

BANCO DE CHILE

CONSOLIDATED FINANCIAL STATEMENTS 2004

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Balance Sheets	64
Consolidated Statements of Income	66
Consolidated Statements of Cash Flows	67
Notes to the Consolidated Financial Statements	69
Report of Independent Auditors	91

Ch\$ = Chilean pesos

MCh\$ = Millions of Chilean pesos

US\$ = U.S. dollars

ThUS\$ = Thousands of U.S. dollars

U.F. = Unidad de fomento

(The unidad de fomento is an inflation-indexed, Chilean pesos denominated monetary unit set daily in advance on the basis of the previous month's inflation rate).

▶ Company Information pages 69	▶ Maturity of Assets and Liabilities pages 81
▶ Summary of Significant Accounting Principles pages 69	▶ Foreign Currency Balances pages 83
▶ Accounting Changes pages 74	▶ Transactions with Derivative Products pages 83
▶ Relevant Events pages 74	▶ Contingencies, Commitments and Responsibilities pages 84
▶ Related Party Transactions pages 74	▶ Other Assets and Other Liabilities pages 85
▶ Cash and Due from Banks pages 75	▶ Commissions pages 86
▶ Loans pages 76	▶ Operating Expenses pages 86
▶ Leasing Contracts pages 76	▶ Non Operating Income pages 87
▶ Bank Premises and Equipment, net pages 77	▶ Non Operating Expenses pages 87
▶ Investment in Other Companies pages 77	▶ Deferred Taxes and Income Taxes pages 88
▶ Allowances for Losses on Loans and Other Assets pages 78	▶ Directors' Expenses and Remunerations pages 89
▶ Shareholders' Equity pages 79	▶ Subsequent Events pages 90
▶ Investments pages 80	

CONSOLIDATED BALANCE SHEETS

BANCO DE CHILE AND SUBSIDIARIES

as of December 31, 2004 and 2003 (Translation of Financial Statements originally issued in Spanish)
(Expressed in million of Chilean pesos)

ASSETS	2004	2003
	MCh\$	MCh\$
CASH AND DUE FROM BANKS	890,615.7	878,255.0
LOANS:		
Commercial loans	2,867,288.1	2,708,178.4
Foreign trade loans	599,051.1	674,737.0
Consumer loans	691,851.1	603,401.9
Mortgage loans	819,881.6	1,156,230.3
Leasing contracts	343,852.7	275,679.8
Contingent loans	530,901.3	419,852.6
Other outstanding loans	936,202.1	452,016.9
Past due loans	84,685.3	108,140.6
Total loans	6,873,713.3	6,398,237.5
Allowance for loan losses	(153,741.7)	(183,938.0)
Total loans, net	6,719,971.6	6,214,299.5
OTHER LOANS:		
Interbank loans	15,197.3	13,553.8
Investments purchased under agreements to resell	26,309.9	30,401.4
Total other loans	41,507.2	43,955.2
INVESTMENTS:		
Government securities	913,656.0	1,035,505.3
Other financial investments	320,125.4	469,944.5
Investment collateral under agreements to repurchase	347,182.2	428,381.1
Assets held for leasing	26,842.9	25,111.4
Assets received in lieu of payment	16,129.8	16,017.9
Other non-financial investments	2.2	2.3
Total investments	1,623,938.5	1,974,962.5
OTHER ASSETS	235,087.8	233,299.6
FIXED ASSETS:		
Bank premises and equipment, net	132,670.2	130,948.8
Investments in other companies	5,411.7	5,428.8
Total fixed assets	138,081.9	136,377.6
TOTAL ASSETS	9,649,202.7	9,481,149.4

The accompanying notes 1 to 25 are an integral part of these consolidated financial statements

LIABILITIES AND SHAREHOLDERS' EQUITY	2004	2003
	MCh\$	MCh\$
DEPOSITS AND OTHER LIABILITIES:		
Current accounts	1,424,568.9	1,258,573.8
Time deposits	3,856,880.8	3,675,674.2
Other demand and time deposits	629,806.2	615,910.8
Securities sold under agreements to repurchase	349,086.0	437,409.5
Mortgage finance bonds	788,888.4	1,039,813.0
Contingent liabilities	532,172.0	419,879.5
Total deposits and other liabilities	7,581,402.3	7,447,260.8
BONDS ISSUED:		
Bonds	181,515.0	3,205.1
Subordinated bonds	266,303.7	277,977.3
Total bonds issued	447,818.7	281,182.4
BORROWINGS FROM FINANCIAL INSTITUTIONS AND CENTRAL BANK:		
Central Bank credit lines for renegotiation of loans	1,930.1	3,049.6
Other Central Bank borrowings	107,642.8	25,528.5
Borrowings from domestic financial institutions	26,399.0	51,129.5
Foreign borrowings	595,548.4	735,917.8
Other liabilities	44,846.5	61,090.1
Total borrowings from financial institutions and Central Bank	776,366.8	876,715.5
OTHER LIABILITIES	169,081.0	162,918.0
Total liabilities	8,974,668.8	8,768,076.7
MINORITY INTEREST	1.2	4.9
SHAREHOLDERS' EQUITY:		
Capital and reserves	520,473.6	575,276.3
Other equity accounts	1,431.3	3,974.7
Net income for the year	152,627.8	133,816.8
Total shareholders' equity	674,532.7	713,067.8
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	9,649,202.7	9,481,149.4

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CONSOLIDATED STATEMENTS OF INCOME

BANCO DE CHILE AND SUBSIDIARIES

for the years ended December 31, 2004 and 2003 (Translation of Financial Statements originally issued in Spanish)
(Expressed in million of Chilean pesos)

	2004	2003
	MCh\$	MCh\$
OPERATING RESULTS:		
Interest revenue	543,372.2	439,421.7
Gains from trading activities	20,280.4	25,688.7
Income from fees and other services	145,792.9	125,373.4
Gains from foreign exchange transactions	17,659.8	93,337.3
Other operating income	20,910.8	15,144.7
Total operating revenues	748,016.1	698,965.8
Less:		
Interest expense	(214,900.3)	(209,339.4)
Losses from trading activities	(23,430.7)	(19,879.0)
Expenses from fees and other services	(27,478.2)	(25,060.2)
Other operating expenses	(12,383.6)	(17,207.2)
Gross margin	469,823.3	427,480.0
Personnel salaries and expenses	(136,599.0)	(128,329.0)
Administrative and other expenses	(87,726.5)	(81,846.7)
Depreciation and amortization	(17,303.8)	(19,694.2)
Net margin	228,194.0	197,610.1
Provision for loan losses	(42,119.7)	(38,844.7)
Total operating income	186,074.3	158,765.4
NON OPERATING RESULTS:		
Non operating income	4,825.8	5,428.6
Non operating expenses	(12,887.5)	(10,738.1)
Equity participation in net income (loss) in investments in other companies	435.6	(1,250.9)
Net loss from price-level restatement	(7,465.7)	(4,137.0)
Income before income taxes	170,982.5	148,068.0
Income taxes	(18,353.6)	(14,249.5)
Income after income taxes	152,628.9	133,818.5
Minority interest	(1.1)	(1.7)
NET INCOME FOR THE YEAR	152,627.8	133,816.8

The accompanying notes 1 to 25 are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

BANCO DE CHILE AND SUBSIDIARIES

for the years ended December 31, 2004 and 2003 (Translation of Financial Statements originally issued in Spanish)
(Expressed in million of Chilean pesos)

	2004	2003
	MCh\$	MCh\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income for the year	152,627.8	133,816.8
Charges (credits) to net income which do not represent cash flows:		
Depreciation and amortization	17,303.8	19,694.2
Provision for loan losses	75,855.5	64,870.5
Unrealized loss on financial investments recorded at market value	716.6	10,482.7
Equity participation in net (income) loss in investments in other companies	(435.6)	1,250.9
Gain on sales of assets received in lieu of payment	(5,491.3)	(4,283.7)
Gain on sales of bank premises and equipment	(216.9)	(450.8)
Write-offs of assets received in lieu of payment	7,329.6	6,034.7
Net loss from price-level restatement	7,465.7	4,137.0
Minority interest	1.1	1.7
Other credits which do not represent cash flows	(862.7)	(8,784.4)
Net changes in interest accruals	3,271.7	89,271.6
Total cash flows from operating activities	257,565.3	316,041.2
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net increase in loans	(499,557.0)	(165,401.7)
Net decrease in other loans	1,397.8	45,171.2
Net decrease (increase) in investments	150,989.7	(550,705.6)
Purchases of bank premises and equipment	(12,309.7)	(6,975.4)
Proceeds from sales of bank premises and equipment	1,346.1	3,552.1
Investments in other companies	(291.5)	(2,339.3)
Proceeds from sales of investments in other companies	11.7	—
Dividends received from investments in other companies	733.3	558.9
Proceeds from sale of assets received in lieu of payment	16,712.1	20,649.3
Net (increase) decrease in other assets and liabilities	(9,063.0)	7,916.6
Total cash flows from investing activities	(350,030.5)	(647,573.9)

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CONSOLIDATED STATEMENTS OF CASH FLOWS | CONTINUED

for the years ended December 31, 2004 and 2003 (Translation of Financial Statements originally issued in Spanish)
(Expressed in million of Chilean pesos)

	2004	2003
	MCh\$	MCh\$
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase in current accounts	196,694.2	159,585.9
Net increase (decrease) in time deposits	258,672.4	(70,376.3)
Net increase in other demand or time liabilities	28,563.9	138,642.5
Net increase (decrease) in investments sold under agreements to repurchase	(77,542.4)	153,850.0
Net increase in short-term foreign borrowings	72,888.0	90,950.9
Issuance of mortgage finance bonds	134,049.0	312,449.2
Repayment of mortgage finance bonds	(318,632.2)	(338,547.5)
Net (decrease) increase in other short-term borrowings	(39,364.1)	18,788.2
Borrowings from Central Bank (short-term)	82,724.8	25,528.5
Borrowings from Central Bank (long-term)	2,054.7	2,468.7
Payment of borrowings from Central Bank (long-term)	(3,042.9)	(3,117.2)
Issuance of bonds	174,321.4	—
Payment of bonds	(9,962.8)	(9,333.3)
Long-term foreign borrowings	230,786.4	403,370.7
Payment of long-term foreign borrowings	(426,508.6)	(281,829.7)
Payment of borrowings from financial institutions (long-term)	(102.9)	(23.3)
Other long-term borrowings	1,814.9	5,347.4
Payment of other long-term borrowings	(855.8)	(36,511.4)
Common stock repurchased	(52,761.8)	—
Dividends paid	(130,549.9)	(53,948.2)
Total cash flows from financing activities	123,246.3	517,295.1
TOTAL NET POSITIVE CASH FLOWS FOR THE YEAR	30,781.1	185,762.4
Effect of price-level restatement on cash and due from banks	(18,420.4)	(7,773.9)
Net increase in cash and due from banks	12,360.7	177,988.5
Cash and due from banks at beginning of year	878,255.0	700,266.5
Cash and due from banks at end of year	890,615.7	878,255.0

The accompanying notes 1 to 25 are an integral part of these consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS | BANCO DE CHILE AND SUBSIDIARIES

as of December 31, 2004 and 2003

1. COMPANY INFORMATION:

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 are also registered in 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, insurance brokerage and financial advisory services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES:
a) Basis of consolidation:

The consolidated financial statements of Banco de Chile as of December 31, 2004 have been consolidated with those of its Chilean subsidiaries, foreign subsidiary and its branches in New York and Miami.

All prior year amounts have been price-level restated to reflect the changes in the Consumer Price Index (CPI) (2.5%).

The ownership percentages of subscribed and paid-in capital are as follows:

	Interest Owned	
	2004	2003
	%	%
Banco de Chile New York Branch	100.00	100.00
Banco de Chile Miami Branch	100.00	100.00
Banchile Trade Services Limited	100.00	-
Banchile Administradora General de Fondos S.A.	99.98	99.98
Banchile Asesoría Financiera S.A.	99.94	99.94
Banchile Corredores de Seguros Ltda.	99.75	99.75
Banchile Corredores de Bolsa S.A.	99.68	99.68
Banchile Factoring S.A.	99.52	99.52
Banchile Securitizadora S.A.	99.00	99.00
Socofin S.A.	99.00	99.00
Promarket S.A.	99.00	99.00

The subsidiaries' assets and operating income represent 11.1% and 13.0% (9.6% and 12.6% in 2003) of total consolidated assets and operating income, respectively.

Significant intercompany balances and transactions originated by operations between the bank and its subsidiaries have been eliminated. Minority interest is shown as a separate item in the Consolidated Balance Sheet and Consolidated Statement of Income.

For the purposes of the consolidation, the financial statements of the New York and Miami branches and foreign subsidiary have been translated into Chilean pesos at the closing exchange rate of 559.83 Chilean pesos to US\$ 1 (599.42 Chilean pesos to US\$ 1 in 2003), in accordance with the accounting rules related to foreign investments in countries in a stable economic environment as set out in Technical Bulletin N° 64 (issued by the Chilean Association of Accountants A.G.).

b) Accounting principles applied:

The Bank, its subsidiaries, its foreign subsidiary and branches abroad, prepare their financial statements according to Generally Accepted Accounting Principles in Chile and specific accounting regulations from the different regulatory bodies in each field of business which are the Superintendency of Banks and Financial Institutions, the Superintendency of Securities and Insurance, and the regulations of the United States banking entities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS | CONTINUED

as of December 31, 2004 and 2003

The use of different regulations creates certain differences in the consolidated financial statements, mainly in the areas of accounting for financial investments and in the use of price-level restatement. Such differences are not considered to be significant.

c) Interest and readjustments:

Loans, investments and liabilities are stated including their corresponding interest and readjustments accrued as of the Consolidated Balance Sheet date. However, a conservative criteria has been applied to suspending interest accruals and readjustments of past due loans, and to outstanding current loans of doubtful recovery.

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.

d) Use of estimations in the preparation of financial statements:

The preparation of consolidated 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 such estimates.

e) Price-level restatement:

Shareholders' equity, fixed assets, and other non-monetary assets and liabilities have been restated according to the variation in the Consumer Price Index. The application of this method resulted in a net charge to income of MCh\$7,465.7 (MCh\$4,137.0 in 2003). The detail of the price-level restatement charge is as follows:

	2004	2003
	MCh\$	MCh\$
Shareholders' equity	(11,987.1)	(5,964.1)
Bank premises and equipment	3,019.4	1,264.1
Investments in other companies	1,036.2	380.6
Other	465.8	182.4
Net loss from price-level restatement	(7,465.7)	(4,137.0)

f) Foreign currencies:

The Bank and its subsidiaries carry out forward operations (i.e. contracts to purchase currencies at future dates). Forward contracts between US dollars and Chilean pesos or Unidades de Fomento (a Chilean peso-denominated, inflation indexed monetary unit) and foreign exchange forward contracts are valued at the exchange rate prevailing as of each year-end. In addition to the aforementioned forward contracts, the Bank and its subsidiaries purchase and sell foreign exchange forward contracts, which are valued at the daily observed exchange rate.

Likewise, the Bank and its subsidiaries grant loans, make investments, receive deposits and assume obligations both denominated in and indexed to foreign currencies. These assets and liabilities, which are principally denominated in US dollars, are recorded at their equivalent in Chilean pesos, calculated at the exchange rate prevailing as of the balance sheet close.

Foreign currency assets and liabilities have been translated into Chilean pesos at the closing exchange rate of 559.83 Chilean pesos to US\$1 (599.42 Chilean pesos US\$ 1 in 2003).

The balance of MCh\$17,659.8 corresponding to the net gains from foreign exchange transactions (MCh\$93,337.3 in 2003), shown in the Consolidated Statement of Income, includes both the results of foreign exchange transactions as well as the recognition of the effects that fluctuations in the exchange rates had on assets and liabilities stated in foreign currencies.

g) 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 a net charge to income for the year amounting to MCh\$716.6 (MCh\$10,482.7 in 2003), which was included in operating income under "Losses from trading activities". The adjustment of the permanent investment

portfolio, generated a net charge to equity in the amount of MCh\$235.2 (MCh\$3,189.3 in 2003), which was generated entirely from permanent investment portfolios of foreign branches.

Other investments in securities are shown at purchase cost plus adjustments and accrued interest.

h) Transactions with repurchase and resale agreements:

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 "Securities 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.

i) 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, charge-offs are recorded on a straight-line basis over the following 12 month period.

j) Bank premises and equipment, net:

Bank premises and equipment are stated at acquisition cost plus price-level restatement (except Branches in New York and Miami) and net of accumulated depreciation. Depreciation is calculated using a straight-line method over the estimated useful lives of the related assets.

Real estate available for sale amounted to MCh\$493.8 as of December 31, 2004 (MCh\$1,964.4 in 2003). In order to reflect the realization value of these assets, a provision amounting to MCh\$293.8 has been charged to income (MCh\$1,407.0 in 2003).

k) Leasing contracts:

Accounts receivable for leasing contracts, included under the caption loans, correspond to the periodic rent installments of contracts which meet the requisites to be classified as financial leases and are presented at their nominal value net of unaccrued interest and taxes as of each year-end.

l) 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, with or without responsibility, 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\$197,364.8 (MCh\$101,682.7 in 2003), corresponding to the amount advanced to the assigner plus accrued interest net of payments received.

m) Investments in other companies:

Shares or rights in other companies, with 10% or more of equity participation or where the Bank has the right to elect one member to the Board of Directors or management of such companies, are accounted for using the equity method. Other investments are stated at cost plus price-level restatement.

n) 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".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS | CONTINUED

as of December 31, 2004 and 2003

ñ) Derivatives:

The Bank and its subsidiaries protects itself 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 its 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 assets and liabilities related to the derivative contracts are netted and recorded in "Other Liabilities" (See Note 18).

o) Loans, allowances and charge-offs:

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.

Starting 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 utilize new models or 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 must be completely familiar. 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:

- 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.
- 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 its obligations in the fact of foreseeable, adverse business, economic or financial situations.
- 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%

- 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 expected impairment 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 and Financial Institutions, which are as follows:

- 24 months past due (6 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 of Chile, recorded in memorandum accounts, are recorded directly to income, in the Consolidated Income Statement, within "Provision for loan losses".

As of December 31, 2004, recoveries on written-off loans amounted to MCh\$33,735.8 (MCh\$26,025.8 in 2003).

p) Deferred taxes and income taxes:

The effects of deferred taxes arising from temporary differences between the tax basis and financial basis of accounting are recorded on an accrual basis in accordance with Generally Accepted Accounting Principles in Chile.

Income taxes are recognized in accordance with the Chilean tax legislation.

q) Staff vacations:

The annual cost of vacations and staff benefits are recognized on an accruals basis.

r) Expenses related to loans:

Expenses incurred for commissions paid to the Bank's sales staff are capitalized in "Other Assets" (See Note 18) and amortized in income using the straight-line method over the duration of the respective loans.

s) Intangibles:

In accordance with instructions from the Superintendency of Banks and Financial Institutions, intangible assets are classified in "Other Assets". As of December 31, 2004, intangible assets amount to MCh\$11,085.4 (MCh\$5,459.2 in 2003), corresponding to investments in software and MCh\$2.2 (MCh\$5.1 in 2003) corresponding to payments for licenses to use trademarks. 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.

t) Staff severance indemnities:

The Bank has agreed to compensate certain employees who retire after 30 years of service. This liability includes the accrued proportion in respect of those employees entitled to the compensation, but have not yet received such payments as of December 31, 2004 and 2003.

As of December 31, 2004 and 2003, this liability has been calculated using the present value method, discounting at a rate of 7% per annum.

u) Cash and cash equivalents:

In conformity with specific provisions applicable to financial institutions, the Bank has considered as cash and cash equivalents only the "Cash and due from banks" balance in the Consolidated Balance Sheet. The Consolidated Statement of Cash Flows has been prepared using the indirect method.

v) Reclassifications:

For comparison purposes, certain reclassifications have been made to the consolidated financial statements for 2003.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS | CONTINUED

as of December 31, 2004 and 2003

3. ACCOUNTING CHANGES:

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 does not have a significant effect on the financial situation of the Bank and its subsidiaries presented in these consolidated financial statements. Likewise, the Bank applied the voluntary provisions recorded as of December 31, 2003 to constitute additional provisions in conformity with the new regulations.

4. 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' 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 No. 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) Collection 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 No. 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.

5. RELATED PARTY TRANSACTIONS:

In accordance with the General Banking Law and Superintendency's instructions, related party transactions are defined as those persons or entities, related directly or indirectly to the owners or management of the Bank and its subsidiaries.

a) Loans granted to related parties:

As of December 31, 2004 and 2003 loans granted to related parties are as follows:

	Loans		Past due loans		Total		Collateral (*)	
	2004 MCh\$	2003 MCh\$	2004 MCh\$	2003 MCh\$	2004 MCh\$	2003 MCh\$	2004 MCh\$	2003 MCh\$
Productive companies	110,806.4	80,961.4	-	-	110,806.4	80,961.4	45,013.7	22,040.8
Investment companies	17,023.2	18,193.2	-	-	17,023.2	18,193.2	2,342.6	2,371.7
Individuals (**)	2,930.3	2,336.9	-	-	2,930.3	2,336.9	2,628.9	1,616.7
Total	130,759.9	101,491.5	-	-	130,759.9	101,491.5	49,985.2	26,029.2

(*) Includes only those amounts of collateral computable towards individual credit limits as established in Article No. 84 of the General Banking Law, valued in accordance with instructions of the Superintendency of Banks and Financial Institutions.

(**) Includes only those obligations of individuals whose debts are equal to or greater than U.F. 3,000 (MCh\$52.0).

b) Other related party transactions:

The Bank and its subsidiaries have undertaken related party transactions greater than U.F. 5,000 (MCh\$86.6) during 2004 and 2003, as follows:

	Expenses		Income	
	2004 MCh\$	2003 MCh\$	2004 MCh\$	2003 MCh\$
Redbanc S.A.:				
Expenses for electronic funds transfers of the automated teller machines	2,807.3	2,493.8	-	-
Empresa Nacional de Telecomunicaciones S.A. (1):				
Telephone expenses	2,289.8	1,898.1	-	-
Operadora de Tarjetas de Crédito Nexus S.A.:				
Service expenses	2,066.2	1,746.9	-	-
Entel Telefonía Local S.A.:				
Telephone expenses	279.9	207.7	-	-
Depósito Central de Valores, Depósito de Valores S.A.:				
Service expenses	259.7	288.1	-	-
Banchile Cía. de Seguros de Vida S.A.:				
Service expenses	242.0	224.1	-	-
Entel PCS Telecomunicaciones S.A.:				
Telephone expenses	218.3	230.2	-	-
Centro de Compensación Automatizado S.A.:				
Service expenses	135.4	32.3	-	-
Cía. Nac. de Teléfonos Telefónica del Sur S.A.:				
Advisory expenses	146.3	-	-	-
Telephone expenses	104.7	138.9	-	-
Asociación de Bancos e Instituciones Financieras:				
Service expenses	105.6	109.9	-	-
Hoteles Carrera S.A.:				
Service expenses	18.7	140.9	-	-
Línea Aérea Nacional Chile S.A.:				
Rental income	-	-	107.8	109.1
Subtotal	8,673.9	7,510.9	107.8	109.1
Transactions between 1,000 and 5,000 U.F.:				
Service expenses	269.3	264.7	-	-
Advisory	-	62.3	-	-
Rental income	-	-	-	50.6
Total	8,943.2	7,837.9	107.8	159.7

(1) On December 27, 2004, the Bank entered into a service contract with Entel Chile S.A. to modernize its telecommunication systems. This contract was awarded to the best offer in a bidding process in which other telecommunications companies participated and it is worth more than 20,000 U.F. annually.

In the opinion of Bank's management the related party transactions were carried out at normal market prices prevailing at the date on which they were made.

6. 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 and Financial Institutions, 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\$164,499.6 and MCh\$167,838.5 as of December 31, 2004 and 2003, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS | CONTINUED

as of December 31, 2004 and 2003

7. 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.
- Foreign trade loans are fixed rate, short-term loans granted in foreign currencies (principally U.S. dollars) to finance imports and exports.
- 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.
- Leasing contracts are agreements for financing leases of capital equipment and other property.
- 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).
- 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.

8. LEASING CONTRACTS:

The Bank's scheduled cash flows to be received from leasing contracts have the following maturities:

Maturity	Total receivable		Unearned income		Net lease receivable	
	2004 MCh\$	2003 MCh\$	2004 MCh\$	2003 MCh\$	2004 MCh\$	2003 MCh\$
Due within one year	108,447.0	95,269.7	(17,151.8)	(18,221.4)	91,295.2	77,048.3
Due after 1 year but within 2 years	77,944.9	62,738.2	(13,035.0)	(12,405.6)	64,909.9	50,332.6
Due after 2 years but within 3 years	58,970.6	43,501.0	(9,729.6)	(9,317.3)	49,241.0	34,183.7
Due after 3 years but within 4 years	42,879.7	34,062.8	(7,336.5)	(7,261.1)	35,543.2	26,801.7
Due after 4 years but within 5 years	35,532.7	26,581.3	(5,412.9)	(5,550.4)	30,119.8	21,030.9
Due after 5 years	85,488.9	80,085.3	(12,745.3)	(13,802.7)	72,743.6	66,282.6
Total	409,263.8	342,238.3	(65,411.1)	(66,558.5)	343,852.7	275,679.8

The rented assets principally consist of real estate, industrial machinery, vehicles and computer equipment. The accumulated allowance for minimum payments of uncollectible leases amounts to MCh\$5,860.7 (MCh\$8,479.8 in 2003). This provision forms part of the allowance for loan losses.

9. BANK PREMISES AND EQUIPMENT, NET:

The major categories of Bank premises and equipment net of accumulated depreciation, in accordance with guidelines established by the Superintendency of Banks and Financial Institutions are as follows:

	2004 MCh\$	2003 MCh\$
Land and buildings	92,141.4	95,013.0
Machinery and equipment	31,944.7	27,400.4
Furniture and fixtures	5,346.5	5,676.0
Vehicles	811.7	641.2
Other	2,425.9	2,218.2
Total	132,670.2	130,948.8

10. INVESTMENT IN OTHER COMPANIES:

This caption includes investments in other companies for MCh\$5,411.7 (MCh\$5,428.8 in 2003), as follows:

Company	Shareholder	Ownership		Equity		Investment			
		2004 %	2003 %	2004 MCh\$	2003 MCh\$	Book value		Income (Loss)	
		2004 MCh\$	2003 MCh\$	2004 MCh\$	2003 MCh\$	2004 MCh\$	2003 MCh\$	2004 MCh\$	2003 MCh\$
Soc. Operadora de Tarjetas de Crédito Nexus S.A.	Banco de Chile	25.81	25.81	4,131.2	3,916.6	1,066.1	1,010.8	171.9	145.5
Servipag Ltda.	Banco de Chile	50.00	50.00	1,967.7	1,663.1	983.8	831.5	152.3	90.0
Redbanc S.A.	Banco de Chile	25.42	25.42	3,476.6	4,113.9	883.8	1,045.8	138.0	297.8
Transbank S.A.	Banco de Chile	17.44	17.44	4,958.3	4,973.1	864.6	867.1	131.9	132.3
Bolsa de Comercio de Santiago	Banchile Corredores de Bolsa S.A.	4.17	4.17	13,386.5	13,410.8	557.8	558.8	90.3	90.1
Soc. Operadora Cámara Compensación de Pagos de Alto Valor S.A. (1)	Banco de Chile	18.16	-	1,518.2	-	275.7	-	(16.8)	-
Sociedad Interbancaria de Depósitos de Valores S.A.	Banco de Chile	17.60	17.60	1,233.5	1,383.1	217.0	243.3	33.4	36.8
Centro de Compensación Automatizado S.A.	Banco de Chile	33.33	33.33	565.8	611.5	188.6	203.8	30.5	45.7
Bolsa de Valores de Chile	Banchile Corredores de Bolsa S.A.	5.00	5.00	2,591.7	2,537.4	129.6	126.9	2.7	0.7
Artikos Chile S.A. (2)	Banco de Chile	50.00	50.00	86.6	416.9	43.3	208.4	(165.1)	(2,046.1)
Empresa de Tarjetas Inteligentes S.A.	Banco de Chile	26.67	26.67	(61.6)	439.1	-	117.1	(133.5)	(43.7)
Subtotal						5,210.3	5,213.5	435.6	(1,250.9)
Shares or rights in other companies						201.4	215.3	-	-
Total						5,411.7	5,428.8	435.6	(1,250.9)

(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\$ 291.5 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\$2,339.3.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS | CONTINUED

as of December 31, 2004 and 2003

11. ALLOWANCES FOR LOSSES ON LOANS AND OTHER ASSETS:

As of December 31, 2004, the Bank, its Chilean subsidiaries and foreign branches have made allowances for a total of MCh\$157,169.5 (MCh\$186,997.2 in 2003) to cover eventual losses on loans and other assets.

The changes experienced by these allowances during the year were as follows:

	Allowances for			
	Loans	Assets received in lieu of payment	Other assets	Total
	MCh\$	MCh\$	MCh\$	MCh\$
Balance as of December 31, 2002	195,505.1	1,434.8	670.7	197,610.6
Charge-offs	(96,131.7)	(1,526.4)	(773.7)	(98,431.8)
Provisions established	60,109.1	1,468.7	1,710.5	63,288.3
Voluntary allowances (1)	20,557.3	-	-	20,557.3
Change in foreign exchange rate on beginning balance of Foreign Branches	(588.1)	-	-	(588.1)
Balance as of December 31, 2003	179,451.7	1,377.1	1,607.5	182,436.3
Balances restated for comparative purposes	183,938.0	1,411.5	1,647.7	186,997.2
Balance as of December 31, 2003	179,451.7	1,377.1	1,607.5	182,436.3
Charge-offs	(99,099.9)	(317.9)	(1,581.9)	(100,999.7)
Provisions established	73,512.5	888.7	1,454.3	75,855.5
Change in foreign exchange rate on beginning balance of Foreign Branches	(122.6)	-	-	(122.6)
Balance as of December 31, 2004	153,741.7	1,947.9	1,479.9	157,169.5

In the management's opinion the allowances made are sufficient to cover potential losses arising from non-recoverable assets, on the basis of the information examined by the Bank and its subsidiaries.

(1) Due to regulations on additional allowances included in Circular No. 3,246 of the Superintendency of Banks and Financial Institutions, the Bank has applied its voluntary allowances to constitute additional allowances in conformity with the new regulation.

12. SHAREHOLDERS' EQUITY:

a) Shareholders' equity:

The movements in the Shareholders' equity accounts were as follows:

	Paid-in Capital	Reserves	Other accounts	Net income for the year	Total
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Balance as of December 31, 2002	477,726.8	77,697.1	10,170.7	52,635.1	618,229.7
Retained earnings	-	2.7	-	(2.7)	-
Dividends paid (1)	-	-	-	(52,632.4)	(52,632.4)
Price-level restatement	4,777.3	1,041.3	-	-	5,818.6
Change in unrealized (losses) on permanent financial investments (*)	-	-	(2,617.0)	-	(2,617.0)
Net adjustment for translation differences	-	-	(3,675.9)	-	(3,675.9)
Net income for the year	-	-	-	130,553.0	130,553.0
Balance as of December 31, 2003	482,504.1	78,741.1	3,877.8	130,553.0	695,676.0
Balances restated for comparative purposes	494,566.7	80,709.6	3,974.7	133,816.8	713,067.8
Balance as of December 31, 2003	482,504.1	78,741.1	3,877.8	130,553.0	695,676.0
Retained earnings	-	3.1	-	(3.1)	-
Dividends paid (2)	-	-	-	(130,549.9)	(130,549.9)
Common stock repurchased (3)	-	(52,761.8)	-	-	(52,761.8)
Price-level restatement	12,062.6	(75.5)	-	-	11,987.1
Change in unrealized (losses) on permanent financial investments (*)	-	-	(195.2)	-	(195.2)
Net adjustment for translation differences	-	-	(2,251.3)	-	(2,251.3)
Net income for the year	-	-	-	152,627.8	152,627.8
Balance as of December 31, 2004	494,566.7	25,906.9	1,431.3	152,627.8	674,532.7

(1) On March 20, 2003, the Ordinary General Shareholders' Meeting agreed to distribute a dividend for a total of MCh\$ 52,632.4 (in historical pesos).

(2) On March 18, 2004, the Ordinary General Shareholders' Meeting agreed to distribute a dividend for a total of MCh\$ 130,549.9 (in historical pesos).

(3) In accordance with Note No. 4 letter (a), 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\$ 52,761.8 (in historical pesos).

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

b) Basic Capital and Effective Equity, for regulatory purposes:

In conformity with the General Banking Law, the minimum basic capital of a financial institution cannot be less than 3% of total assets, while effective equity cannot be less than 8% of the risk-weighted assets. At the each year-end, these ratios have been determined based on risk weighted assets on a consolidated basis in accordance with instructions, issued by the Superintendency of Banks and Financial Institutions. As of December 31, 2004 and 2003, the Bank has calculated the following ratios:

	2004	2003
	MCh\$	MCh\$
Basic capital (*)	521,904.9	579,251.0
Total assets	9,711,799.7	9,525,124.8
Ratio	5.37%	6.08%
Effective equity (**)	779,870.1	831,976.6
Risk-weighted assets	6,680,357.6	6,293,989.7
Ratio	11.67%	13.22%

(*) Equivalent for these purposes to the paid-in capital and reserves.

(**) According to Article No. 66 of the Chilean Banking Law, effective equity includes basic capital and up to certain limits, subordinated bonds, the loan loss allowances with normal risk and additional allowances.

The assets are weighed in accordance with the risk categories, to which a risk percentage is assigned in accordance with the amount of capital that is estimated as necessary to support each one of these assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS | CONTINUED

as of December 31, 2004 and 2003

All derivative instruments, such as forwards, cross currency swaps, interest rate swaps, etc., are considered in the determination of the risk assets applying different conversion percentages to the notional values that are designed to convert those items from off-balance entries to balance sheet entries. The amounts determined in this way are denominated "credit equivalents", which are weighed as if they were balance sheet assets.

13. INVESTMENTS:

a) Financial investments:

Instruments (*)	Portfolio						Mark to market adjustment					
	Permanent		Non-Permanent		Sub-Total		Against income		Against equity		Total	
	2004 MCh\$	2003 MCh\$	2004 MCh\$	2003 MCh\$	2004 MCh\$	2003 MCh\$	2004 MCh\$	2003 MCh\$	2004 MCh\$	2003 MCh\$	2004 MCh\$	2003 MCh\$
Central Bank securities	-	-	1,068,473.7	1,320,948.9	1,068,473.7	1,320,948.9	(84.8)	3,727.4	-	-	1,068,388.9	1,324,676.3
Chilean Treasury and other government agency securities	-	-	14,174.5	43,581.7	14,174.5	43,581.7	1,074.8	(61.9)	-	-	15,249.3	43,519.8
Domestic financial institutions	-	-	208,764.3	221,671.5	208,764.3	221,671.5	(46.7)	(7.2)	-	-	208,717.6	221,664.3
Other financial investments in Chile	6,455.0	8,851.6	112,577.3	108,207.7	119,032.3	117,059.3	2,944.9	906.8	92.7	328.2	122,069.9	118,294.3
Foreign financial investments	37,586.0	33,792.7	128,769.6	191,422.3	166,355.6	225,215.0	181.9	452.8	0.4	8.4	166,537.9	225,676.2
Total	44,041.0	42,644.3	1,532,759.4	1,885,832.1	1,576,800.4	1,928,476.4	4,070.1	5,017.9	93.1	336.6	1,580,963.6	1,933,830.9

(*) Classification according to issuers and parties committed to pay. This schedule includes a total of MCh\$347,182.2 (MCh\$428,381.1 in 2003) of investments collateral under agreements to repurchase.

Additionally, the Bank holds financial investments in mortgage finance bonds issued by itself in the amount of MCh\$221,126.7 (MCh\$277,914.5 in 2003), which are recorded in memorandum accounts.

b) Other investments:

	2004 MCh\$	2003 MCh\$
Assets held for leasing	26,842.9	25,111.4
Assets received in lieu of payment (*)	16,129.8	16,017.9
Other non-financial investments	2.2	2.3
Total	42,974.9	41,131.6

(*) Assets received in lieu of payment are shown net of provisions in the amount of MCh\$1,947.9 (MCh\$1,411.5 in 2003). The amount shown in the Consolidated Balance Sheet corresponds to the estimated fulfillment value of these goods as a whole.

In addition to assets received in lieu of payment, shown above, there are also certain assets which have not been disposed of and which were written-off. It is estimated that the fair value of these written off assets is approximately MCh\$8,692.9 (MCh\$6,291.1 in 2003).

14. MATURITY OF ASSETS AND LIABILITIES:

a) Maturity of loans and financial investments:

The following table summarizes loans and financial investments, classified according to years to maturity. The amounts include accrued interest as of December 31, 2004 and 2003.

	2004				
	Less than 1 year MCh\$	Over 1 year/less than 3 MCh\$	Over 3 years/ less than 6 MCh\$	Over 6 years MCh\$	Total MCh\$
LOANS (1)					
Commercial loans and others	2,378,555.3	662,288.9	524,573.2	498,383.6	4,063,801.0
Mortgage loans	76,535.3	149,518.7	231,900.1	667,829.7	1,125,783.8
Consumer loans	435,998.0	210,197.7	37,050.3	3,052.7	686,298.7
Leasing contracts	90,142.2	114,150.9	84,747.0	53,659.6	342,699.7
OTHER LOANS					
Interbank loans	15,197.3	-	-	-	15,197.3
Investments purchased under agreements to resell	26,309.9	-	-	-	26,309.9
FINANCIAL INVESTMENTS					
Permanent (2)	38,309.1	5,731.9	-	-	44,041.0
Non-permanent (3)	1,536,829.5	-	-	-	1,536,829.5
Total	4,597,876.6	1,141,888.1	878,270.6	1,222,925.6	7,840,960.9

	2003				
	Less than 1 year MCh\$	Over 1 year/less than 3 MCh\$	Over 3 years/ less than 6 MCh\$	Over 6 years MCh\$	Total MCh\$
LOANS (1)					
Commercial loans and others	2,425,453.4	682,604.7	418,294.3	473,107.7	3,999,460.1
Mortgage loans	62,675.7	121,016.7	189,846.0	587,752.3	961,290.7
Consumer loans	381,455.9	181,638.6	33,420.0	3,308.6	599,823.1
Leasing contracts	75,992.9	84,516.3	65,337.8	48,777.4	274,624.4
OTHER LOANS					
Interbank loans	12,107.2	1,446.6	-	-	13,553.8
Investments purchased under agreements to resell	30,401.4	-	-	-	30,401.4
FINANCIAL INVESTMENTS					
Permanent (2)	33,792.7	8,851.6	-	-	42,644.3
Non-permanent (3)	1,890,850.0	-	-	-	1,890,850.0
Total	4,912,729.2	1,080,074.5	706,898.1	1,112,946.0	7,812,647.8

(1) Includes only current effective loans as of each year-end and with the indicated maturity period. Consequently, contingent loans and past due loans are not included, as well as, overdue loans not transferred to past due loans amounting to MCh\$39,543.5 (MCh\$35,046.0 in 2003), of which MCh\$27,957.6 (MCh\$21,091.6 in 2003) were overdue by less than 30 days.

(2) Includes the total amount of permanent investments as described in Note 2(g), without considering the adjustment to market value and also includes non-transferable investments.

(3) Includes the remaining investments, including its adjustment to market value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS | CONTINUED

as of December 31, 2004 and 2003

b) Maturity of deposits, borrowings and other financial obligations:

The following details deposits, borrowings and other obligations classified according to their maturity dates. The balances include interest accrued as of December 31, 2004 and 2003.

	2004				
	Less than 1 year MCh\$	Over 1 year/ less than 3 MCh\$	Over 3 years/ less than 6 MCh\$	Over 6 years MCh\$	Total MCh\$
BORROWINGS AND OTHER LIABILITIES (*)					
Time deposits	3,293,648.0	224,032.7	1,019.7	-	3,518,700.4
Other term liabilities	128,176.8	-	-	-	128,176.8
Securities sold under agreements to repurchase	349,086.0	-	-	-	349,086.0
Mortgage finance bonds	79,646.5	142,559.1	203,348.0	363,334.8	788,888.4
BONDS ISSUED					
Bonds (1)	29,407.7	56,242.0	57,285.9	38,579.4	181,515.0
Subordinated bonds	26,605.4	40,834.1	61,251.1	137,613.1	266,303.7
BORROWINGS FROM FINANCIAL INSTITUTIONS AND CENTRAL BANK					
Central Bank credit lines for renegotiation of loans	1,930.1	-	-	-	1,930.1
Other Central Bank borrowings	107,642.8	-	-	-	107,642.8
Borrowings from domestic financial institutions	26,399.0	-	-	-	26,399.0
Foreign borrowings	556,312.6	39,235.8	-	-	595,548.4
Other liabilities	35,152.2	3,382.9	4,706.4	1,605.0	44,846.5
Total	4,634,007.1	506,286.6	327,611.1	541,132.3	6,009,037.1

(1) During September 2004, Banco de Chile issued bonds, divided into three series denominated "N", "M" and "O". The N and M series bonds mature in 5 years while the O series mature in 22 years. The N series was issued in Chilean pesos and totaled MCh\$36,457.4. The M and O series were issued in U.F. and totaled MCh\$ 86,092.2 and MCh\$51,771.8, respectively. The nominal interest rates accrued by N, M and O are 5.5%, 3.0% and 4.5%, respectively.

	2003				
	Less than 1 year MCh\$	Over 1 year/ less than 3 MCh\$	Over 3 years/ less than 6 MCh\$	Over 6 years MCh\$	Total MCh\$
BORROWINGS AND OTHER LIABILITIES (*)					
Time deposits	3,281,637.1	39,278.4	8,740.2	-	3,329,655.7
Other term liabilities	118,132.0	-	-	-	118,132.0
Securities sold under agreements to repurchase	437,409.5	-	-	-	437,409.5
Mortgage finance bonds	86,507.2	179,725.7	256,190.3	517,389.8	1,039,813.0
BONDS ISSUED					
Bonds	928.3	1,758.6	518.2	-	3,205.1
Subordinated bonds	26,209.8	39,579.6	59,369.4	152,818.5	277,977.3
BORROWINGS FROM FINANCIAL INSTITUTIONS AND CENTRAL BANK					
Central Bank credit lines for renegotiation of loans	3,049.6	-	-	-	3,049.6
Other Central Bank borrowings	25,528.5	-	-	-	25,528.5
Borrowings from domestic financial institutions	51,129.5	-	-	-	51,129.5
Foreign borrowings	715,661.2	13,470.9	6,785.7	-	735,917.8
Other liabilities	51,966.8	2,684.0	4,211.3	2,228.0	61,090.1
Total	4,798,159.5	276,497.2	335,815.1	672,436.3	6,082,908.1

* Excluding all demand deposits, saving accounts and contingent liabilities.

15. FOREIGN CURRENCY BALANCES:

The Consolidated Balance Sheets includes assets and liabilities in foreign currencies and readjusted according to the relevant exchange rate, in the following amounts:

	Payable in					
	Foreign currency		Chilean pesos (*)		Total	
	2004 ThUS\$	2003 ThUS\$	2004 ThUS\$	2003 ThUS\$	2004 ThUS\$	2003 ThUS\$
ASSETS:						
Cash and due from banks	330,561.0	287,913.4	-	-	330,561.0	287,913.4
Loans	1,365,705.2	1,244,939.2	37,149.2	49,105.1	1,402,854.4	1,294,044.3
Contingent loans	396,392.2	342,207.6	-	-	396,392.2	342,207.6
Loans to other Chilean banks	2,060.4	7,877.7	-	-	2,060.4	7,877.7
Leasing contracts	-	-	54,746.2	55,854.0	54,746.2	55,854.0
Financial investments:						
- In Chile	600,684.3	321,241.5	381,120.5	709,926.0	981,804.8	1,031,167.5
- Abroad	297,479.6	367,308.7	-	-	297,479.6	367,308.7
Other assets	543,746.5	428,207.6	-	-	543,746.5	428,207.6
Total assets	3,536,629.2	2,999,695.7	473,015.9	814,885.1	4,009,645.1	3,814,580.8
LIABILITIES:						
Deposits	2,120,543.9	1,864,163.0	309.3	1,780.3	2,120,853.2	1,865,943.3
Contingent liabilities	400,091.7	343,616.5	-	-	400,091.7	343,616.5
Liabilities with Chilean banks	38,920.0	24,672.0	-	-	38,920.0	24,672.0
Liabilities with foreign banks	1,063,736.4	1,197,691.9	-	-	1,063,736.4	1,197,691.9
Other liabilities	320,635.0	344,569.8	137.4	201.0	320,772.4	344,770.8
Total liabilities	3,943,927.0	3,774,713.2	446.7	1,981.3	3,944,373.7	3,776,694.5

(*) Includes operations denominated in foreign currencies and payable in Chilean pesos or operations whose value is indexed to the exchange rate.

16. TRANSACTIONS WITH DERIVATIVE PRODUCTS:

The Bank and its subsidiaries take 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 and its subsidiaries to provide customers with capital markets products.

The following is a summary of the forward exchange contracts, future contracts operations and other operations with derivative products held at year-end:

a) Contracts on foreign currency and interest rates:

Description of transaction	Contract Amounts					
	Number of operations		Less than 3 months		Over 3 months	
	2004	2003	2004 ThUS\$	2003 ThUS\$	2004 ThUS\$	2003 ThUS\$
Local market:						
Foreign currency futures						
with Chilean currency	2,064	2,241	1,155,281	1,196,827	3,401,779	2,568,212
Foreign currency forward contracts	24	21	18,588	10,101	3,551	7,449
Foreign markets:						
Foreign currency futures						
with Chilean currency	18	4	55,500	12,000	72,085	40,000
Foreign currency forward contracts	84	70	46,616	19,104	12,953	26,492
Foreign currency futures sold	171	179	25,560	24,540	-	-
Interest rate swaps	89	137	-	32,000	1,048,184	1,480,385

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 amount on which interest rate contracts are agreed. The period refers to the contract maturity from the date of the transaction.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS | CONTINUED

as of December 31, 2004 and 2003

b) 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		Over 3 months	
			2004	2003	2004	2003
	2004	2003	MCh\$	MCh\$	MCh\$	MCh\$
UF/pesos forward contracts purchased	68	27	3,463.4	1,734.3	237,243.6	48,560.4
UF/pesos forward contracts sold	31	76	3,459.0	6,937.2	102,856.0	140,478.3
Interest rate swaps	30	10	17,317.0	-	127,109.6	62,434.8

c) 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		Over 3 months	
			2004	2003	2004	2003
	2004	2003	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Purchase option	1	-	-	-	6,000	-

17. CONTINGENCIES, COMMITMENTS AND RESPONSIBILITIES:**a) Commitments and responsibilities recorded in memorandum accounts:**

The Bank, its subsidiaries and branches abroad maintain the following memorandum accounts relating to their commitments and responsibilities with third parties arising in the ordinary course of business:

	2004	2003
	MCh\$	MCh\$
Securities held in safe custody	3,046,037.6	2,837,146.6
Credit approved but not yet disbursed	909,217.3	593,001.6
Foreign documents for collection	359,152.4	339,534.8
Domestic documents for collection	273,994.4	192,668.6
Suscribed leasing contracts	55,536.6	41,195.0
Administration of assets	-	37.9
Total	4,643,938.3	4,003,584.5

The above list includes only the major items. Contingent loans and liabilities are shown in the Consolidated Balance Sheets.

b) 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. As of December 31, 2004, the Bank has established provisions for this concept in the amount of MCh\$925.4 (MCh\$775.0 in 2003).

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.

18. OTHER ASSETS AND OTHER LIABILITIES:

Other assets and other liabilities as of December 31, are as follows:

	2004	2003
	MCh\$	MCh\$
OTHER ASSETS		
Deferred tax assets	64,748.9	93,750.7
Credit card charges in process	51,969.5	45,407.6
Amounts receivable under spot foreign exchange transaction	50,482.8	40,126.6
Intangibles (software and licenses for trademark use)	11,087.6	5,464.3
Discount on bond issuances	8,080.1	6,255.5
Notes receivable	7,548.2	-
Transactions in process	6,788.5	1,407.1
Deferred fees	5,252.1	2,818.6
Balances with domestic branches	4,173.6	9,299.1
VAT receivable	3,197.8	3,299.8
Accounts receivable for assets received in lieu of payment sold	2,914.9	4,697.1
Negative goodwill related to mortgage finance bonds issued by the bank	2,152.3	2,138.3
Prepaid expenses	2,067.8	1,092.1
Recoverable taxes	1,386.2	964.3
Material and supplies	475.3	489.5
Other	12,762.2	16,089.0
Total	235,087.8	233,299.6

	2004	2003
	MCh\$	MCh\$
OTHER LIABILITIES		
Amounts payable under spot foreign exchange transactions	52,034.9	48,205.5
Derivative instruments, net	44,580.8	9,538.2
Deferred tax liabilities	18,898.7	49,455.7
Accrued staff vacation expenses	9,826.1	9,397.7
Premium on bond issuances	8,080.1	6,255.5
Allowance on income taxes, net	8,007.6	10,157.0
Accrued severance staff indemnities	7,633.2	7,720.9
Deferred fees	4,177.1	3,934.7
Leasing deferred gains	4,174.3	4,277.5
Administration and credit card contract provision	3,225.9	4,741.1
VAT payable	3,204.7	3,288.8
Transactions in process	1,340.8	1,669.7
Legal contingencies provision	925.4	775.0
Other	2,971.4	3,500.7
Total	169,081.0	162,918.0

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS | CONTINUED

as of December 31, 2004 and 2003

19. COMMISSIONS:

The income and expenses for commissions shown in the Consolidated Statements of Income refers to the following items:

	Income		Expenses	
	2004	2003	2004	2003
	MCh\$	MCh\$	MCh\$	MCh\$
Mutual funds and stock brokerage	33,291.5	25,116.0	2,605.4	2,056.4
Credit cards and automated teller cards	33,250.7	28,151.4	13,902.0	13,596.8
Demand deposits and overdrafts	24,036.8	22,200.2	-	-
Collection services	12,130.2	11,783.1	-	-
Collection and payment of services	9,584.6	8,969.0	3,397.8	3,258.5
Credit lines	6,747.2	5,659.1	-	-
Letters of credit, guarantees, collaterals and other contingent loans	5,147.8	4,073.4	-	-
Financial services	4,631.9	5,484.0	-	-
Insurance brokerage	3,123.0	2,882.5	5.4	33.7
Bancuenta Credichile administration	2,788.3	2,578.9	-	-
Foreign trade and currency exchange	2,449.8	2,478.6	-	-
Custody and trust services	1,288.5	843.9	-	-
Fees from sales force	-	-	6,719.3	5,367.9
Other	7,322.6	5,153.3	848.3	746.9
Total	145,792.9	125,373.4	27,478.2	25,060.2

Commissions on mortgage finance loans operations are shown in the Consolidated Statements of Income under the heading "Interest revenue".

20. OPERATING EXPENSES:

The breakdown of operating expenses is as follows:

	2004	2003
	MCh\$	MCh\$
Personnel salaries and expenses	136,599.0	128,329.0
General expenses and administrative services	21,137.8	21,732.5
Depreciation and amortization	17,303.8	19,694.2
Communication and computational services	16,477.7	17,237.6
External services	11,869.8	8,445.3
Publicity and advertising	10,856.8	7,977.7
Rent and insurance	9,219.0	9,191.4
Repairs and maintenance of fixed assets	6,834.0	5,715.0
Other	11,331.4	11,547.2
Total	241,629.3	229,869.9

21. NON OPERATING INCOME:

The breakdown of non-operating income is as follows:

	2004	2003
	MCh\$	MCh\$
Rental income	2,355.7	2,426.5
Gains on sales of assets received in lieu of payment	843.1	1,313.9
Recoveries of expenses	582.5	533.4
Income from sale of fixed assets	296.5	539.7
Foreign trade income	146.3	5.6
Leasing income	74.5	1.2
Dividends received	55.8	19.9
Indemnity of sinesters	0.8	110.8
Other	470.6	477.6
Total	4,825.8	5,428.6

22. NON OPERATING EXPENSES:

The breakdown of non-operating expenses is as follows:

	2004	2003
	MCh\$	MCh\$
Charge-offs of assets received in lieu of payment	7,329.6	6,034.7
Tax expenses from previous years	2,246.7	-
Write-offs for frauds	1,062.9	109.7
Delivery services of bank products	647.1	653.1
Provision and charge-offs other assets	407.9	676.7
Expenses on charge-offs for leasing	242.3	619.9
Legal contingencies provision	182.3	150.8
Reversal of adjustments and interest from previous years	124.0	694.5
Cash losses	81.5	129.2
Advertising expenses	53.0	44.7
Charge-offs and provisions related to fixed assets	43.3	127.0
Charge-off of obsolete materials	0.6	328.9
Amortization of negative goodwill	-	55.3
Other	466.3	1,113.6
Total	12,887.5	10,738.1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS | CONTINUED

as of December 31, 2004 and 2003

23. DEFERRED TAXES AND INCOME TAXES:

The Bank and its subsidiaries have recorded in the Financial Statements the effects of deferred taxes and amortization of its complementary accounts, as provided by the Chilean Association of Accountants. The movements and effects from deferred taxes are shown on the following table:

	Balance as of December 31, 2003 (Historical) MCh\$	2004 Amortizations MCh\$	2004 Deferred taxes MCh\$	Balance as of December 31, 2004 MCh\$
• TEMPORARY DIFFERENCE				
Allowances for loan losses	23,452.7	-	4,243.0	27,695.7
Obligations with repurchase agreements	42,074.7	-	(31,507.0)	10,567.7
Leasing equipment	8,517.6	-	(946.9)	7,570.7
Assets at market value	1,828.8	-	942.0	2,770.8
Personnel provisions	1,524.0	-	551.7	2,075.7
Staff vacations	1,512.4	-	153.6	1,666.0
Accrued interests and indexation adjustments from risky loan portfolio	1,935.9	-	(844.4)	1,091.5
Accrued interests and indexation adjustments from past due loans	806.7	-	6.8	813.5
Staff severance indemnities	680.2	-	27.6	707.8
Charge-offs from financial investment	331.7	-	(266.0)	65.7
Other adjustments	9,325.1	-	398.7	9,723.8
Total	91,989.8	-	(27,240.9)	64,748.9
Complementary account balance	(525.7)	525.7	-	-
Net assets	91,464.1			64,748.9
• TEMPORARY DIFFERENCE				
Investments with repurchase agreements	41,563.4	-	(31,153.6)	10,409.8
Depreciation and price-level restatement of fixed assets	5,306.9	-	(397.0)	4,909.9
Transitory assets	1,112.4	-	668.7	1,781.1
Other adjustments	1,260.1	-	537.8	1,797.9
Total	49,242.8	-	(30,344.1)	18,898.7
Complementary account balance	(993.3)	993.3	-	-
Net liabilities	48,249.5			18,898.7

As of December 31, 2004, the income tax provision in the Consolidated Statements of Income shows a net charge amounting to MCh\$18,353.6 (MCh\$14,249.5 in 2003), detailed as follows:

	2004 MCh\$	2003 MCh\$
Tax expense	(20,221.4)	(17,378.6)
Amortization of deferred tax beginning balance	(467.6)	1,302.2
Deferred tax effect for the year	3,103.2	1,943.3
Non deductible expenses (Art, 21)	(767.8)	(694.2)
Monthly prepaid tax installments due to absorption of losses	-	577.8
Net tax expense	(18,353.6)	(14,249.5)

24. DIRECTORS' EXPENSES AND REMUNERATIONS:

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS | CONTINUED

as of December 31, 2004 and 2003

25. SUBSEQUENT EVENTS:

a) Consent Order from the Office of the Comptroller of the Currency regarding the New York Branch activities:

The Bank and its New York Branch has entered into a Stipulation and Consent agreement to the issuance of a Consent Order by the Office of the Comptroller of the Currency (OCC), in connection with the Bank Secrecy Act ("BSA") and Anti-Money Laundering compliance of the New York Branch. The Consent Order will become effective on February 1st, 2005.

In accordance with the above mentioned order, the Bank and the New York Branch shall adopt several immediate actions and, within the next 90 days, shall prepare and present an action plan constituting a review of the skills of the Branch's staff to conduct an effective compliance program. This action plan will include the following contents: a book and records program, specifically regarding the necessary information required to assure compliance with the US Bank Secrecy Act; an Employee Standards Program; an Internal Control Program that shall include additional controls to high risk accounts and accounts of politically exposed persons, and that ensures the identification of all parties involved in any transaction of the Branch; a Bank Secrecy Act Program; a Bank Secrecy Act Audit Function Program; and a Suspicious Activity Report Program. This program will subsequently be submitted to the OCC for consideration.

Finally, according to the Consent Order, the Bank shall establish a Compliance Department at the New York Branch, shall not perform any transaction with certain persons or any entity related to those persons, and shall create a reporting committee responsible for ensuring that the corrective actions are put in place.

b) 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.

Héctor Hernández G.
General Accounting Manager

Pablo Granifo L.
Chief Executive Officer

REPORT OF INDEPENDENT AUDITORS

A free translation of the original Report issued in Spanish



To the Shareholders of

Banco de Chile:

1. We have audited the accompanying consolidated balances sheets of Banco de Chile and Subsidiaries ("the Bank") as of December 31, 2004 and 2003, and the related consolidated statements of income and cash flows for the years then ended. These financial statements (which include their related notes) are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.
2. We conducted our audits in accordance with generally accepted auditing standards in Chile. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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 as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.
3. In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Banco de Chile and Subsidiaries as of December 31, 2004 and 2003, and the results of its operations and cash flows for the years then ended, in conformity with generally accepted accounting principles in Chile and regulations established by the Chilean Superintendency of Banks and Financial Institutions.
4. As mentioned in Notes 17 (c) and 25 (a) to the consolidated financial statements, the New York and Miami branches are under a review process by regulators in the United States of America. The final issuance of audited financial statements of these branches for the year ended as of December 31, 2004, are pending the completion of this review. As of the release date of these consolidated financial statements, based on the information being analyzed by the Bank, it is not possible to determine the existence of any further regulatory actions in addition to those already agreed with the U.S. regulators, nor is it possible to estimate the corresponding financial statement impact. As a result, the Bank has not recorded provisions related to the resolution of this contingency.

Juan Francisco Martínez A.

ERNST & YOUNG LTDA.

January 31, 2005

Santiago, Chile

