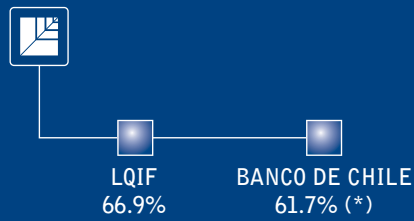


# Banco de Chile



(\*) Voting rights



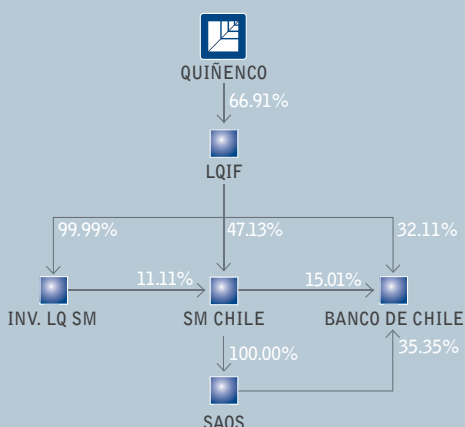
LQ Inversiones Financieras S.A. (LQIF), constituted in 2000, channels Quiñenco's investments in the financial sector. Since 2001, its principal investment is the controlling shareholding in Banco de Chile, one of the largest financial institutions in the country.

An important agreement with Citigroup was executed in 2008, whereby Citigroup acquired a 32.96% shareholding in LQIF at the beginning of the year, and the merger of Banco de Chile and Citibank Chile was successfully

and of Banco de Chile in 2001, which were subsequently merged in 2002; and finally the merger with Citibank Chile effective from January 1, 2008, forming the principal bank with Chilean capital in the country and the first in terms of return on equity.

### 2008 Results

LQIF recorded a net income of Ch\$62,615 million in 2008, an increase of 21.0% over the previous year. This increase is mainly due to the higher income from investments in related companies, which reached Ch\$110,193 million due to an increased ownership and improved profits of its investment in Banco de Chile. This increase was



### LQIF'S STAKE IN BANCO DE CHILE

As of December 31	2008
Voting rights	61.7%
Dividend rights	40.4%
<b>% of shares owned</b>	
SM Chile	58.2%
Banco de Chile	32.1%

carried out. This merger implied a positive impact on Banco de Chile's results, driven by important synergies between both banks.

The group has a long and successful experience in the Chilean financial sector. Noteworthy are: the merger of Banco Santiago with Banco O'Higgins in 1997; the sale of the resultant entity to Banco Santander Central Hispano (BSCH) in 1999; the acquisition of Banco Edwards in 1999

partially compensated by an increase in the amortization of goodwill amounting to Ch\$38,065 million, due to the increase in economic rights in Banco de Chile, from 30.7% in 2007 to 40.4% in 2008. In addition, the merger with Citibank Chile generated an increase in the amortization of intangible assets of Ch\$8,899 million resulting from the adjustment to fair value of the assets acquired in said transaction.

# Banco de Chile

Banco de Chile is the principal bank with Chilean capital and the second largest financial institution in the country, with a market share in loans of 19.4%. With more than US\$18 billion in deposits, it has an 18.8% market share in demand and time deposits, and close to 570 thousand checking accounts, equivalent to a 25.6% market share, as of November 2008. As of December 2008, its total assets exceeded US\$28 billion, and its net equity exceeded the equivalent of US\$2 billion.

Banco de Chile has penetrated international markets, its shares being traded on various stock exchanges around the world;

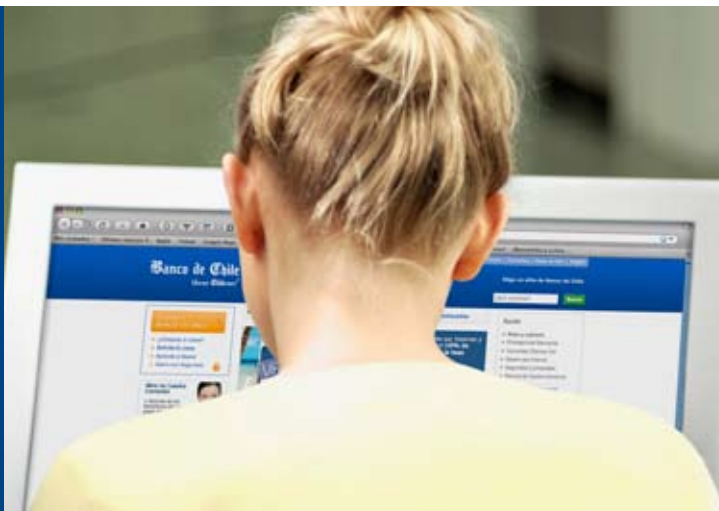
network was also strengthened by more than 100 branches and sales points as of January 2008.

Banco de Chile not only gained in size and market share from the merger. An important contribution was the reinforcement of financial know-how in the treasury, investment banking and private banking areas. At the same time, more sophisticated processes were introduced regarding the compliance and internal audit areas, plus financial and market risk control and management systems.

As a result of the merger, an internal reorganization of the bank was carried out whereby the Large Corporations Division and Finance Division complement each other in providing customer service, coordinating jointly with the International Area and Investment Banking. The Atlas and CrediChile brands, the respective consumer

# 2008

net income was the highest in the Bank's history.



# 27.4%

share of aggregate net income of the Chilean financial system in 2008.

particularly noteworthy are the ADS (American Depositary Shares) program on the New York Stock Exchange (NYSE) and its presence on the Madrid and London stock exchanges.

The merger between Banco de Chile and Citibank Chile was completed, becoming effective as of January 1, 2008. In this process, Banco de Chile sold its international branches in the United States to Citibank N.A. and signed a commercial agreement with that institution to provide joint financial services to customers in Chile.

During 2008, Banco de Chile successfully achieved the merger with Citibank Chile, which raised its market share of loans by 1.7%, incorporating more than 50 thousand new customers, especially in multinational companies and consumer banking. The distribution

divisions of Citibank Chile and Banco de Chile, were also merged under the CrediChile name.

Banco de Chile is a commercial bank that offers an extensive range of financial products and services to meet the diverse needs of its customers. Operations are organized around six business areas: Large Corporations, Wholesale and Large Businesses, Individuals and Businesses, Treasury, Banco CrediChile, and Capital Markets and Investments. The subsidiaries also provide additional services including securitization, securities trading, mutual funds, insurance, financial advice and factoring.

Banco de Chile has 371 branches throughout the country, 1,584 automated teller machines, and other electronic distribution channels. It also has representative offices and an extensive network



of correspondent banks, providing products and services easily and conveniently to its customers around the world, offering the highest standards of quality and competitiveness.

### 2008 Results

Banco de Chile reported a net income of Ch\$272,427 million for 2008, the best result in its history. The 3.3% increase over 2007 was achieved despite the impact of the global financial crisis on the results of the last quarter of the year and reflects the successful integration with Citibank Chile, even after considering merger costs, plus organic growth.

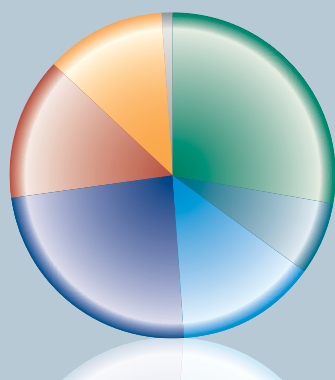
Operating revenues rose to Ch\$1,097,480 million, a 39.9% increase over the Ch\$784,678 million generated in 2007. One of the principal drivers

Other operating income rose from Ch\$23,941 million in 2007 to Ch\$68,386 million in 2008, mainly the result of non-recurring income from the sale of foreign branches, amounting to Ch\$38,459 million, and from the sale of shares in Visa Inc., as a result of its public offering on the NYSE, of approximately Ch\$10,352 million.

The provisions for loan losses rose by Ch\$81,915 million to Ch\$138,593 million in 2008. This pronounced increase is explained by the greater risk profile relating to the individuals segment, reflecting economic deceleration, higher inflation, higher interest rates and an increase in unemployment, added to the expansion of the bank's loan portfolio and, to a lesser extent, the impact of the standardization of credit risk criteria and classifications between the loan portfolios of the merged banks.

**NET INCOME CONTRIBUTION BY BUSINESS AREA\***  
2008 Net Income MCh\$272,427

■ Individuals and Small Businesses	28%
■ Banco CrediChile	7%
■ Large Companies	14%
■ Treasury	24%
■ Public Corporations	14%
■ Subsidiaries	12%
■ Investments and Capital Market	1%



(\*) Before tax

**19.4%**  
was the market share  
of total loans as  
of December 31, 2008.



of growth in revenues was the 41.9% increase in net financial income to Ch\$813,230 millions, plus an 18% increase in average interest-bearing assets and an improvement in the net financial margin from 4.7% in 2007 to 5.6% in 2008. This margin shows a significant increase as a result of the active management of UF/Ch\$ exposures that benefited from the higher inflation in the year, a greater contribution from demand deposits due to higher nominal interest rates, a more favorable financing structure, and an increase in average loan spreads as a result of the incorporation of the Citibank Chile portfolio.

Fee income, which represented 19.7% of operating revenues in 2008, increased by 15.0% to Ch\$215,864 million, mainly reflecting higher fee income from the principal banking products like credit cards and checking accounts, plus insurance, advisory services and private banking business.

Operating expenses increased by 46.7% to Ch\$573,848 million, compared to 2007, mainly due to the incorporation of the cost base of Citibank Chile, organic growth and additional loan provisions of approximately Ch\$17,000 million in the fourth quarter of 2008. Non-recurring charges related to the merger, of approximately Ch\$44,762 million, and related to the collective bargaining agreement signed in advance, of approximately Ch\$13,000 million, also contributed to the increase in operating expenses during the year.

The loss for price-level restatement amounted to Ch\$77,789 million, compared to a loss of Ch\$41,324 million in 2007, as a result of the increase in net non-monetary liabilities due to the capitalization of the net income for 2007 and the capital increase related to the merger with Citibank Chile and, to a lesser extent, to the higher rate of inflation experienced during the year.