



financial services



LQIF

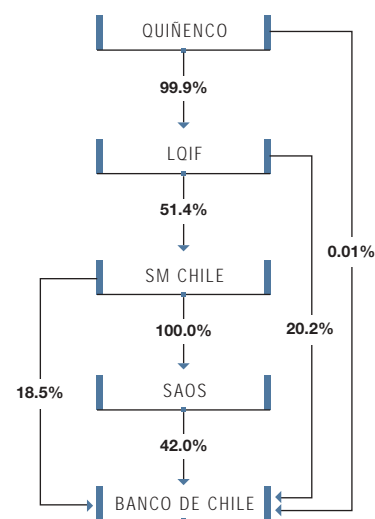
L Q I N V E R S I O N E S F I N A N C I E R A S S . A .

The subsidiary LQ Inversiones Financiera (LQIF) has been the holding company for Quiñenco's financial sector investments since the year 2000. Through its shareholdings in Banco de Chile and in SM Chile S.A., LQIF currently has 52.2% of the voting rights and 29.2% of the economic rights of Banco de Chile, one of the most important financial institutions in the domestic market.

The financial sector, in turn, is Quiñenco's most relevant business area. Its investments in the sector represent 63% of total corporate level assets and 69% of total investments. In 2003, in its full year of operations following its 2002 merger, Banco de Chile contributed Ch\$38,047 million to Quiñenco's net profit, the most significant result of any of the group's operating companies.

Quiñenco has played a role in the Chilean financial system since the 1980s, and is among the most experienced conglomerates in this area with a long and successful track record, which includes the merger of Banco Santiago with Banco O'Higgins in 1997, the subsequent sale of this merged entity to Banco Santander Central Hispanoamericano (BSCH) in 1999, the acquisition of controlling stakes in Banco Edwards and Banco de Chile in 1999 and 2000, respectively, and the subsequent merger of these two institutions.

LQIF reported net profits in 2003 of Ch\$13,463 million. These can be attributed mainly to LQIF's proportional share in the net income of related companies, primarily Banco de Chile, which reached Ch\$38,041 million, partially offset by goodwill amortization expense associated with the 2001 acquisition of Banco de Chile and financial expenses incurred during the 2003 period.



LQIF'S STAKE IN BANCO DE CHILE

Voting rights	52.2%
Dividend rights	29.2%
% of shares owned	
SM Chile	51.4%
Banco de Chile	20.2%



Banco de Chile

Banco de Chile is one of the most prestigious and highly regarded financial institutions in the country, with assets in excess of US\$15.577 billion and net worth of US\$1.172 billion. The bank boasts an 18.1% share of the Chilean market in terms of loans, 17.3% in deposits and 24.2% of all current accounts. Banco de Chile market capitalization at the end of last year rose to US\$3.176 billion, after a 44% surge in the share price during 2003. This underlines the bank's attractiveness as an investment option in the Latin American market.

The company is a global bank operating with multiple products across all market segments. Its business strategy is aimed at maintaining leadership in corporate and personal banking and in financial products, three areas in which it has important competitive advantages. This is basically due to the quality of its service and the great variety and excellence of the products offered, as well as to its broad client base.

The bank's merger with Banco Edwards in January 2002 strengthened its capital position and broadened its financial flexibility. It also brought together two cultures, and in doing so enriched the new Banco de Chile with the best practices of two banks. In the high-end client segment, the Banco Edwards brand was kept on. CrediChile, meanwhile, drives sales in consumer credit. The bank defined the BanChile brand to pull together seven subsidiaries: stock brokerage; fund administration; factoring; insurance brokerage; financial advice; securitization; and debt collection (Socofin). The bank also participates in nine other support

businesses. Banco de Chile services the public through 240 strong branches located throughout the country.

Among its principle objectives are to provide clients with top-quality services; to broaden its commission base through the incorporation and optimisation of products; to maintain the focus on improving efficiency – currently at about 53%, and develop its international operations. In this final aspect, it's worth highlighting that Banco de Chile has the largest share of the foreign trade finance market, at 23.9%. With branches in Miami and New York, the bank has been able to conduct important operations with Chilean companies, especially mid-sized firms involved in international trade.

One of the bank's goals is to grow in the mass



KEY FINANCIAL INFORMATION		12/31/2002	12/31/2003
Total loans	MCh\$	6,167,763	6,242,123
Total consolidated assets	MCh\$	8,679,770	9,249,902
Shareholders' equity	MCh\$	624,412	695,676
ROAA		0.59%	1.44%
ROAE		8.9%	20.0%
Net financial margin		4.1%	3.8%
Efficiency ratio		59.7%	52.9%
Market share		18.6%	18.1%

consumer credit segment. At the moment, CrediChile's share of the loan portfolio is just 2.6% of the bank's total, leaving plenty of room for expansion.

In terms of competitiveness, Banco de Chile is proud to be the only Chilean company with a presence in three international equity markets. Apart from its listing on the Chilean stock exchanges, the company's shares are traded on the New York Stock Exchange (NYSE), the London Stock Exchange and the Madrid Stock Exchange (Latibex).

In 2003, the bank initiated a technological development project that will prove vital to its medium-term expansion. The project involves replacing the existing operational and technological platform with a system at the cutting edge of the banking sector. Once the system has been fully implemented, within about three years, costs are expected to drop, and the bank should experience a dramatic improvement in the quality of service and a sharper focus on various market segments. This will mean higher profitability per client and a healthier bottom line. The project is being rolled out in three phases, with personnel from each and every area of the bank dedicated full-

time to implementation. Once finished, Banco de Chile will be firmly at the vanguard of banking technology, not only in Chile but at a global level.

Looking ahead, the bank wants to increase its market share, and so capitalize on the commercial synergies that come with a broader client base. This should allow it to continue delivering profit and performance results well above the industry average.

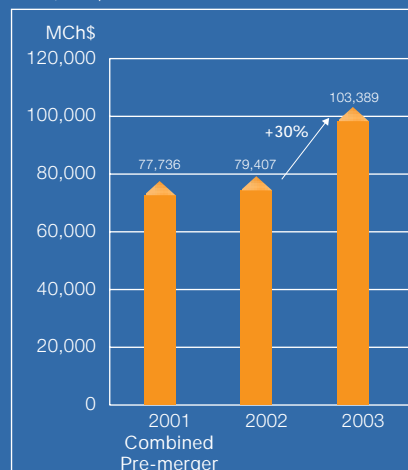
2003 Results

Banco de Chile reported net income of Ch\$130,553 million for the year ended December 31, 2003, the highest level in its history. This represented an increase of 146% from 2002 net profit of Ch\$53,161 million. The significant increase in net profit in 2003 was mainly attributable to lower provisions for loan losses, strong growth in fee income, higher loan recoveries and a sharp reduction in operating expenses, the effects of which more than offset a decline in the bank's net financial income and higher income taxes incurred during the period.

Operating revenue amounted to Ch\$424,250 million, up 1.1% from

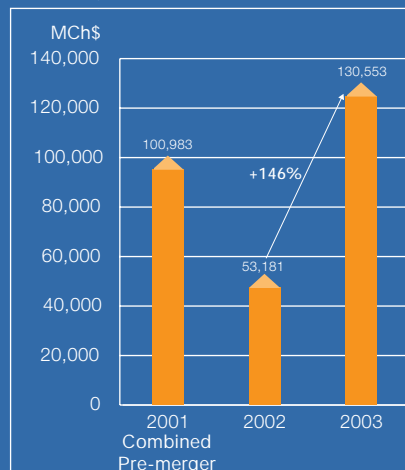
INCOME FROM SERVICES, NET

MCh\$ 103,389 IN 2003

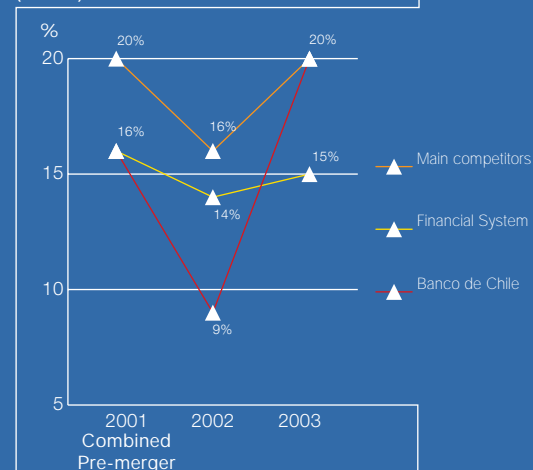


NET INCOME

MCh\$ 130,553 IN 2003



RETURN ON AVERAGE EQUITY (ROAE)



the Ch\$419,821 million reported in 2002. Fee income, which accounted for 24.4% of operating revenues in 2003, was the main driver as both the banking and non-banking businesses experienced important fee income growth. As a result, fee income jumped by 30.2% to Ch\$103,389 in 2003. To a lesser extent, gains on financial instruments also contributed to the increase in operating revenue, climbing from Ch\$1,130 million to Ch\$5,330 million, mainly attributable to earnings related to the sale of Argentine securities. These increases more than offset the decline in financial income, which fell by 7% to Ch\$315,531 million, mostly as a consequence of the lower inflation rate of 1% which affected the amount of interest income earned on UF based assets, as well as the absence of repricing benefits.

Provisions for loan losses were cut by more than 40% to Ch\$60,069 million, in tune with more positive economic indicators and performance in Chile, most notably GDP growth, employment levels, low interest rates and inflation levels. To a lesser extent, the 17%

appreciation of the Chilean peso also contributed to lower provisions on foreign currency denominated loans.

As of December 2003, the Bank's loan portfolio varied slightly from the same period in 2002, having shown an increase of 1.2% over the last twelve months. The bank experienced growth in almost all of its loan segments, most notably the consumer loan and foreign trade loan areas.

Banco de Chile was the second ranked private bank in the country (in terms of loans) with a market share of 18.1%, according to information published by the Chilean Superintendency of Banks for the period ended December 31, 2003. Its return on capital and reserves for the twelve-month period was 23.1%, compared to 8.9% in 2002 when the bank was nearing completion of its merger process. The local financial system as a whole reported a return on capital and reserves of 16.6% in 2003, according to the same source, well below that of Banco de Chile.