,604, respectively. For the years ended December 31, 2004, the Bank recognized interest on impaired loans MCh$39,001 (information related to prior periods is not available). Comparative information for the year ended December 31, 2002 is not available. The Bank recognizes interest on impaired loans on an accrual basis, except for past due loans for which the Bank recognizes interest on a cash basis, as described in paragraph (h) above. As of December 31, 2003 and 2004, the Bank had made provisions against all loans which it considered to be impaired.

3) Loan loss recoveries

Under U.S. GAAP recoveries of loans previously charged-off are added to the allowance when received; under Chilean GAAP such recoveries are recognized as other income.

The following presents an analysis under U.S. GAAP of the changes in the allowance for loan losses during the periods presented.

	2002 MCh$	2003 MCh$	2004 MCh$
Allowance for loan losses in accordance with U.S. GAAP, as of January 1, ...	200,255	201,474	154,242
Price-level restatement (1)	(6,660)	(2,817)	(4,608)
Charge-offs	(114,856)	(98,535)	(99,100)
Loan loss recoveries	12,334	26,026	33,736
Allowances for loan losses established	135,747	29,585	33,076
Allowances for loan losses released	(25,346)	(1,491)	(1,557)
Balances as of December 31,	**201,474**	**154,242**	**115,789**

(1) Reflects the effect of inflation and exchange rate changes of branches abroad on the allowance for loan losses under Chilean GAAP at the beginning of each period, adjusted to constant pesos of December 31, 2004.

4) Charge-offs

As discussed in Note 1 (l) of these financial statements, under Chilean GAAP the Bank charges-off loans when collection efforts have been exhausted. Under the rules and regulations established by the Superintendency of Banks, charge-offs must be made within the following maximum prescribed limits:

- 24 months after a loan is past due (3 months after past due for consumer loans) for loans without collateral;
- 36 months after a loan is past due for loans with collateral.

Under U.S. GAAP, loans should be written-off in the period that they are deemed uncollectible. The Bank believes that the charge-off policies it applies in accordance with Chilean GAAP are substantially the same as those required under U.S. GAAP, and therefore that differences are not significant to the presentation of its financial statements.

28. Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

(k) Mortgage Finance Bonds Issued by the Bank

Effective October 31, 2002 the Bank modified its accounting treatment of financial investments in mortgage finance bonds issued by the Bank in accordance with the instructions of the Superintendency of Banks, reducing from assets the amount recorded for mortgage finance bonds issued by the Bank, including a market value adjustment, and from liabilities, the respective mortgage finance bond obligation. Under U.S. GAAP, this accounting treatment would have been consistently applied.

The effects of this difference between Chilean and U.S. GAAP have been included in the reconciliation to U.S. GAAP in paragraph (s) below.

(l) Investment securities

Under Chilean GAAP the Bank classifies certain investments as permanent. These investments are stated at fair market value with unrealized gains and losses included in a separate component of shareholders' equity and with realized gains and losses included in other operating results.

Under U.S. GAAP, Statement of Financial Accounting Standard No. 115, "Accounting for Certain Investments in Debt and Equity Securities" ("SFAS No. 115"), requires that debt and equity securities be classified in accordance with the Bank's intent and ability to hold the security, as follows:

- Debt securities that the Bank has the positive intent and ability to hold to maturity are classified as held-to-maturity securities and are reported at amortized cost.
- Debt and equity securities that are bought and held by the Bank, principally for the purpose of selling them in the near term, are classified as trading securities and reported at fair value, with unrealized gains and losses included in earnings.
- Debt and equity securities not classified as either held-to-maturity securities or trading securities are classified as available-for-sale securities and reported at fair value, with unrealized gains and losses excluded from earnings and reported in a separate component of shareholders' equity.

Consequently, investments classified as permanent under Chilean GAAP are considered to be "available-for-sale" and all other investments are considered to be "trading", with the exception of certain investments, maintained by the Bank's branches in the United States of America, which are classified as "held-to-maturity".

Under Chilean GAAP, securities maintained by the Bank's branches abroad classified as "held-to-maturity" are stated at fair market value. Under U.S. GAAP, held-to-maturity investments are stated at amortized cost. The effect of eliminating the market value adjustment for these investments is included in the reconciliation of consolidated net income and shareholders' equity in paragraph (s) below.

Investment securities maintained by the Bank's subsidiaries are carried at the lower of price-level restated cost or market value and are classified as "trading" for U.S. GAAP purposes. The effect of the difference in the valuation criteria for these investments is not significant and therefore is not included in the reconciliation of consolidated net income and shareholder's equity in paragraph (s) below.

(Restated for general price - level changes and expressed in millions of constant
Chilean pesos as of December 31, 2004)

28. Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

(l) Investment securities (continued)

(1) Under Chilean GAAP, the unrealized holdings gains (losses) related to investments classified as permanent have been included in Shareholders' equity, which does not differ from the treatment of "available-for-sale" investments under U.S. GAAP.

The following are required disclosures for investments classified as available-for-sale in accordance with SFAS Nº115 and the presentation requirements of Article 9 (see paragraph (u) below), and have been prepared using amounts determined in accordance with U.S. GAAP.

Realized gains and losses are determined using the proceeds from sales less the cost of the investment identified to be sold. Gross gains and losses realized on the sale of available-for-sale securities for the year ended December 31, 2002, 2003 and 2004 are as follows:

	Years ended December 31,		
	2002 MCh$	2003 MCh$	2004 MCh$
Proceeds on sale of investments resulting in gains	71,293	11,352	1,444
Realized gains	1,542	5,578	26
Proceeds on sale of investments resulting in losses	58,106	3,465	-
Realized losses	2,071	150	-

The carrying value and market value of securities available-for-sale as of December 31, 2003 and 2004 are as follows:

	Years ended December 31,							
	2003				2004			
Available-for-sale Instruments:	Carrying Value	Gross Unrealized Gains	Gross Unrealized (Losses)	Estimated Fair Value	Carrying Value	Gross Unrealized Gains	Gross Unrealized (Losses)	Estimated Fair Value
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
Foreign private sector debt securities	-	-	-	-	9,585	-	-	9,585
U.S. Government debt securities	12,251	4	-	12,255	11,182	2	-	11,184
Credit linked investments	-	-	-	-	-	-	-	-
Chilean private sector debt securities	8,852	328	-	9,180	6,455	93	-	6,548
Total	**21,103**	**332**	**-**	**21,435**	**27,222**	**95**	**-**	**27,317**

The contractual maturities of securities, classified by the Bank as available-for-sale, are as follows:

	As of December 31, 2004			
Available-for-sale Instruments:	Within one year	After one year but within five years	After five years but within 10 years	Total
	MCh$	MCh$	MCh$	MCh$
U.S. Government debt securities	11,184	-	-	11,184
Chilean private sector debt securities	4,731	1,817	-	6,548
Foreign private sector debt securities	5,606	3,979	-	9,585
Estimated fair value	**21,521**	**5,796**	**-**	**27,317**

(Restated for general price - level changes and expressed in millions of constant
Chilean pesos as of December 31, 2004)

28. Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

(l) Investment securities (continued)

(2) The following disclosures are required for investments classified as held-to-maturity in accordance with SFAS No. 115:

	Years ended December 31,					
	2003			2004		
	Amortized Cost	Unrealized Gains	Estimated Fair Value	Amortized Cost	Unrealized Losses	Estimated Fair Value
Held-to-maturity Instruments:	**MCh$**	**MCh$**	**MCh$**	**MCh$**	**MCh$**	**MCh$**
U.S. Government debt securities	21,542	4	21,546	16,819	(2)	16,817
Total	**21,542**	**4**	**21,546**	**16,819**	**(2)**	**16,817**

The contractual maturities of securities classified by the Bank as held-to-maturity are as follows:

	As of December 31, 2004			
Held-to-maturity Instruments:	Within one year	After one year but within five years	After five years	Total
	MCh$	**MCh$**	**MCh$**	**MCh$**
U.S. Government debt securities	16,817	-	-	16,817
Estimated fair value	**16,817**	-	-	**16,817**

(3) Under U.S. GAAP, the Bank is required to disclose the amounts of unrealized holding gains and losses included in income on securities classified as trading. For the years ended December 31, 2002, 2003 and 2004, the Bank recognized in income unrealized holding gains (losses) of MCh$11,123 MCh$(10,483) and MCh$(675) respectively, on these securities.

The Bank evaluates all securities for declines in value that are considered other than temporary ("permanent impairment"). The Bank will charge-off to earnings any amounts which are deemed to be a permanent impairment of the value of that security.

(m) Derivatives

The Bank enters into derivative transactions for its own account and to meet customers' risk management needs. These transactions are mainly foreign exchange forward contracts, which are made in the most cases in US dollars against the Chilean peso or the UF and, from time to time, in other currencies but only when the Bank acts as an intermediary, in accordance with the requirements of the Central Bank that requires that foreign exchange forward contracts be made only in US dollars and other major foreign currencies. Other derivative transactions include primarily interest rate swaps (paid fixed-received floating) and rate lock. These are used for hedging purposes in order to manage, among other risks, U.S. interest rate risk related to the Yankee bonds of Chilean companies bought by the Bank.

In order to manage any credit risk associated with its derivative products, the Bank grants lines of credit to transaction counterparties, in accordance with its credit policies, for each derivative transaction. The counterparty risk exposure is a function of the type of derivative, the term to maturity of the transaction and the volatility of the risk factors that affect the derivative's market value, which are managed by the Bank on an on-going basis as market conditions warrant.

28. Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

(m) Derivatives (continued)

As explained in Note 1 (e), under Chilean GAAP the Bank accounts for forward contracts between foreign currencies and U.S. dollars and forwards contracts between the U.S. dollar and the Chilean peso or the U.F. are valued at the closing spot exchange rate of each balance sheet date, with the initial discount or premium being amortized over the life of the contract in accordance with Chilean hedge accounting criteria. The losses recognized in income associated with these contracts for the years ended December 31, 2002, 2003 and 2004 were MCh$25,186, MCh$36,270 and MCh$23,265, respectively. The Bank's interest rate swap agreements are treated as off-balance-sheet financial instruments and the net interest effect, which corresponds to the difference between interest income and interest expense arising from such agreements, is recorded in net income in the period that such differences originate, except for interest rate and cross currency swaps designated as a hedge of the foreign investment portfolio, which are recorded at their estimated fair market values.

Under U.S. GAAP, the Bank applies SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities", as amended by SFAS No.138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities" and SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities" (collectively "SFAS 133"), which established comprehensive accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and hedging activities. The Standard required that all derivative instruments be recorded in the balance sheet at fair value. However, the accounting for changes in fair value of the derivative instrument depends on whether the derivative instrument qualifies as a hedge. The standards also require formal documentation procedures for hedging relationships and effectiveness testing when hedge accounting is to be applied. If the derivative instrument does not qualify as a hedge, changes in fair value are reported in earnings when they occur. If the derivative instrument qualifies as a hedge, the accounting treatment varies based on the type of risk being hedged.

Under U.S. GAAP, the Bank records its entire portfolio of swap agreements at their estimated fair value and forward contracts between the U.S. dollar and the Chilean peso or UF at the fair value based on the forward exchange rate.

While the Bank enters into derivatives for the purpose of mitigating its global interest and foreign currency risks, these operations do not meet the strict documentation requirements to qualify for hedge accounting under U.S. GAAP, except for certain swaps and option contracts which at December 31, 2004 had been designated by the Bank's U.S. branches as fair value hedges. At December 31, 2003, the branches abroad did not designate any derivatives as hedges. Changes in the fair values of all derivative instruments are reported in earnings when they occur.

Current Chilean accounting rules do not consider the existence of derivative instruments embedded in other contracts and therefore they are not reflected in the financial statements. For U.S. GAAP purposes, certain implicit or explicit terms included in host contracts that affect some or all of the cash flows or the value of other exchanges required by the contract in a manner similar to a derivative instrument, must be separated from the host contract and accounted for at fair value. The Bank separately measures embedded derivatives as freestanding derivative instruments at their estimated fair values recognizing changes in earnings when they occur. Currently the only host contracts and instruments that the Bank has, which have implicit or explicit terms that must be separately accounted for at fair value, are credit linked investments and service type contracts related to computer and other services agreements. The effect of accounting for embedded derivatives is not material to the Bank's financial position and results of its operations.

The effects of the differences in accounting for derivative instruments between Chilean and U.S. GAAP on the consolidated net income and shareholders' equity of the Bank are included in paragraph (s) below.

28. Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

(n) Mandatory dividend

As required by the Chilean General Banking Law, unless otherwise decided by a two-thirds vote of its issued and subscribed shares, the Bank must distribute a cash dividend in an amount equal to at least 30% of its net income for each year as determined in accordance with Chilean GAAP, unless and except to the extent the Bank has unabsorbed prior year losses.

Since the payment of these dividends is a legal requirement in Chile, an accrual for U.S. GAAP purposes is made to recognize the corresponding decrease in equity at each balance sheet date. The Bank's liabilities would have been greater by MCh$40,145 and MCh$45,788 as of December 31, 2003 and 2004, respectively, under U.S. GAAP. The effects of these adjustments on the shareholders' equity of the Bank are included in paragraph (s) below.

(o) Assets received in lieu of payment

Under Chilean GAAP, assets received in lieu of payment are carried at cost and have been restated for price-level changes, less a global valuation allowance if the total of the market value of those assets is lower than the carrying amount. Market value is determined based on appraiser valuations, as required by the Superintendency of Banks. If the asset is not sold within one year, then recorded asset amounts must be written-off on at least a straight-line basis over the following 12-month period.

Under U.S. GAAP, assets received in lieu of payment are initially recorded at fair value less any estimated costs to sell at the date of foreclosure, on an individual asset basis. The effect of recording these assets in accordance with U.S. GAAP is included in the reconciliation of consolidated net income and shareholders' equity in paragraph (s) below.

(p) Acquisition of Leasing Andino

On April 23, 1999, the Bank and its subsidiary Banchile Asesorías Financieras S.A. acquired the remaining 35% of shares of Leasing Andino that it did not already own from Orix Corporation for MCh$14,262. Under Chilean GAAP, the Bank recorded goodwill in the amount of MCh$1,254 based on the differences between the investment purchase price and the amount of the underlying equity in the carrying value of the investee's net assets. As permitted by Chilean GAAP, goodwill can be amortized on an accelerated basis to the extent of the Bank's net income. Accordingly the Bank completely amortized the goodwill recorded as a result of this transaction during the year ended December 31, 1999.

Under U.S. GAAP, the difference between the cost of an investment and the amount of underlying equity in net assets is allocated to the underlying assets and liabilities based on their respective fair values at the time of the acquisition. Any excess of the cost of the investment over such fair value is treated as goodwill.

The effect of the differences in purchase accounting and the amortization of goodwill is included in the reconciliation of consolidated net income and shareholders' equity in paragraph (s) below.

28. Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

(q) Staff severance indemnities

The provision for staff severance indemnities, included in the account "Other Liabilities" (see Note 10), relates to a benefit payable to a defined number of employees, upon their retirement from the Bank, conditional upon having completed 30 years of continuous service. The Bank makes indemnity payments upon termination of the applicable employees, and has not set aside assets to fund its benefit obligation. Under Chilean GAAP, the corresponding liability is calculated by discounting the benefit accrued using real interest rates, as described in Note 1 (o), considering current salary levels of all employees eligible under the plan and the estimated average remaining service period. Under U.S. GAAP the corresponding liability is recorded using the shutdown method, consistent with the accounting criteria applied by its parent company, Quiñenco.

The effects of accounting for termination indemnity benefits under U.S. GAAP have been presented in paragraph (s), below.

(r) Merger expenses

During 2001, under Chilean GAAP, the Bank recorded certain expenses related to the merger with Banco de A. Edwards representing primarily severance costs and professional expenses. Under U.S. GAAP, such expenses would be deferred until the effective date of the merger. The effect of this difference has been presented in paragraph (s), below.

(Restated for general price - level changes and expressed in millions of constant Chilean pesos as of December 31, 2004)

28. Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

(s) Summary of Income Statement and Shareholders' Equity differences

The following is a reconciliation of consolidated net income under Chilean GAAP to the corresponding U.S. GAAP amounts:

	Years ended December 31,			
	2002 MCh$	2003 MCh$	2004 MCh$	2004 ThUS$
Net income in accordance with Chilean GAAP	**54,490**	**133,817**	**152,628**	**272,633**
U.S. GAAP adjustments:				
Push Down accounting (Note 28(a))				
Fair value of intangibles	(15,152)	(13,249)	(12,110)	(21,632)
Fair value of loans	(1,345)	(1,273)	(1,502)	(2,683)
Fair value of staff severance indemnities	4,410	—	—	—
Fair value of premises	(229)	(229)	(227)	(405)
Fair value of other	(59)	18	(74)	(132)
Acquisition of Banco Edwards (Note 28(b))				
Fair value of intangibles	(6,164)	(4,737)	(3,803)	(6,793)
Fair value of loans	11,727	1,131	800	1,429
Fair value of other interest bearing liabilities	12,819	4,468	4,324	7,724
Fair value of deposits	(28,533)	(243)	(25)	(45)
Fair value of premises	(9)	(9)	(9)	(16)
Fair value of other	244	85	82	146
Loan origination commissions and fees (Note 28 (d))	(1,052)	(479)	—	—
Investments in other companies (Note 28 (f))	(329)	100	25	45
Deferred income taxes (Note 28 (e))	(2,411)	(1,311)	480	857
Allowance for loan losses (Note 28 (j))	(18,491)	7,492	8,258	14,750
Mortgage finance bonds (Note 28 (k))	(1,834)	1,965	—	—
Derivatives (Note 28 (m))	8,866	3,516	(1,201)	(2,145)
Held-to-Maturity investments (Note 28 (l))	(7,559)	10	4	7
Assets received in lieu of payment (Note 28 (o))	(1,782)	391	1,023	1,828
Staff severance indemnities (Note 28(q))	4,608	125	193	345
Deferred tax effect of the above U.S. GAAP adjustments (Note 28 (e))	6,613	2,070	(1,954)	(3,491)
Merger expenses (Note 28 (r))	(1,276)	—	—	—
Net income in accordance with U.S. GAAP	**17,552**	**133,658**	**146,912**	**262,422**
Other comprehensive income, net of tax (Note 28(w))	**9,670**	**(6,454)**	**(2,441)**	**(4,361)**
Unrealized holding gains (losses) on available-for-sale securities, net of tax	7,884	(2,686)	(190)	(340)
Adjustment for translation differences	1,786	(3,768)	(2,251)	(4,021)
Comprehensive income in accordance with U.S. GAAP	**27,222**	**127,204**	**144,471**	**258,061**

(Restated for general price - level changes and expressed in millions of constant
Chilean pesos as of December 31, 2004)

28. Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

(s) Summary of Income Statement and Shareholders' Equity differences (continued)

The following is a reconciliation of consolidated shareholders' equity differences under Chilean GAAP to the corresponding amounts under U.S. GAAP:

	Years ended December 31,		
	2003 MCh$	**2004 MCh$**	**2004 ThUS$**
Shareholders' Equity in accordance with Chilean GAAP	**713,068**	**674,533**	**1,204,889**
U.S. GAAP adjustments:			
Push Down accounting (Note 28(a))			
Goodwill	389,785	389,785	696,256
Goodwill accumulated amortization (Note 28(c))	(19,243)	(19,243)	(34,373)
Fair value of intangibles	177,523	177,523	317,102
Amortization of fair value of intangibles	(42,341)	(54,451)	(97,263)
Fair value of loans	3,041	1,539	2,749
Fair value of premises	11,352	11,352	20,278
Amortization of fair value of premise	(629)	(856)	(1,529)
Fair value of other	200	126	225
Acquisition of Banco Edwards (Note 28 (b))			
Goodwill	193,430	193,430	345,516
Fair value of intangibles	32,245	32,245	57,598
Amortization of fair value of intangibles	(10,901)	(14,704)	(26,265)
Fair value of loans	(5,264)	(4,464)	(7,974)
Fair value of other interest bearing liabilities	(38,909)	(34,585)	(61,778)
Fair value of deposits	25	-	-
Fair value of premises	88	88	157
Amortization of fair value of premises	(18)	(27)	(48)
Fair value of other	(741)	(659)	(1,177)
Investments in other companies (Note 28 (f))	516	540	965
Deferred income taxes (Note 28 (e))	(480)	-	-
Allowance for loan losses (Note 28 (j))	29,696	37,953	67,793
Derivatives (Note 28 (m))	7,278	6,076	10,854
Held-to-Maturity investments (Note 28 (l))	(4)	6	11
Assets received in lieu of payment (Note 28 (o))	1,020	2,043	3,650
Minimum Dividend (Note 28 (n))	(40,145)	(45,788)	(81,789)
Goodwill – Leasing Andino Acquisition (Note 28 (p))	1,919	1,919	3,428
Staff severance indemnities (Note 28 (q))	(3,858)	(3,664)	(6,544)
Deferred tax effect of the above U.S. GAAP adjustments (Note 28 (e))	(24,487)	(26,442)	(47,232)
Shareholders' Equity in accordance with U.S. GAAP	**1,374,166**	**1,324,275**	**2,365,499**

28. Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

(s) Summary of Income Statement and Shareholders' Equity differences (continued)

The following summarizes the changes in shareholders' equity under U.S. GAAP during the years ended December 31, 2003 and 2004:

	Years ended December 31,		
	2003 MCh$	**2004 MCh$**	**2004 ThUS$**
Balance as of January 1,	1,325,079	1,374,166	2,454,614
Dividends paid	(54,320)	(134,374)	(240,024)
Mandatory dividends, previous date	16,348	40,145	71,710
Mandatory dividends, closing date	(40,145)	(45,788)	(81,789)
Unrealized gains on Available-for-sale investments, net of taxes	(2,686)	(190)	(340)
Common stock repurchased	—	(54,345)	(97,073)
Cumulative translation adjustment	(3,768)	(2,251)	(4,021)
Net income in accordance with U.S. GAAP	133,658	146,912	262,422
Balance as of December 31,	**1,374,166**	**1,324,275**	**2,365,499**

(t) Net income per share

The following disclosure of net income per share information is not generally required for presentation in the financial statements under Chilean GAAP but is required under U.S. GAAP. Earnings per share is determined by dividing combined net income by the weighted average number of total shares outstanding.

	Years Ended December 31,		
	2002	**2003**	**2004**
Chilean GAAP(1)	**Ch$**	**Ch$**	**Ch$**
Earnings per share	0.80	1.97	2.28
Weighted average number of total shares outstanding (in millions)	68,079.8	68,079.8	66,932.7
U.S. GAAP(1)			
Earnings per share	0.26	1.96	2.19
Weighted average number of total shares outstanding (in millions)	68,079.8	68,079.8	66,932.7

(1) Basic and diluted earnings per share have been calculated by dividing net income by the weighted average number of common shares outstanding during the year. There are no potentially dilutive effects on the earnings of Banco de Chile as it had not issued convertible debt or equity securities.

28. Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

(u) Article 9 Presentation of Income Statements and Balance Sheets

The presentation of the consolidated financial statements differs significantly from the format required by the Securities and Exchange Commission under Rules 210.9 to 210.9-07 of Regulation S-X ("Article 9"). The following financial statements are presented in constant Chilean pesos of December 31, 2004 and are presented in a format that complies with the requirements of Article 9 of Regulation S-X. The Income Statements presented for the years ended December 31, 2002, 2003 and 2004 disclose the Bank's U.S. GAAP income statements in a format that complies with the requirements of Article 9 of regulation S-X.

The principal reclassifications and adjustments which were made to the basic Chilean GAAP consolidated financial statements in order to present them in the Article 9 format are as follows:

1. Elimination of contingent assets and liabilities from the balance sheet.
2. Presentation of recoveries of loans previously charged-off as a reduction of the provision for loan losses instead of as other income.
3. Reclassification of fees relating to contingent loans from interest income under Chilean GAAP to other income under Article 9.
4. Elimination of the cash clearing account from cash and due from banks.(1)
5. Presentation of forward contracts classified based on legal right to offset.
6. Reclassification of assets under lease from Other assets under Chilean GAAP to Bank premises and equipment under Article 9.
7. Inclusion of adjustments to U.S. GAAP described in Note 28(s).

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(1) In accordance with regulations issued by the Superintendency of Banks, Chilean banks include under the caption "Cash and due from banks" amounts related to checks from other banks that have been deposited in their clients' checking accounts that are pending settlement. As no cash is involved in the transaction, these amounts should not be recorded under U.S. GAAP until the cash is received, which normally occurs the following business day.

(Restated for general price - level changes and expressed in millions of constant
Chilean pesos as of December 31, 2004)

28. Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

(u) Article 9 Presentation of Income Statements and Balance Sheets (continued)

The following income statements presented for the years ended December 31, 2002, 2003 and 2004 have been prepared in accordance with U.S. GAAP to disclose the Bank's consolidated income statement in accordance with the requirements of Article 9:

Income Statements	Years ended December 31,		
	2002	**2003**	**2004**
	MCh$	**MCh$**	**MCh$**
INTEREST INCOME:			
Interest and fees on loans	597,722	481,351	518,571
Interest on investments	134,579	(19,767)	39,443
Interest on deposits with banks	4,058	1,866	2,362
Interest under agreements to resell	246	101	10,989
Total interest income	**736,605**	**463,551**	**571,365**
INTEREST EXPENSE:			
Interest on deposits	(156,065)	(89,006)	(88,891)
Interest on investments sold under agreements to purchase	(12,921)	(8,913)	(7,811)
Interest on short-term debt	(33,199)	(9,597)	(112,693)
Interest on long-term debt	(143,030)	(97,598)	(1,206)
Price-level restatement (1)	(9,934)	(4,137)	(7,466)
Total interest expense	**(355,149)**	**(209,251)**	**(218,067)**
Net interest income	**381,456**	**254,300**	**353,298**
PROVISION FOR LOAN LOSSES	**(110,348)**	**(28,094)**	**(31,519)**
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	**271,108**	**226,206**	**321,779**
OTHER INCOME:			
Fees and commissions	61,505	73,500	98,148
Brokerage and securities income net gain (losses) on trading activities	876	11,039	(4,266)
Net gains (losses) on foreign exchange	(32,780)	93,338	17,660
Other revenue	6,135	5,819	6,305
Total other income	**35,736**	**183,696**	**117,847**
OTHER EXPENSES:			
Salaries	(138,829)	(128,329)	(136,599)
Net premises and equipment expenses	(29,734)	(24,090)	(23,293)
Administration expenses	(79,438)	(75,252)	(80,453)
Other expenses	(46,687)	(35,080)	(32,545)
Minority interest	(1)	(2)	(1)
Total other expenses	**(294,689)**	**(262,753)**	**(272,891)**
INCOME BEFORE INCOME TAXES	**12,155**	**147,149**	**166,735**
INCOME TAXES	**5,397**	**(13,491)**	**(19,823)**
NET INCOME FOR THE YEAR	**17,552**	**133,658**	**146,912**

In connection with the preparation of the Article 9 income statement:

(1) The price-level restatement includes the effect of inflation primarily resulting from the loss in purchasing power on interest earning assets and interest bearing liabilities due to inflation. As the Bank does not maintain the price-level adjustment for separate categories of assets and liabilities, such adjustment is presented as a component of interest expense.

(Restated for general price - level changes and expressed in millions of constant Chilean pesos as of December 31, 2004)

28. Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

(u) Article 9 Presentation of Income Statements and Balance Sheets (continued)

The following balance sheets presented as of December 31, 2003 and 2004 have been prepared in accordance with U.S. GAAP to disclose the Bank's consolidated balance sheets in accordance with the requirements of Article 9:

Balance Sheets

	As of December 31,	
	2003 MCh$	2004 MCh$
ASSETS		
Cash and due from banks	413,702	571,584
Term Federal Funds	73,732	55,995
Interest bearing deposits in other banks	188,300	38,835
Investments under agreements to resell	30,402	26,310
Trading investments	1,628,817	1,442,004
Available-for-sale investments	21,435	27,317
Held-to-maturity investments	21,542	16,819
Subtotal	**2,377,930**	**2,178,864**
Loans	6,101,656	6,472,466
Unearned income	(66,557)	(65,411)
Allowance for loan losses	(154,242)	(115,789)
Loans, net	**5,880,857**	**6,291,266**
Premises and equipment, net	167,705	170,070
Goodwill	565,890	565,890
Other assets	445,218	417,685
TOTAL ASSETS	**9,437,600**	**9,623,775**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Non-interest bearing	1,474,056	1,803,013
Interest bearing	3,508,074	3,663,682
Total deposits	**4,982,130**	**5,466,695**
Short-term borrowings	401,337	508,536
Investments sold under agreements to repurchase	437,410	349,086
Other liabilities	407,269	436,060
Long-term debt	1,835,283	1,539,122
TOTAL LIABILITIES	**8,063,429**	**8,299,499**
Minority interest	5	1
Shareholder's equity:		
Common stock	494,567	494,567
Other Shareholders' equity	879,599	829,708
TOTAL SHAREHOLDERS' EQUITY	**1,374,166**	**1,324,275**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**9,437,600**	**9,623,775**

(Restated for general price - level changes and expressed in millions of constant
Chilean pesos as of December 31, 2004)

28. Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

(u) Article 9 Presentation of Income Statements and Balance Sheets (continued)

The following is a reconciliation of total assets presented in accordance with guidelines established by the Superintendency of Banks and the presentation prescribed by Article 9:

	As of December 31,	
	2003	**2004**
	MCh$	**MCh$**
Total assets of Bank under Chilean GAAP	9,481,150	9,649,203
Elimination of assets offset by liabilities:		
Cash clearing account	(464,553)	(319,033)
Contingent loans	(419,879)	(530,901)
Reclassification of forward contracts	69,783	67,078
U.S. GAAP adjustments, net	771,099	757,428
Total assets as per Article 9 presentation	**9,437,600**	**9,623,775**

(v) Income taxes

The reconciliation of the provision for income taxes charged to income under Chilean GAAP to the corresponding amounts under U.S. GAAP is as follows:

	Years ended December 31,		
	2002	**2003**	**2004**
	MCh$	**MCh$**	**MCh$**
Benefit (charge) for the period under Chilean GAAP	1,194	(14,250)	(18,349)
U.S. GAAP Adjustments:			
Deferred tax effect of applying SFAS No. 109	(2,411)	(1,311)	480
Deferred tax effect of U.S. GAAP adjustments	6,614	2,070	(1,954)
Benefit (charge) for the period under U.S. GAAP	**5,397**	**(13,491)**	**(19,823)**

(Restated for general price - level changes and expressed in millions of constant Chilean pesos as of December 31, 2004)

28. Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

(v) Income taxes (continued)

Deferred tax assets (liabilities) are summarized as follows:

	As of December 31,	
	2003 MCh$	2004 MCh$
Deferred Tax Assets:		
Leasing equipment	8,730	7,570
Obligations with repurchase agreement	43,127	10,568
Allowance for loan losses	18,991	21,244
Charge-offs from financial investment	340	66
Accrued interests and readjustments from risky loan portfolio	1,984	1,092
Staff vacations	1,550	1,665
Accruals interest and readjustments from past due loans	827	814
Personnel provisions	1,562	2,076
Assets at market value	1,876	2,771
Staff severance indemnities	1,353	1,330
Other adjustments	8,965	8,343
Deferred income taxes related to purchase accounting of Banco de A. Edwards	5,853	3,758
Total Deferred Tax Assets	**95,158**	**61,297**
Deferred Tax Liabilities:		
Investments with repurchase agreement	42,602	10,410
Depreciation and price-level restatement of bank premises and equipment	5,440	4,910
Transitory assets	1,140	1,781
Deferred income taxes related to push down accounting adjustments	25,357	22,990
Other adjustments	1,291	1,798
Total Deferred Tax Liabilities	**75,830**	**41,889**
NET DEFERRED TAX ASSETS	**19,328**	**19,408**

(Restated for general price - level changes and expressed in millions of constant
Chilean pesos as of December 31, 2004)

28. Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

(v) Income taxes (continued)

The provision (benefit) for income taxes under U.S. GAAP differs from the amount of income tax determined by applying the applicable Chilean statutory income tax rate to pretax income as a result of the following differences:

	Years ended December 31,		
	2002 MCh$	2003 MCh$	2004 MCh$
Chilean taxes due at the applicable statutory rate (1)	2,136	24,280	28,346
Increase (decrease) in rates resulting from:			
Non-deductible expenses	2,140	3,404	4,929
Non-taxable income	(3,649)	(12,624)	(15,527)
Effect on tax and financial equity restatement (2)	(1,235)	(410)	(1,570)
Effect of income tax rate change on net deferred tax assets	(2,143)	(566)	—
Other	(2,646)	(593)	3,645
At effective tax rate	**(5,397)**	**13,491**	**19,823**

(1) The Chilean statuary first category (corporate) income tax rate was 16% for 2002, 16.5% for 2003 and 17% for 2004.
(2) This item corresponds to the difference in the basis used for the price-level restatement calculation of shareholder's equity for financial and tax purposes.

(w) Comprehensive Income

The Bank presents comprehensive income and its components with the objective to report a measure of all changes in shareholders' equity that result from transactions and other economic events of the period other than transactions with owners ("comprehensive income"). Comprehensive income is the total net income and other non-owner equity transactions that result in changes in net equity.

The following represents accumulated other comprehensive income balance, net of tax, for the years ended December 31, 2002, 2003 and 2004:

	Year ended December 31, 2004		
	Before-tax amount MCh$	Tax (expense) or benefit MCh$	Net-of-tax amount MCh$
Beginning balance	2,223	(918)	1,305
Price-level restatement (1)	(17)	3	(14)
Unrealized gains on securities available for sale:			
Unrealized gains arising during the period	(255)	43	(212)
Less: reclassification adjustment for gains included in income	26	(4)	22
Net unrealized gains	(229)	39	(190)
Adjustment for translation differences	(2,251)	—	(2,251)
Ending balance	**(274)**	**(876)**	**(1,150)**

(Restated for general price - level changes and expressed in millions of constant
Chilean pesos as of December 31, 2004)

28. Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

(w) Comprehensive Income (continued)

	Year ended December 31, 2003		
	Before-tax amount	Tax (expense) or benefit	Net-of-tax amount
	MCh$	MCh$	MCh$
Beginning balance	9,321	(1,484)	7,837
Price-level restatement (1)	(94)	16	(78)
Unrealized losses on securities available for sale:			
Unrealized losses arising during the period	(8,664)	1,473	(7,191)
Less: reclassification adjustment for losses included in net income	5,428	(923)	4,505
Net unrealized losses	(3,236)	550	(2,686)
Adjustment for translation differences	(3,768)	—	(3,768)
Ending balance	**2,223**	**(918)**	**1,305**

	Year ended December 31, 2002		
	Before-tax amount	Tax (expense) or benefit	Net-of-tax amount
	MCh$	MCh$	MCh$
Beginning balance	(2,256)	368	(1,888)
Price-level restatement (1)	65	(10)	55
Unrealized losses on securities available for sale:			
Unrealized losses arising during the period	9,915	(1,587)	8,328
Less: reclassification adjustment for losses included in net income	(529)	85	(444)
Net unrealized losses	9,386	(1,502)	7,884
Adjustment for translation differences	2,126	(340)	1,786
Ending balance	**9,321**	**(1,484)**	**7,837**

(1) Reflects the effect of inflation on the comprehensive income at the beginning of each period, adjusted to constant pesos of December 31, 2004.

(x) Segment information

The Bank presents information in accordance with Statement of Financial Accounting Standard No.131 “Disclosure about Segments of an Enterprise and Related Information”, which establishes standards for reporting information about operating segments and related disclosures about products and services and geographic areas. Operating segments are defined as components of an enterprise about which separate financial information is available that is regularly used by the Chief operating decision maker in deciding how to allocate resources and in assessing performance.

The Bank has strategically aligned its operations into six major segments of business based on its market segmentation and the needs of its clients and trading partners. The Bank manages and measures the performance of its operations through these business segments using an internal profitability reporting system. The internally reported segments are as follows:

28. Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

(x) Segment information (continued)

Large Corporate Banking
The Large Corporate Banking segment provides services to domestic companies with annual sales in excess of Ch$12,000 million, multinational corporations, financial institutions, governmental entities and companies affiliated with Chile's largest economic groups. Services provided include deposit taking and lending in both Chilean pesos and foreign currency, trade and project financing, working capital financing, foreign trade financing, lines of credit, commercial mortgage loans and various non-credit services, such as collection, supplier payments, payroll management and a wide range of treasury and risk management products.

Middle Market Corporate Banking

The middle market corporate banking segment provides services to companies with annual sales less than Ch$12,000 million. Services provided include working capital financing, mortgage loans and debt rescheduling as well as alternative financing arrangements such as leasing operations and factoring.

Retail Banking,
The Retail-banking segment primarily provides individual customers with credit cards, residential mortgage, auto and consumer loans as well as traditional deposit services such as checking and savings accounts and time deposits.

International Banking,
The International Banking segment includes services offered principally through the Bank's New York branch and its agency in Miami, representative offices in Buenos Aires, São Paulo and Mexico City and a worldwide network of correspondent banks.

Treasury
The Treasury segment is responsible for the management of the Bank's assets and liabilities and also offers financial services to other segments and external customers such as currency intermediation, instruments developed for currency and interest rate risk hedging, transactions under repurchase agreements and investment products based on bonds, mortgage notes and deposits. The Treasury segment is also responsible for monitoring compliance with regulatory deposit limits, technical reserves and maturity and rate matches.

Subsidiaries
The Subsidiaries segment includes non-banking financial services offered through separate legal entities including securities brokerage, mutual fund and investment fund management, financial advisory services, factoring, insurance brokerage, securitization, collection and sales services.

The financial information used to measures the performance of the Bank's business segments is not necessarily comparable with similar information from other financial institutions and is based on internal reporting policies. The accounting policies are the same as those applied under Chilean GAAP, described in Note 1, except as noted below:

- The net interest margin of loans and deposits is measured on an individual transaction and client basis, based on the difference between the effective customer rate and the related Bank's fund transfer price in terms of maturity, re-pricing and currency;
- The matching of interest rates and the insurance of adequate hedging activities are performed within Treasury Operations. The results associated to the gap management has been allocated among different segments in accordance to the amount of interest earning assets in each segment;
- The internal performance profitability system considers capital allocation in each segment in accordance to Basle guidelines.
- Provisions for loan losses in each segment are measured on a client basis.

(Restated for general price - level changes and expressed in millions of constant
Chilean pesos as of December 31, 2004)

28. Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

(x) Segment information (continued)

- In terms of costs, the Bank's management model used considers the allocation of costs that are directly related and not the overhead expenses of corporate and support departments, additional allowances, taxes and certain other non-operating income and expenses;
- Certain operating costs are allocated to each segment based on the type and amount of transactions. In addition, the Bank allocates theoretical rental costs to each property-owned branch based on market rental values so that the results of these branches are comparable to rental-property branches.

The following tables show the results of the Bank by operating segments for the three years ended December 31, 2004:

	Year ended December 31, 2004 (1)							
	Large Corporate	**Middle Market**	**Retail Banking**	**International Banking**	**Treasury**	**Subsidiaries**	**Other** (2)	**Total**
		MCh$	**MCh$**		**MCh$**	**MCh$**	**MCh$**	**MCh$**
	MCh$			**MCh$**				
Operating Revenues	79,712	112,267	166,877	12,217	29,081	65,693	3,976	469,823
Provisions	(14,456)	(22,669)	(33,948)	(84)	(1,454)	(1,708)	807	(73,512)
Operating Expenses	(28,346)	(55,573)	(90,381)	(5,196)	(2,324)	(35,011)	(23,471)	(240,302)
Other income and expenses	1,884	2,512	6,460	(181)	(212)	(793)	5,298	14,968
Net income before taxes	**38,794**	**36,537**	**49,008**	**6,756**	**25,091**	**28,181**	**(13,390)**	**170,977**

	Year ended December 31, 2003 (1)							
	Large Corporate	**Middle Market**	**Retail Banking**	**International Banking**	**Treasury**	**Subsidiaries**	**Other** (2)	**Total**
		MCh$	**MCh$**		**MCh$**	**MCh$**	**MCh$**	**MCh$**
	MCh$			**MCh$**				
Operating Revenues	90,493	108,647	140,725	16,786	23,337	54,223	(7,077)	427,134
Provisions	(12,925)	(17,601)	(32,439)	1,307	(1,407)	(565)	2,018	(61,612)
Operating Expenses	(25,223)	(53,305)	(81,407)	(6,355)	(2,243)	(31,173)	(27,851)	(227,557)
Other income and expenses	(496)	1,368	10,596	769	(67)	(687)	(1,381)	10,102
Net income before taxes	**51,849**	**39,109**	**37,475**	**12,507**	**19,620**	**21,798**	**(34,291)**	**148,067**

	Year ended December 31, 2002 (1)							
	Large Corporate	**Middle Market**	**Retail Banking**	**International Banking**	**Treasury**	**Subsidiaries**	**Other** (2)	**Total**
		MCh$	**MCh$**		**MCh$**	**MCh$**	**MCh$**	**MCh$**
	MCh$			**MCh$**				
Operating Revenues	93,867	113,797	147,639	2,680	26,024	42,832	819	427,658
Provisions	(48,869)	(31,483)	(38,793)	(329)	(235)	(1,670	17,187	(104,192)
Operating Expenses	(24,746)	(54,411)	(85,121)	(9,043)	(1,546)	(24,190)	(57,723)	(256,780)
Other income and expenses	(9,706)	(3,375)	2,048	(208)	(374)	(2,998)	1,223	(13,390)
Net income (loss) before taxes	**10,546**	**24,528**	**25,773**	**(6,900)**	**23,869**	**13,974**	**(38,494)**	**53,296**

(1) Segment information disclosed above is based on internal reporting policies and does not conform to Chilean or U.S. GAAP.
(2) "Other" includes the effect of conforming management accounting policies to accounting principles generally accepted in Chile and a number of non-allocated costs, such as corporate overhead expenses, voluntary provisions and depreciation costs. Also included within other are amounts of miscellaneous income or expenses that are not earned or incurred by one specific segment, including all external rental income.

(Restated for general price - level changes and expressed in millions of constant Chilean pesos as of December 31, 2004)

28. Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

(x) Segment information (continued)

Information about geographic areas.

The financial information presented below has been classified considering the country in which the related transactions were originated. Those transactions which originated in the United States of America, through Banco de Chile's operations in New York and Miami, U.S.A., are primarily completed with Chilean and Argentine citizens and enterprises, and are principally denominated in U.S. dollars.

A summary of activities by geographic area is as follows:

	As of December 31,		
	2002 MCh$	2003 MCh$	2004 MCh$
Total Interest Revenues			
Republic of Chile	691,854	425,911	530,353
U.S.A.	22,164	13,511	13,019
Hong Kong	—	—	—
Total Net Income			
Republic of Chile	60,225	122,487	148,969
U.S.A.	(5,735)	11,330	3,666
Hong Kong	—	—	(7)
Mortgage Loans			
Republic of Chile	1,229,122	1,156,231	819,882
U.S.A.	—	—	—
Hong Kong	—	—	—
Commercial Loans			
Republic of Chile	2,590,798	2,614,295	2,788,458
U.S.A.	120,735	93,883	78,830
Hong Kong	—	—	—
Income Taxes			
Republic of Chile	1,011	(14,771)	(18,466)
U.S.A.	183	521	116
Hong Kong	—	—	1
Bank Premises and equipment			
Republic of Chile	142,641	130,067	131,978
U.S.A.	1,614	882	692
Hong Kong	—	—	—
Total Assets			
Republic of Chile	8,269,634	8,898,878	9,029,170
U.S.A.	625,248	582,272	620,031
Hong Kong	—	—	2

28. Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

(y) Estimated Fair Value of Financial Instruments and Derivative Financial Instruments

The accompanying tables provide disclosure of the estimated fair value of financial instruments owned by the Bank. Various limitations are inherent in the presentation, including the following:

- The data excludes non-financial assets and liabilities, such as bank premises and equipment and excludes values attributable to deposit and credit card relationships.

- While the data represents management's best estimates, the data is subjective, involving significant estimates regarding current economic and market conditions and risk characteristics.

The methodologies and assumptions used depend upon the terms and risk characteristics of the various instruments and include the following:

- Cash and due from banks represents cash and short-term deposits which approximate fair value because of the short-term maturity of these instruments.

- Most of the Bank's securities are considered as trading and therefore are generally carried at quoted market prices. Interest earning assets and liabilities with an original maturity of less than one year are considered to have a fair value, which is not materially different from their book value.

- For interest earning assets and interest bearing liabilities which are contracted at variable interest rates, their book value is considered to be equivalent to their fair value.

- For performing loans with fixed-rates and an original maturity of greater than one year, the fair values were calculated by discounting contractual cash flows, using the Bank's current origination rates for loans with similar terms and similar risk characteristics.

- For loans where the Bank's management believes that the amounts outstanding will not be paid in accordance with contractual terms, the estimated cash flows arising from the liquidation of collateralized assets and other expected flows have been discounted at an estimated discount rate commensurate with the risk in the collection of these amounts.

- For interest-bearing liabilities with fixed rates and an original contractual maturity of greater than one year, the fair values are calculated by discounting contractual cash flows at current market origination rates with similar terms.

- The estimated fair value of foreign exchange forward contracts was determined using quoted market prices of financial instruments with similar characteristics.

- The fair value of interest rate swaps represents the estimated amount the Bank would expect to receive or pay to terminate the contracts or agreements, taking into account current interest rates. As no quoted market prices are available for the interest rate swap and forward rate instruments held by the Bank, such estimates have been estimated using modeling and other valuation techniques.

(Restated for general price - level changes and expressed in millions of constant
Chilean pesos as of December 31, 2004)

28. Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

(y) Estimated Fair Value of Financial Instruments and Derivative Financial Instruments (continued)

The estimated fair values of financial instruments and derivatives financial instruments are as follows:

	As of December 31,			
	2003		2004	
	Carrying Amount MCh$	Estimated fair value MCh$	Carrying Amount MCh$	Estimated fair value MCh$
ASSETS				
Cash and due from banks	413,702	413,702	571,584	571,584
Interest bearing deposits in other banks	188,300	188,300	38,835	38,835
Term federal funds	73,732	73,732	55,995	55,995
Accounts receivable under spot foreign exchange transactions (1)	40,127	38,871	50,483	50,483
Financial investments	1,702,196	1,702,192	1,512,450	1,512,444
Loans, net (2)	5,880,857	6,081,799	6,291,266	6,442,445
Derivative instruments	77,061	77,061	73,154	73,154
LIABILITIES				
Deposits	4,982,130	5,630,704	5,466,695	5,531,779
Accounts payable under spot foreign exchange transactions (1)	48,206	46,950	52,035	52,035
Investments under agreements to repurchase	437,410	437,410	349,086	349,086
Short term and long term borrowings	2,236,620	2,298,889	2,047,658	2,195,797
Derivative instruments	79,321	79,321	111,659	111,659

(1) Included under the captions Other assets and Other liabilities.
(2) The carrying amounts of loans in the above table excludes contingent loans since they represent undisbursed amounts under undrawn letters of credit and other credit guarantees granted by the Bank.

(z) Investments in other companies

As of December 31, 2002, 2003 and 2004, investments in other companies and the Bank's participation in such companies' results of operations for each of the periods indicated, consist of the following:

	As of and for the years ended December 31,						
	2002		2003		2004		
	Investment	Income (Loss)	Investment	Income (Loss)	Investment	Income (Loss)	Ownership Interest 2004
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	%
Artikos S.A.	(70)	(1,288)	208	(2,046)	43	(165)	50.00
Servipag Ltda.	741	52	831	90	984	152	50.00
Redbanc S.A.	903	156	1,046	298	884	138	25.42
Soc. Operadora de Tarjetas de Crédito Nexus S.A.	905	49	1,011	146	1,066	172	25.81
Centro de Compensación Automatizado S.A. (CCA S.A.)	157	13	204	45	189	31	33.33
Empresa de Tarjetas Inteligentes S.A.	160	(149)	116	(44)	-	(134)	26.67
Total investments in other companies accounted for under the equity method	2,796	(1,167)	3,416	(1,511)	3,166	194	
Other investments carried at cost	2,565	(166)	2,528	360	2,786	267	
Total investments in other companies	**5,361**	**(1,333)**	**5,944**	**(1,151)**	**5,952**	**461**	

(Restated for general price - level changes and expressed in millions of constant
Chilean pesos as of December 31, 2004)

28. Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

(aa) Bank premises and equipment, net

The major categories of Bank premises and equipment net of accumulated depreciation are as follows:

	As of December 31,	
	2003 MCh$	2004 MCh$
Land and buildings	106,589	102,637
Furniture and fixtures	5,676	5,347
Machinery and equipment	27,400	31,945
Vehicles	641	812
Assets under lease	25,111	26,843
Other assets	2,288	2,486
Bank premises and equipment, net	**167,705**	**170,070**

In accordance with rules of the Superintendency of Banks, bank premises and equipment are presented net of accumulated depreciation. As a result no information is available for either accumulated depreciation or total bank premises and equipment.

(ab) Other assets and other liabilities

(1) Other assets

	As of December 31,	
	2003 MCh$	2004 MCh$
Intangibles	156,527	140,614
Derivative instruments	77,061	73,154
Deferred income tax assets	95,158	61,297
Amounts receivable under spot foreign exchange transaction	40,127	50,483
Assets received in lieu of payment	17,038	18,173
Deferred software cost	5,464	11,085
Transactions in process	10,706	10,962
Deferred asset related to bonds issuances	6,255	8,080
Investments in other companies	5,944	5,952
Deferred loan origination and service costs	2,819	5,252
VAT fiscal credit	3,300	3,198
Accounts receivable for assets received in lieu of payment sold	4,697	2,915
Other deferred expenses	1,092	2,068
Materials and supplies	491	475
Other	18,539	23,977
Total other assets	**445,218**	**417,685**

(Restated for general price - level changes and expressed in millions of constant
Chilean pesos as of December 31, 2004)

28. Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

(ab) Other assets and other liabilities (continued)

(2) Other liabilities

	As of December 31, 2003 MCh$	As of December 31, 2004 MCh$
Accounts payable	103,450	125,529
Derivative instruments	79,321	111,659
Amounts payable under spot foreign exchange transaction	48,206	52,035
Provision for minimum dividend	40,145	45,788
Deferred income tax liabilities	75,830	41,889
Accrued severance staff indemnities	11,578	11,297
Accrued staff vacation expense	9,398	9,826
Premium on bond issuances	6,256	8,080
Allowance of income taxes	10,157	8,008
Deferred loan origination and service fees	3,935	4,177
Leasing deferred gains	4,277	4,174
Administration and credit card contract provision	4,741	3,226
VAT fiscal debit	3,289	3,205
Transactions in process	1,670	1,341
Legal contingencies provision	744	925
Other	4,272	4,901
Total other liabilities	**407,269**	**436,060**

(3) Contingent Liabilities

Contingent liabilities consist of open and unused letters of credit, together with guarantees granted by the Bank in Chilean pesos, UF and foreign currencies (principally U.S. dollars). The liability represents the Bank's obligations under such agreements. The Bank's rights under these agreements are recognized as assets on the Bank's balance sheets under the caption "Contingent loans". See Note 5.

	As of December 31, 2003		As of December 31, 2004	
	Book Value MCh$	Contract amount MCh$	Book Value MCh$	Contract amount MCh$
Performance bonds	2,338	252,035	2,950	347,843
Standby letters of credits	174	24,634	232	23,737
Foreign office guarantees	3	32,876	51	15,355
Total	**2,515**	**309,545**	**3,233**	**386,935**

Guarantees in the form of performance bonds, stand by letters of credit and foreign office guarantees are issued in connection with agreements made by customers to counterparties. If the customer fails to comply with the agreement, the counterparty may enforce the performance bond as a remedy. Credit risk arises from the possibility that the customer may not be able to repay the Bank for performance bonds. To mitigate credit risk, the Bank generally determines the need for specific covenant, guarantee and collateral requirements on a case-by-case basis, depending on the nature of the financial instrument and the customer's creditworthiness.

(Restated for general price - level changes and expressed in millions of constant Chilean pesos as of December 31, 2004)

28. Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

(ab) Other assets and other liabilities (continued)

The expiration of guarantees, per period is as follows:

	Due within 1 year	Due after 1 year but within 3 year	Due after 3 years but within 5 years	Due after 5 years	Total
	MCh$	MCh$	MCh$	MCh$	MCh$
Performance bonds	221,812	96,309	28,322	1,400	347,843
Standby letters of credits	12,521	10,956	78	182	23,737
Foreign office guarantees	15,355	—	—	—	15,355
Total	**249,688**	**107,265**	**28,400**	**1,582**	**386,935**

(ac) Other Interest Bearing Liabilities

The Bank's long-term and short-term borrowings are summarized below. In accordance with the guidelines established by the Superintendency of Banks, the Bank does not present a classified balance sheet. Borrowings are described as short-term when they have original maturities of less than one year or are due on demand. All other borrowings are described as long-term, including the amounts due within one year on such borrowings.

	As of December 31, 2003			As of December 31, 2004		
	Long-term	Short-term	Total	Long-term	Short-term	Total
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
Central Bank Credit lines for renegotiation of loans	3,049	—	3,049	1,930	—	1,930
Other Central Bank borrowings	—	25,529	25,529	—	107,643	107,643
Mortgage finance bonds	1,078,723	—	1,078,723	823,472	—	823,472
Bonds	3,205	—	3,205	181,515	—	181,515
Subordinated bonds	277,977	—	277,977	266,304	—	266,304
Borrowings from domestic financial institutions	106	51,023	51,129	—	26,399	26,399
Foreign borrowings	462,131	273,787	735,918	254,812	340,736	595,548
Investments under agreements to repurchase	—	437,410	437,410	—	349,086	349,086
Other obligations	10,092	50,998	61,090	11,089	33,758	44,847
Total other interest bearing liabilities	**1,835,283**	**838,747**	**2,674,030**	**1,539,122**	**857,622**	**2,396,744**

(Restated for general price - level changes and expressed in millions of constant
Chilean pesos as of December 31, 2004)

28. Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

(ac) Other Interest Bearing Liabilities (continued)

Mortgage finance bonds

These bonds are used to finance the granting of mortgage loans. The outstanding principal amounts of the bonds are amortized on a quarterly basis. The range of maturities of these bonds is between five and twenty years. The bonds are linked to the UF index and carry a weighted average annual rate of interest of 5.9% as of December 31, 2004.

The maturities of outstanding mortgage bond amounts as of December 31, 2004 are as follows:

	As of December 31, 2004 MCh$
Due within 1 year	79,647
Due after 1 year but within 2 years	71,034
Due after 2 years but within 3 years	71,525
Due after 3 years but within 4 years	69,640
Due after 4 years but within 5 years	68,004
Due after 5 years	463,622
Total mortgage finance bonds	**823,472**

(ad) Shareholders' Equity

The Bank's paid-in capital consists of 68,079,783,605 authorized shares of no fixed nominal value, issued and outstanding as of December 31, 2004. Dividends related to the year ended December 31, 2003 were paid-out based on the legal entities in existence as of the year end.

Dividends are declared and paid during the year subsequent to that in which the related net income was earned. Dividends were declared and paid to the respective shareholders of each of the merging banks based on prior year net income determined under Chilean GAAP for the years ended December 31, 2002, 2003 and 2004 (presented in constant Chilean pesos as of December 31, 2004) are as follows:

	Paid during the year ended December 31,		
	2002 MCh$	**2003 MCh$**	**2004 MCh$**
Dividends relating to Banco de Chile	93,140	54,217	134,372
Dividends per share relating to Banco de Chile	2.07	0.80	2.03
Dividends relating to Banco de A. Edwards (1)(2)	10,810	—	—
Dividends per share relating to Banco de A. Edwards	0.47	—	—

(1) On January 1, 2002 Banco de A. Edwards merged with Banco de Chile.
(2) Dividends per share of Banco de A. Edwards are calculated with common shares outstanding during the year, based on the exchange ratio of 3.135826295 shares of Banco de Chile for each outstanding share of Banco Edwards, which had 7,381.41 million shares and outstanding shares immediately prior to the merger.

(Restated for general price - level changes and expressed in millions of constant
Chilean pesos as of December 31, 2004)

28. Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

(ae) Fees and income from services

The Bank's fees and income from services and non-operating income and expenses for the years ended December 31, 2002, 2003 and 2004 are summarized as follows:

	Years ended December 31,					
	2002		2003		2004	
	Income MCh$	Expenses MCh$	Income MCh$	Expenses MCh$	Income MCh$	Expenses MCh$
Fees and income from services						
Mutual funds	13,619	(1,371)	15,029	(1,429)	20,446	(1,830)
Debit card and ATM	12,282	(2,666)	15,678	(7,304)	17,570	(7,138)
Insurance	7,032	(738)	10,752	(1,156)	14,408	(172)
Stock brokerage	4,162	(446)	10,160	(627)	12,858	(775)
Collection of overdue loans	6,558	—	8,837	—	8,569	—
Collection and payment of services	5,891	—	7,358	(7)	7,970	(10)
Credit lines	5,158	—	5,659	—	6,747	—
Income and expense from goods received in lieu of payment	3,035	(1,774)	4,284	(1,796)	5,491	(1,617)
Demand deposits	9,326	—	5,031	—	5,379	—
Financial services	1,977	—	5,484	—	4,632	—
Contingent fees	3,359	—	3,344	—	3,730	—
Collection services	2,675	—	2,946	—	3,561	—
Foreign trade and currency exchange	2,300	—	3,340	—	3,409	—
Prepayment of loans	1,238	—	2,018	—	3,317	—
Letters of credit guarantees, collaterals and other contingent loans	1,786	—	1,780	—	2,977	—
Leasing	1,727	(496)	1,678	(527)	1,625	(86)
Custody and trust services	609	—	934	—	1,399	—
Factoring	305	(4)	753	(3)	634	(50)
Sales force expenses	—	(8,767)	—	(11,135)	—	(11,193)
Teller services expenses	—	(2,834)	—	(3,252)	—	(3,388)
Cobranding expenses	—	(3,149)	—	(6,095)	—	(3,633)
Other	2,190	(1,479)	4,281	(2,515)	6,413	(3,095)
Total	**85,229**	**(23,724)**	**109,346**	**(35,846)**	**131,135**	**(32,987)**

(Restated for general price - level changes and expressed in millions of constant
Chilean pesos as of December 31, 2004)

28. Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

(af) Non-operating income and expense

	Years ended December 31,					
	2002		2003		2004	
	Income MCh$	Expenses MCh$	Income MCh$	Expenses MCh$	Income MCh$	Expenses MCh$
Non-operating income and expenses						
Rental income	2,766	—	2,427	—	2,356	—
Gains on sales of assets received in lieu of payment	856	—	1,314	—	843	—
Recoveries of expenses	540	—	533	—	583	—
Income (losses) attributable to investments in other companies	—	(1,333)	—	(1,151)	461	—
Income from sale of fixed assets	537	—	540	—	297	—
Foreign trade income	45	—	6	—	146	—
Leasing income	10	—	1	—	75	—
Dividends received	10	—	20	—	56	—
Indemnity from misfeasance insurance	—	—	111	—	1	—
Provision for recovered leased assets	—	(235)	—	(1,407)	—	(1,454)
Delivery services of bank products	—	(661)	—	(653)	—	(647)
Provision and charge-offs other assets	—	(20)	—	(677)	—	(408)
Expenses on charge-off for leasing	—	(6)	—	(620)	—	(242)
Reversal of adjustments and interest from previous years	—	(36)	—	(695)	—	(124)
Cash losses	—	(146)	—	(129)	—	(82)
Advertising expenses	—	(59)	—	(45)	—	(53)
Charge-off obsolete materials	—	(289)	—	(329)	—	(1)
Amortization of negative goodwill	—	(11)	—	(55)	—	—
Tax expenses from previous years	—	—	—	—	—	(2,247)
White offs for fraud	—	—	—	(110)	—	(1,063)
Amortization of intangibles	—	(21,316)	—	(17,984)	—	(15,913)
Charge-offs and provision of assets received in lieu of payment	—	(8,582)	—	(7,540)	—	(8,219)
Charge-offs and provision related to fixed assets	—	(3,016)	—	(127)	—	(43)
Charge-offs of transaction in process related to the merger	—	(2,087)	—	—	—	—
Asset received in lieu of payment	—	(1,783)	390	—	1,023	—
Charge-offs	—	(1,347)	—	(2,313)	—	(1,327)
Legal contingencies provision	—	(995)	—	(151)	—	(182)
Merger expenses	—	(1,276)	—	—	—	—
Other	1,371	(3,489)	477	(1,094)	464	(540)
Total	**6,135**	**(46,687)**	**5,819**	**(35,080)**	**6,305**	**(32,545)**

(ag) Recent accounting pronouncements

- Other-Than-Temporary Impairments of Certain Investments

On September 30, 2004, the FASB voted unanimously to delay the effective date of EITF 03-1, "The Meaning of Other-Than-Temporary Impairment and its Application to Certain Investments." The delay applies to both debt and equity securities and specifically applies to impairments caused by interest rate and sector spreads. In addition, the provisions of EITF 03-1 that have been delayed relate to the requirements that a company declare its intent to hold the security to recovery and designate a recovery period in order to avoid recognizing an other-than-temporary impairment charge through earnings.

The FASB will be issuing implementation guidance related to this topic. Once issued, the Bank will evaluate the impact of adopting EITF 03-1.

(Restated for general price - level changes and expressed in millions of constant Chilean pesos as of December 31, 2004)

28. Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

(ag) Recent accounting pronouncements (continued)

- Accounting for Certain Loans or Debt Securities Acquired in a Transfer

On December 12, 2003, the American Institute of Certified Public Accountants (AICPA) issued Statement of Position (SOP) No. 03-3, "Accounting for Certain Loans or Debt Securities Acquired in a Transfer" (SOP 03-3). SOP 03-3 is effective for loans acquired in fiscal years beginning after December 15, 2004.

SOP 03-3 requires acquired loans to be recorded at fair value and prohibits carrying over valuation allowances in the initial accounting for all loans acquired in a transfer that have evidence of deterioration in credit quality since origination, when it is probable that the investor will be unable to collect all contractual cash flows. Loans carried at fair value, mortgage loans held-for-sale, and loans to borrowers in good standing under revolving credit agreements are excluded from the scope of SOP 03-3. SOP 03-3 limits the yield that may be accreted to the excess of the undiscounted expected cash flows over the investor's initial investment in the loan. The excess of the contractual cash flows over expected cash flows may not be recognized as an adjustment of yield. Subsequent increases in cash flows expected to be collected are recognized prospectively through an adjustment of the loan's yield over its remaining life. Decreases in expected cash flows are recognized as impairment.

29. Merger Expenses

The Bank recorded MCh$31,973 in its consolidated statement of income as of December 31, 2002 for merger expenses that have been directly charged to income for the period, as follows:

	As of December 31, 2002
	MCh$
Staff severance indemnities	14,995
Charge-offs and provisions related to fixed assets	4,502
Charge-offs software development	4,007
Charge offs of other assets	2,209
Maintenance and remodeling of offices	1,307
Other personnel expenses	1,113
Consulting services	1,066
Marketing	605
Indemnity for termination of rental contracts	603
Other	1,566
Total	**31,973**

30. Relevant Events

(a) On March 26, 2004, the Bank offered, through a public tender offer, to buy 1,701,994,590 of its own shares for $31, equivalent to 2.5% of the total shares, in conformity with the Repurchase of Shares Program, as agreed upon by the Extraordinary Shareholders´s Meeting of March 20, 2003. On June 5, 2003, the Superintendency of Banks and Financial Institutions approved the repurchase program.

On April 27, 2004, the offer was declared a success, which caused a charge to the shareholders´equity account "Reserves" of MCh$52,761.8.

(b) On September 1, 2004, the Office of Financial Regulation of the State of Florida, United States of America, authorized Banco de Chile´s Miami Agency to initiate activities as an international branch in Miami.

(c) In session N° 2,589 of the Board of Directors, on November 25, 2004, Mr. Manuel Sobral Fraile presented his formal resignation to the Board. Mr. Thomas Fürst Freiwirth was designated to replace him.

(d) On December 24, 2004, the Mark Agreement, dated July 29, 2002, between Banco de Chile, Banchile Seguros de Vida S.A and Banchile Corredores de Seguros Limitada was modified. The following contracts were also modified: (1) Colletion and Death Insurance with the aforementioned insurance company held by the Bank; and (2) Promotion contract between Banchile Corredores de Seguros Limitada and Banco de Chile. The new agreements set-out the application of the Mark Agreement, the development of Bancaseguros, use of the Bank´s web page, use of the "Banchile" trademark, and the distribution costs of insurance through the Bank, independent. The loans and authorizations of use that were agreed-upon and their respective prices are adjusted to the market distribution costs of the insurance through the Banks.

(e) In session N° 2,592 of the Board of Directors on January 7, 2005, Mr. Jorge Díaz Vial resigned as Alternate Director and Mr. Jorge Ergas Heymann was designated in his place.

Exhibit 8.1

LIST OF SUBSIDIARIES
Banco de Chile

1. — Banchile Administradora General de Fondos S.A.
2. — Banchile Factoring S.A.
3. — Banchile Corredores de Seguros Limitada
4. — Banchile Corredores de Bolsa S.A.
5. — Banchile Asesoria Financiera S.A.
6. — Banchile Securitizadora S.A.
7. — Promarket S.A.
8. — Socofin S.A.
9. — Banchile Trade Services Limited

With the exception of Banchile Trade Services Limited, which was incorporated in Hong Kong, all of the subsidiaries numerated above have their jurisdiction of incorporation in the Republic of Chile.

Exhibit 11.1

CODE OF PROFESIONAL ETHICS
Banco de Chile

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PREFACE

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PREFACE

Banco de Chile's Code of Professional Ethics contains the general principles and policies that guide the professional and ethical performance of all company employees. Its objective is to safeguard the values that are fundamental to the ethical management and administration of the company, in accordance with the company's corporate philosophy.

It is frequently and commonly necessary to declare the ethical values of a business in an explicit and effective manner. This requires that the company be managed in accordance with basic principles and basic human and social values.

Banco de Chile's Code of Professional Ethics seeks to define the framework that will allow the company to accomplish these goals. Employees and their work are unified, removing the duality between individual and employee behavior.

Clients of the company should not only receive quality products for a specific price, but also an honest, transparent and reliable service. As a financial institution that depends on public confidence, Banco de Chile is morally responsible for safeguarding clients' interests.

Banco de Chile is a company that works with money and other assets that belong to third parties. Therefore, confidence and honesty is demanded at every level, both within the company and vis-à-vis third parties. The Bank's relationship with its employees, clients and community is based on confidence, trustworthiness and honesty, which result in the mutual trust between participants in the system.

I. INTRODUCTION

GENERAL PRINCIPLES AND OBJECTIVES

Banco de Chile has approved this Code of Professional Ethics which sets forth regulations that all employees must respect; employees must report any intent to violate this Code of Professional Ethics.

Taking into account the social and individual responsibility of the various administrative activities and functions of the company, this document defines the general principles and policies that direct the decisions and actions of all company employees.

Our mission as employees of this company, both individually and collectively, is to act in accordance with the principles and ethical values of mankind, the company and society.

The company promotes and safeguards the ethical values that it considers important to its performance: honesty, truthfulness, transparency, righteousness and seriousness.

The principal objective of the Code of Professional Ethics is the establishment of a general ethical standard for every sector and activity of the company.

This document addresses the basic themes and situations present in the business and economic environment, as well as those specific to the administration and function of any financial institution.

These regulations are a tool and should be used as a reference. They establish a guide for making decisions that will depend on every employee, according to his or her position and function.

Every Banco de Chile employee must comply with these values, undertake his or her duty in a responsible manner and act correctly at all times.

The Code of Professional Ethics describes general behavioral conduct; nevertheless, it is the employee's responsibility to inform his or her respective manager or the Human Resources office regarding any type of difficult ethical decision or dilemma.

II. BASIC PRINCIPLES

II.1. PERSONAL FINANCES

Every Banco de Chile employee must maintain an exemplary business conduct, performing his or her duties and business obligations in a timely and correct manner. It is imperative that those who demand this conduct from his or her clients conduct themselves likewise.

This means that each employee has to manage his or her banking, financial and commercial duties responsibly and in accordance with his or her finances. Maximum prudence must be used, and the non-payment of debts when due or expired is considered imprudent.

If an employee requires a loan or financing, he or she must solicit it exclusively through formal financial entities. Unofficial lending institutions with high financial costs and inadequate warranty policies are prohibited.

Employees' private investments or businesses must not be contrary to the interests of Banco de Chile's Code of Professional Ethics and customs.

It is considered inappropriate for any employee to provide personal loans to third parties and/or be involved with any illegal businesses.

II.2. CONFLICTS OF INTEREST

An employee must execute his or her duties, individually and on behalf of Banco de Chile, in accordance with the rules of conduct of the company. He or she must maintain his or her independence and professionalism in the execution of private and work related activities. Therefore, it is unacceptable for employees to partake in any activity or action which may present a conflict of interest for the employee, Banco de Chile or the company's clients, as such acts damage the confidence placed in the employee and result in a lack of transparency.

A conflict of interest is considered to exist, for example, from the moment an employee makes a work related decision for his or her personal benefit or for the benefit of a third party and not in the interest of Banco de Chile and its customers.

II.2.a. Personal relationships with clients

A Banco de Chile employee must not represent the company in any transaction that involves persons or banks with a direct family tie or any other personal relationship with the employee which may affect his or her independence or business interests. Any connection between an employee and a client or supplier must be reported in writing to the appropriate manager.

In order to safeguard independence and impartiality when making decisions, employees should not establish any type of personal business relationship with clients, such as commercial or financial transactions. A personal business relationship or involvement with any client impairs the employee's ability to freely make decisions.

II.2.b. Rewards and gifts

A Banco de Chile employee must not solicit or accept fees, payments, gifts, salary or profits from anyone in exchange for services provided by or business done with Banco de Chile and/or its subsidiaries.

Exceptions to the previous paragraph are corporate gifts, dinner invitations or business meetings, provided that, under no circumstance, could such requests be interpreted as a deliberate willingness to compromise employee independence, impartiality or principles. Any doubts regarding this matter must be directed to the employee's immediate boss or the appropriate manager.

II.2.c. Management of corporate gifts

Banco de Chile offers corporate gifts to clients in accordance with its marketing policies and strategies. These gifts are authorized only if they adequately portray Banco de Chile's corporate image and are exclusively for clients.

Payments, donations or gifts cannot be given to individuals, political parties, government officials, public corporations or third parties for the purpose of guaranteeing or influencing their decisions.

Nor should any compensation, special benefit or gift be offered to any individual, third party or entity with the intention of influencing or promoting the outcome of a business transaction, even when such outcome may be beneficial to Banco de Chile.

II.2.d. Relationship with the suppliers

The relationship between Banco de Chile's employees and suppliers must be strictly independent and in accordance with the company's corporate interests, which means that there may not be any special obligation or partiality toward any specific supplier. Employees should always consider utility and quality of the product and Banco de Chile's budget when selecting a supplier.

Anyone who maintains an association with external suppliers must keep Banco de Chile's pricing, budget and program information confidential. Additionally, employees are prohibited from divulging information to anyone regarding Banco de Chile's purchase of equipment, supplies or services.

II.2.e. Expense and allowance reports

The funds that Banco de Chile provides employees for performing work related activities belong to the company. They should be used for their intended purpose and all transactions should be transparent.

II.2.f. Use of privileged information

When making personal investments, employees must avoid using privileged information, which they obtained as result of their position, for personal or third party benefit. Those who have access to confidential or privileged information regarding Banco de Chile or its assets must avoid capitalizing on such knowledge. Likewise, those with any knowledge about investment policies and strategies, plans, studies, or negotiations shall not directly or indirectly take advantage of such knowledge for either their benefit or the benefit of others.

No Banco de Chile employee may use confidential information to perform transactions using documents issued by any company in their portfolio.

All stock market transactions performed by Banco de Chile's employees during a one-month period which are equal to or greater than UF 500 must be reported in writing to the Human Resources department. Additionally, any one transaction which is equal to or greater than UF 500 must also be reported in writing to the Human Resources department.

All transactions involving currency, exchange rate or similar derivatives that are available in the financial market must be reported in writing to the Human Resources department, particularly high-risk transactions in which a small capital investment may result in significant losses.

II.2.g. Personal relations with prospective employees

With regard to recruiting and hiring personnel, no applicant will receive special treatment based on personal or family connections.

II.3. MANAGEMENT OF CONFIDENTIAL INFORMATION

II.3.a. Safeguarding information

Information regarding Banco de Chile's operations and its clients is confidential; therefore, the usage, safeguard and care of related documents should be maintained in accordance with Banco de Chile's internal rules. Therefore, it is the employee's responsibility to safeguard all documents and or assets under his or her care, as well as to protect information regarding Banco de Chile's property.

II.3.b. Restrictions on the flow of information

All confidential information regarding securities, their issuers and related transactions must be kept strictly confidential. Any type of dissemination or communication of confidential information to a third party is prohibited, even when the third party may be another Banco de Chile employee. The ethical and professional principle of banking confidentiality must be respected in such instances.

If internally, during the course of work, it becomes necessary to report confidential matters to a third party, the following procedure must be followed:

- Clearly state that the information given is confidential.
- Alert the third party about the restrictions concerning the disclosure of such information.
- Alert the third party that he or she is prohibited from performing financial transactions based on such information.

The communication, duplication or transmittal to a third party, either orally, in writing or electronically, of information regarding certain aspects of Banco de Chile's business strategies, databases, client segments or any other information regarding Banco de Chile's business or operations and its clients is prohibited, even if the employee is not directly involved in such dissemination. Similarly, the employee must avoid responding to questions related to such operations or any other matter that may be a liability to or may be prejudicial for Banco de Chile or its clients, without previously obtaining permission from his or her superior.

It is extremely important that employees responsibly administer and manage stock market information when tending to clients, as well as personally.

Similarly, each employee must promote full, fair, accurate, timely and understandable disclosure in reports and documents that Banco de Chile files with, or submits to, the supervisory authorities, as well as in other public communications made by the Bank.

II.4. ACTING ON BEHALF OF BANCO DE CHILE

II.4.a. Individual responsibility

As a Banco de Chile employee, each person is individually responsible for his or her actions and conduct. This includes knowledge of and compliance with the regulations stated in Banco de Chile's internal office manuals, rules and proceedings.

The employee must not partake in any illegal activity or engage in any kind of behavior which may jeopardize Banco de Chile's prestige, interests or assets, or that of other employees. If a subordinate receives instructions contrary to Banco de Chile's values, policies and internal practices, he or she must report such instructions to the Human Resources department so that the necessary steps may be taken.

Employees should be loyal to Banco de Chile in all aspects and must not use Banco de Chile's name for personal benefit. Similarly, it is prohibited to publish or disseminate any type of information that tarnishes Banco de Chile's dignity or that of its employees.

II.4.b. Work responsibility

Employees must devote their complete time and capability to performing their responsibilities during normal working hours. Consequently, employees must refrain from using Banco de Chile's offices or property for non-related work activities.

With regard to other activities or external commitments, employees must not assume responsibilities or work that conflicts with the interest of Banco de Chile's management. Assuming no adverse affect to Banco de Chile's operations, before accepting work, paid representation or external consulting jobs, employees must inform management in writing, and employees will need authorization from the office of Human Resources. Nevertheless, such activities must not interfere with the employees' performance and duties, or demand long hours that may affect employees' mental and physical competence.

Banco de Chile's employees are prohibited from assisting any other bank or financial institution, as well as companies owned by or related to Banco de Chile's clients, so as to prevent any conflicts of interest that may cause disloyalty to Banco de Chile, except in the case of management's written authorization.

Banco de Chile employees that attend university and are required to dedicate part of the work day to their educational development will need authorization from their respective manager.

Employees are permitted to participate in external *Ad Honorem* activities, providing that such involvement does not interfere with the development and moral conduct in the workplace. These employees must also be recognized and authorized.

With regard to nonprofit institutions, Banco de Chile authorizes and encourages its employees to participate in charitable and social service causes.

II.4.c. Publications and public presentations

An employee is not permitted to make public presentations of any product, reports or projects that belong to Banco de Chile. If he or she represents Banco de Chile in a speech, conference, seminar or any other type of convention, he or she must have management's authorization and must have previously reported the content of his or her presentation.

Banco de Chile has the exclusive right to its products and services and owns all employee contributions to the development and implementation of these products and services. These rights are perpetual and continue, even after Banco de Chile no longer employs the employee.

Any verbal or written personal communication must be carried out in the employee's own name and under no circumstance should the employee involve Banco de Chile.

II.4.d. Nomination to civil service positions

Public office positions or nominations, such as municipal, governmental or others, are not compatible with employment at Banco de Chile, except if they are obligations that cannot be renounced, such as assisting the local voting precinct during municipal, parliamentary or presidential elections.

II.4.e. Practice of a profession

An employee may only execute documents, represent, or practice his or her occupation on behalf of Banco de Chile if he or she has been authorized to do so by Banco de Chile according to the duties and functions performed. Any document which requires a commitment, agreement or contract from Banco de Chile must be signed exclusively by the corresponding executive or the management committee.

II.5. ILLEGAL TRANSACTIONS

Banco de Chile will only partake in legitimate and legal business transactions. The Bank will maintain quality, price and superb service standards, and always proceed with fairness, integrity and transparency. Illegal transactions are those that are not permitted by law and do not respect and adhere to Banco de Chile's internal policies.

Any attempt at money laundering shall be considered a breach of confidence and a threat to Banco de Chile's integrity; as a consequence, Banco de Chile will make every possible effort to avoid such practice.

The employee is obligated to comply with the stated policies and regulations regarding illegal transactions, and if he or she encounters any suspicious or unusual transaction, he or she must report it directly to Banco de Chile's Compliance Officer. In addition, Banco do Chile does not desire to establish any type of relationship with such individuals corporations, clients, investors or agents, if it suspects that the money or services offered are the result of illegal or illegitimate activities.

II.6. PERSONAL INTEGRITY

Banco de Chile's employees must maintain exemplary behavior inside and outside of the Bank. Banco de Chile demands personal dignity of all its employees. It also requires that its employees are honest and behave responsibly in everyday life. This requirement must be respected, even when the employee is representing the Bank or a third party.

Banco de Chile does not tolerate sexual harassment in the workplace.

In addition, Banco de Chile encourages its employees to develop a healthy standard of living. It strictly prohibits the consumption, transport or sale of drugs, alcohol or narcotic substances within the company. In order to oversee the compliance of this regulation, Banco de Chile will provide prevention and education classes to all employees and their families.

III. COMPLIANCE WITH THE RULES OF PROCEDURE

All the rules set forth in this Code of Professional Ethics are obligatory for all Banco de Chile employees, and generally complement the regulations stipulated in the employee's Employment Contract regarding internal hygienic and security regulations, legal rules and future internal policies.

Banco de Chile shall indicate to its employees behavior that violates the policies in the Code of Professional Ethics, without breaching its internal policies or the term in the employees' employment contract. If the rules of the latter are violated, then the appropriate disciplinary measures will be taken.

Banco de Chile shall provide each employee with a copy of this Code of Professional Ethics at the time of their respective recruitment and shall ask for acknowledgement of receipt.

Exhibit 12.1

CERTIFICATION

I, Pablo Granifo, certify that:

1. I have reviewed this annual report on Form 20-F of Banco de Chile;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the company and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    c. Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: June 24, 2005

/s/ Pablo Granifo

Name: Pablo Granifo
Title: Chief Executive Officer

Exhibit 12.2

CERTIFICATION

I, Arturo Tagle, certify that:

1. I have reviewed this annual report on Form 20-F of Banco de Chile;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the company and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c. Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: June 24, 2005

/s/ Arturo Tagle

Name: Arturo Tagle
Title: Manager – Planning and Research Division
Chief Financial Officer

Exhibit 13.1

Certification
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of Title 18, United States Code), each of the undersigned officers of Banco de Chile (the "Company"), does hereby certify, to such officer's knowledge, that:

The Annual Report on Form 20-F for the year ended December 31, 2004 of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 20-F fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: June 24, 2005

/s/ Pablo Granifo

Name: Pablo Granifo
Title: Chief Executive Officer

Date: June 24, 2005

/s/ Arturo Tagle

Name: Arturo Tagle
Title: Manager – Planning and Research Division
Chief Financial Officer