

Quiñenco's investments in the financial services sector are grouped together in LQ Inversiones Financieras, a wholly-owned subsidiary. The company holds 53.5% of the voting rights and 29.9% of the dividend rights of Banco de Chile, one of Chile's most important financial institutions.

Indeed, the financial services sector is Quiñenco's most important business segment, both in terms of corporate assets (60%) and total investments (64%). In 2004, Banco de Chile's contribution to Quiñenco's net income was Ch\$45,612 million, making it the most significant operating company in the group.

Quiñenco has been active in the Chilean financial sector for decades, boasting a series of successes. Among the highlights are the merger of Banco Santiago with Banco O'Higgins in 1997; the ensuing sale of its stake when the merged entity was absorbed by Banco Santander Central Hispano (BSCH) of Spain in 1999; the purchase of controlling stakes in Banco Edwards and Banco de

Chile in 1999 and 2001, respectively, and the subsequent merger of these two banks in 2002.

At the end of 2004, LQIF placed its first bond issue in the domestic market, raising UF7 million. The issue was broken into two parts: Series A, for UF4 million which has a 5.5 year maturity and a 3.25% annual coupon rate and; Series B, amounting to UF3 million, which has a 20.5 year maturity and a 4.75% coupon rate. The proceeds from the bond issue were used to refinance existing debt obligations at LQIF.

LQIF reported net profit of Ch\$21,149 million in 2004, principally due to income from investments in related companies – principally Banco de Chile – which reached Ch\$45,592 million, the effect of which was partially offset by goodwill amortization related to the acquisition of the bank in 2001 and the financial costs incurred during the period.

LQIF's stake in Banco de Chile	2003	2004
Voting rights *	52.2%	53.5%
Dividend rights *	29.2%	29.9%
% of shares owned		
SM Chile	51.4%	51.4%
Banco de Chile	20.2%	20.2%

* As a consequence of the share repurchase that Banco de Chile carried out in 2004, voting rights increased to 53.5% and dividend rights to 29.9%.

Leader in profitability

Banco de Chile is among the largest and most successful financial institutions in Chile, both in terms of return on capital and reserves and return to its investors. It is number one among locally-capitalized banks and the second-largest financial institution in Chile, well ahead of the rest of the financial system in terms of market position, brand recognition, client base and income diversification.

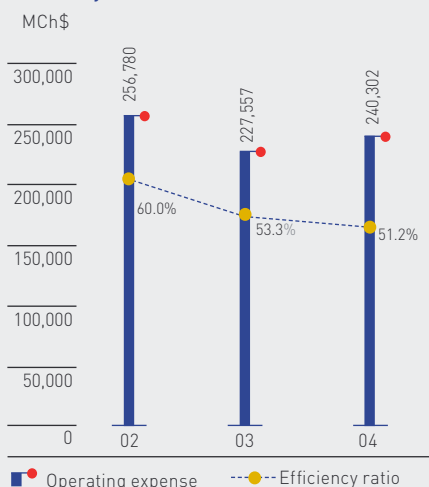
Banco de Chile has US\$17.3 billion in assets with shareholders' equity of US\$1.2 billion. The bank's market share in terms of loans is 18%, while it has 15% of time deposits and 21% of the current accounts market.

Banco de Chile is active in all market segments through its Chile, Edwards and CrediChile brands, offering a wide range of financial products and services to its clients. Its broad client base provides services to large corporations, small and medium-sized companies and retail customers through a national network made up of 241 branches, 1,001 automatic teller machines (ATMs) and other electronic distribution channels. Operations are organized in six main business divisions: large corporations; middle market companies; retail banking; mass consumer market; international banking and treasury operations.

This wide range of financial services is further complemented by subsidiary operations which provide securitization, stock brokerage, investment and mutual funds, insurance, financial consultancy and factoring services. In 2004, the subsidiary



Efficiency ratio



Efficiency ratio is calculated as a percentage of operating expenses to operating revenues.

BanChile Trade Services was created to serve clients with existing or planned operations in the Asian market. In order to create this business line, the bank signed an agreement with Standard Chartered Bank, a UK financial institution with an important presence in Asia.

Banco de Chile also has branches in New York and Miami, as well as a network of representative offices in Buenos Aires, Mexico City and Sao Paulo. These allow the bank to extend its international products and services in a competitive fashion, and in accordance with the needs of its clients.

Among the main objectives of the bank are the provision of high-quality services to its clients; the expansion of its commission base through the strengthening and creation of products; the continual drive to improve efficiency – currently around 51% – and the development of international business.

It is worth highlighting that apart from its listings in the local capital market, Banco de Chile is also present on the New York

Key financial information		12.31.03	12.31.04
Total loans	MCh\$	6,411,793	6,888,911
Total assets	MCh\$	9,481,150	9,649,203
Shareholders' equity	MCh\$	713,068	674,533
ROAA		1.45%	1.59%
ROAE		20.0%	23.6%
Net financial margin		3.9%	4.0%
Efficiency ratio		53.3%	51.2%
Market share (loans)		18.1%	17.6%

Stock Exchange (NYSE), the Madrid stock exchange and the London Stock Exchange. Its stock market value of some US\$4 billion makes it one of the largest in Chile in terms of market capitalization.

During 2004, Banco de Chile received recognition as Chilean bank of the year from the prestigious The Banker magazine, part of the Financial Times group. América Economía also named it best Chilean bank and second best in Latin America. These awards reflect not only the solid results of the bank, but also its technological and strategic development.

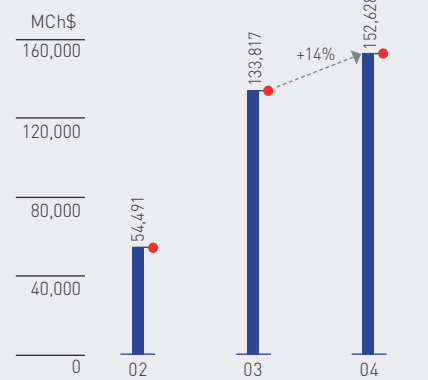
2004 Results

Banco de Chile reported net income of Ch\$152,628 million for the year ended December 31, 2004, surpassing its previous record of Ch\$133,817 million set in 2003. This increase was mainly attributable to the bank's strong operational performance in 2004, which implied sustained growth in fee income and net financial income.

Operating revenues amounted to Ch\$469,823 million, up 10.0% from the Ch\$427,134 million reported in 2003. Fee income, which accounted for 27.0% of total operating revenues in 2004, was the main driver as both the banking and subsidiary businesses experienced important fee income growth. As a result, fee income jumped by 29.1% to Ch\$126,842 million in 2004. Likewise, net financial income also contributed to the growth in operating revenues, increasing by 7% to Ch\$346,132 million. Net financial income, which is the sum of net interest income and net FX transactions, grew as a result of a 2.2% increase in average interest earning assets, higher loan spreads, an increase in the inflation rate, a better funding mix and recovery of previously charged-off loans. The increase in operating

Net income

MCh\$ 152,628 in 2004



The NEOS Project

In 2003, the bank launched its NEOS Project with a view to significantly transform its technological platform and implement a business model aimed at optimizing commercial capacity and competitiveness. The final phase of the project is scheduled for completion in 2006.

The NEOS plan represents a great technological challenge for Banco de Chile in the coming years. In 2004, it concluded the

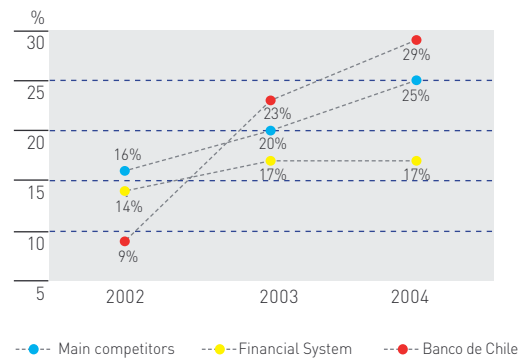
first phase with the implementation of Flex Cube, which traces account balances and movements to facilitate more efficient management and control of financial and performance data. The bank also installed a training program, incorporating an application of CRM, a platform aimed at improving the quality of service.

revenues was partially offset by a net loss on sales of financial instruments of Ch\$3,151 million.

Provisions for loan losses increased by 19.3% to Ch\$73,512 million, mainly attributable to the growth of 7.4% in the loan portfolio and to the downgrading of a number of corporate clients in the construction sector.

Operating expenses increased by 5.6% to Ch\$240,302 million compared to 2003, primarily due to higher personnel and

Return on capital and reserves



Income from services, net

MCh\$ 126,842 in 2004



administrative expenses associated with a higher headcount and variable compensation packages. Despite the increase in operating expenses in 2004, Banco de Chile's efficiency ratio (measured as operating expenses to operating revenues) improved to 51.2% for the twelve month period ended December 31, 2004, compared to 53.3% in 2003.

As of December 2004, the Bank's loan portfolio had grown by 7.4% to Ch\$6,888,911 million. Loan portfolio growth was driven by increases in other outstanding loans, commercial loans and contingent loans, all of which were stimulated by the favorable economic conditions which prevailed in 2004. Banco de Chile was the second ranked bank in the country (in terms of loans) with a market share of 17.6% according

to information published by the Chilean Superintendency of Banks for the period ended December 31, 2004. Its return on capital and reserves for the twelve-month period was 29.2%, the highest in the Chilean financial system. The local financial system as a whole reported a return on capital and reserves of 16.7% in 2004, according to the same source.

