**As filed with the Securities and Exchange Commission on June 29, 2009**

# UNITED STATES

# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# FORM 20-F

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)**

**OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2008

Commission file number 001-15266

# BANCO DE CHILE

**(Exact name of Registrant as specified in its charter)**

**BANK OF CHILE**

**(Translation of Registrant s name into English)**

**REPUBLIC OF CHILE**

**(Jurisdiction of incorporation or organization)**

**Banco de Chile**

**Ahumada 251**

**Santiago, Chile**

**(562) 637-1111**

**(Address of principal executive offices)**

**Pedro Samhan E.**

**Banco de Chile**

**Ahumada 251**

**Santiago, Chile**

**Telephone: (562) 653-5150**

**Facsimile: (562) 653-5156**

**(Name, telephone, e-mail and/or facsimile number and address of company contact person)**

Securities registered or to be registered pursuant to Section 12(b) of the Act:

| Title of each class | Name of each exchange on which registered |
|---|---|
| American Depositary Shares, each representing 600 shares of common stock, without nominal (par) value ( ADSs ) | New York Stock Exchange |
| Shares of common stock, without nominal (par) value | New York Stock Exchange<br>(for listing purposes only) |

Securities registered or to be registered pursuant to Section 12(g) of the Act:

**None**

**(Title of Class)**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

**None**

**(Title of Class)**

Indicate the number of outstanding shares of each of the issuer s classes of capital or common stock as of the close of the period covered by the annual report:

**Shares of common stock: 80,879,895,984**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No ¨

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes ¨ No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ¨ IFRS ¨ Other x

If  Other  has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. ¨ Item 17  x Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ¨  No x

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## THE MERGER

On January 1, 2008, Banco de Chile merged with Citibank Chile in a transaction in which Banco de Chile was the surviving corporate entity. As used in this annual report, unless the context otherwise requires, references to Banco de Chile relating to any date or period prior to January 1, 2008 (the effective date of the merger) are to Banco de Chile as it existed prior to the consummation of the merger, and such references relating to any date or period on or after January 1, 2008 are to Banco de Chile after the consummation of the merger.

## PRESENTATION OF FINANCIAL INFORMATION

We prepare our audited consolidated financial statements in Chilean pesos and in accordance with generally accepted accounting principles in Chile, or Chilean GAAP, and the rules of the *Superintendencia de Bancos e Instituciones Financieras*, or the Chilean Superintendency of Banks. Together, these requirements differ in certain significant aspects from generally accepted accounting principles in the United States, or U.S. GAAP. References to Chilean GAAP in this annual report are to Chilean GAAP, as supplemented by the applicable rules of the Chilean Superintendency of Banks. See Note 34 to our audited consolidated financial statements contained elsewhere in this annual report for a description of the material differences between Chilean GAAP and U.S. GAAP, as they relate to us and our consolidated subsidiaries, and a reconciliation to U.S. GAAP of net income and equity.

The Chilean Superintendency of Banks, through its Circular No. 3,410 dated November 9, 2007, subsequently supplemented by Circular No. 3,443 dated August 21, 2008, introduced the new Compendium of Accounting Standards that banks must apply as a result of the IFRS convergence project developed by the Chilean Superintendency of Banks. The Compendium of Accounting Standards established a new format for the presentation of the annual financial statements starting in 2008. The application of this new format only affected the presentation of the financial statements and did not have an effect on the accounting criteria applied by the Bank. For comparative purposes, all the financial information from 2004 through 2007 in this annual report has been restated in accordance with the new presentation format, which presentation format was also used with respect to the 2008 financial information contained in this annual report.

Pursuant to Chilean GAAP, unless otherwise indicated, financial data for all full-year periods through December 31, 2008 included in our audited consolidated financial statements and in the other financial information contained elsewhere in this annual report have been restated in constant Chilean pesos as of December 31, 2008.

In this annual report, references to $, U.S.$, U.S. dollars and dollars are to United States dollars, references to pesos or Ch$ are to Chilea
and references to UF are to *Unidades de Fomento.* The UF is an inflation-indexed Chilean monetary unit of account with a value in Chilean pesos that is linked to and adjusted daily to reflect changes in the Consumer Price Index of the *Instituto Nacional de Estadísticas*, or the Chilean National Statistics Institute. As of December 31, 2008, one UF equaled U.S.$34.10 and Ch$21,452.57. See Note 1 to our audited consolidated financial statements. Percentages and certain dollar and peso amounts contained in this annual report have been rounded for ease of presentation.

This annual report contains translations of certain Chilean peso amounts into U.S. dollars at specified rates solely for your convenience. These translations should not be construed as representations that the Chilean peso amounts actually represent such U.S. dollar amounts, were converted from U.S. dollars at the rate indicated in preparing our audited consolidated financial statements or could be converted into U.S. dollars at the rate indicated. Unless otherwise indicated, such U.S. dollar amounts have been translated from Chilean pesos based on the observed exchange rate, as described in Item 3. Key Information Selected Financial Data Exchange Rates, reported by the *Banco Central de Chile*, or the Central Bank, for December 30, 2008 (the latest practicable date, as December 31, 2008 was a banking holiday in Chile). The observed exchange rate on June 26, 2009 was Ch$531.93 = U.S.$1.00. The rate reported by the Central Bank is based on the rate

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for the prior business day in Chile and is the exchange rate specified by the Chilean Superintendency of Banks to be used by Chilean banks in the preparation of their financial statements. The Federal Reserve Bank of New York does not report a noon buying rate for Chilean pesos.

Unless otherwise specified, all references in this annual report to loans are to loans and financial leases before deduction of allowances for loan losses, and all market share data presented in this annual report are based on information published periodically by the Chilean Superintendency of Banks. Non-performing loans include loans as to which either principal or interest is overdue and loans that do not accrue interest. Restructured loans as to which no payments are overdue are not ordinarily classified as non-performing loans. Past due loans include, with respect to any loan, the portion of principal or interest that is 90 or more days overdue; the entire outstanding balance of any loan is included in past due loans only after legal collection proceedings have been commenced. This practice differs from that normally followed in the United States, where the amount classified as past due would include the total principal and interest on all loans which have any portion overdue. See Item 4. Information on the Company Selected Statistical Information Classification of Loan Portfolio Based on the Borrower s Payment Performance.

Certain figures included in this annual report and in our audited consolidated financial statements have been rounded for ease of presentation. Percentage figures included in this annual report have not in all cases been calculated on the basis of such rounded figures but on the basis of such amounts prior to rounding. For this reason, percentage amounts in this annual report may vary slightly from those obtained by performing the same calculations using the figures in our audited consolidated financial statements. Certain other amounts that appear in this annual report may similarly not sum due to rounding.

## MACRO-ECONOMIC AND MARKET DATA

In this annual report, all macro-economic data relating to the Chilean economy is based on information published by the Central Bank. All market share and other data relating to the Chilean financial system as well as data on average return on equity are based on information published by the Chilean Superintendency of Banks. Information regarding the consolidated risk index of the Chilean financial system as a whole is not available. Prior to January 1, 2004, the Chilean Superintendency of Banks published the unconsolidated risk index for the financial system three times yearly in February, June and October. Since that date, this index is determined on a monthly basis by dividing allowances for loan losses by total loans, based on information provided by the Chilean Superintendency of Banks.

## PART I

### Item 1. Identity of Directors, Senior Management and Advisers

Not Applicable.

### Item 2. Offer Statistics and Expected Timetable

Not Applicable.

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**Item 3. Key Information**

**SELECTED FINANCIAL DATA**

The following table presents historical financial information about us as of the dates and for each of the periods indicated. The following table should be read in conjunction with, and is qualified in its entirety by reference to, our audited consolidated financial statements appearing elsewhere in this annual report. Our audited consolidated financial statements are prepared in accordance with Chilean GAAP and the rules of the Chilean Superintendency of Banks, which together differ in certain significant aspects from U.S. GAAP. Note 34 to our audited consolidated financial statements provides a description of the material differences between Chilean GAAP and U.S. GAAP and a reconciliation to U.S. GAAP of net income for the years ended December 31, 2006, 2007 and 2008 and equity at December 31, 2007 and 2008.

| | At or for the year ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2008 |
| | (in millions of constant Ch$ as of December 31, 2008, except share data) | | | | | (in thousands of U.S.$) |
| **CONSOLIDATED STATEMENT OF INCOME DATA** | | | | | | |
| **Chilean GAAP:** | | | | | | |
| Interest revenue | Ch$ 708,530 | Ch$ 817,689 | Ch$ 845,641 | Ch$ 1,204,230 | Ch$ 1,663,643 | US$ 2,644,439 |
| Interest expense | (265,861) | (370,354) | (433,561) | (690,463) | (885,104) | (1,406,915) |
| Net interest revenue | 442,669 | 447,335 | 412,080 | 513,767 | 778,539 | 1,237,524 |
| Net fees and commissions | 146,943 | 170,292 | 169,665 | 187,773 | 215,864 | 343,126 |
| Gains (losses) from trading and brokerage activities | (3,897) | 3,928 | 99,147 | 39,442 | 387,703 | 616,272 |
| Foreign exchange transactions, net | (15,027) | (1,026) | (12,599) | 19,756 | (353,012) | (561,129) |
| Other operating income | 31,663 | 50,474 | 29,768 | 23,942 | 68,386 | 108,703 |
| Provisions for loan losses | (50,415) | (49,156) | (42,973) | (56,678) | (138,593) | (220,300) |
| Total operating expenses | (331,718) | (367,634) | (389,780) | (391,280) | (573,848) | (912,159) |
| Income attributable to affiliates | 539 | 813 | 1,206 | (2,229) | 2,987 | 4,748 |
| Loss from price-level restatements | (9,236) | (13,673) | (9,972) | (41,325) | (77,789) | (123,649) |
| Income before income tax | 211,521 | 241,353 | 256,542 | 293,168 | 310,237 | 493,136 |
| Income tax | (22,700) | (25,544) | (28,182) | (29,316) | (37,810) | (60,101) |
| Net income for the year | 188,821 | 215,809 | 228,360 | 263,852 | 272,427 | 433,035 |
| Minority Interest | 1 | | (1) | | (2) | (3) |
| Net income | 188,822 | 215,809 | 228,359 | 263,852 | 272,425 | 433,032 |
| Earnings per share(1) | 2.82 | 3.22 | 3.32 | 3.69 | 3.37 | 0.005 |
| Dividends per share(2) | 2.44 | 2.87 | 2.64 | 2.73 | 3.63 | 0.006 |
| Weighted average number of shares (in millions) | 66,932.68 | 67,091.30 | 68,821.32 | 71,494.60 | 80,871.88 | |
| **U.S. GAAP(3) :** | | | | | | |
| Interest revenue | 713,245 | 816,675 | 835,840 | 1,189,682 | 1,642,889 | 2,611,450 |
| Interest expense | (269,779) | (378,957) | (438,670) | (727,468) | (958,573) | (1,523,697) |
| Net interest revenue | 443,466 | 437,718 | 397,170 | 462,214 | 684,316 | 1,087,753 |
| Provisions for loan losses | (38,601) | (25,413) | (61,460) | (52,440) | (127,902) | (203,306) |
| Net income | 181,750 | 201,608 | 202,147 | 251,575 | 216,700 | 344,455 |
| Earnings per share on continuing operations | 2.70 | 3.10 | 3.02 | 3.53 | 2.81 | 0.004 |
| Earnings per share on discontinued operations | 0.02 | (0.10) | (0.08) | (0.01) | (0.13) | |
| Earnings per share(1) | 2.72 | 3.00 | 2.94 | 3.52 | 2.68 | 0.004 |

| | | | | | |
|---|---|---|---|---|---|
| Weighted average number of total shares[4] | 66,932.68 | 67,091.30 | 68,821.32 | 71,494.60 | 80,871.88 |

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| | 2004 | 2005 | 2006 | 2007 | 2008 | 2008 |
|---|---|---|---|---|---|---|
| | At or for the year ended December 31, (in millions of constant Ch$ as of December 31, 2008, except share data) | | | | | (in thousands of U.S.$) |
| **CONSOLIDATED STATEMENT OF FINANCIAL SITUATION DATA** | | | | | | |
| **Chilean GAAP:** | | | | | | |
| Cash and due from banks | 376,811 | 617,729 | 1,166,052 | 405,194 | 751,223 | 1,194,104 |
| Transactions in the course of collection | 467,916 | 309,869 | 409,808 | 330,978 | 469,580 | 746,420 |
| Trading securities | 1,901,267 | 1,627,927 | 1,516,262 | 1,537,522 | 679,843 | 1,080,642 |
| Securities purchased under resale agreement | 32,549 | 55,761 | 62,355 | 75,283 | 75,519 | 120,041 |
| Derivative instruments | | | 59,065 | 88,331 | 904,726 | 1,438,105 |
| Loans and advances to banks | 357,102 | 36,395 | 109,494 | 303,165 | 321,992 | 511,821 |
| Total loans to customer, net | 7,739,289 | 8,839,114 | 10,006,152 | 11,382,366 | 13,421,804 | 21,334,590 |
| Available for sale instruments | 33,795 | 29,429 | 46,861 | | 1,071,438 | 1,703,101 |
| Held to maturity instruments | 20,805 | 18,408 | 18,717 | | | |
| Investments in other companies | 6,695 | 8,552 | 9,000 | 8,014 | 11,377 | 18,084 |
| Intangible assets | 13,716 | 18,024 | 26,053 | 27,196 | 34,763 | 55,257 |
| Bank premises and equipment | 163,520 | 169,684 | 177,054 | 183,901 | 205,369 | 326,444 |
| Deferred tax assets | 80,086 | 75,162 | 63,728 | 49,042 | 70,505 | 112,071 |
| Other assets | 114,538 | 125,773 | 121,568 | 160,780 | 110,303 | 175,332 |
| Total assets | 11,308,089 | 11,931,827 | 13,792,169 | 14,551,772 | 18,128,442 | 28,816,012 |
| Current accounts and other demand deposits | 2,625,290 | 2,389,262 | 2,622,746 | 2,735,681 | 3,007,261 | 4,780,183 |
| Transactions in the course of payment | 62,056 | 93,171 | 144,673 | 75,801 | 141,988 | 225,697 |
| Securities sold under repurchase agreements | 431,867 | 326,747 | 365,080 | 386,794 | 420,658 | 668,656 |
| Saving accounts and time deposits | 4,532,475 | 5,508,904 | 6,770,518 | 7,134,228 | 8,472,590 | 13,467,581 |
| Derivative instruments | 55,153 | 71,669 | 81,818 | 130,856 | 862,799 | 1,371,460 |
| Borrowings from financial institutions | 904,828 | 899,001 | 795,839 | 933,631 | 1,498,549 | 2,382,014 |
| Debt issued | 1,529,976 | 1,416,846 | 1,681,690 | 1,760,400 | 1,900,588 | 3,021,074 |
| Other financial obligations | 61,489 | 47,035 | 36,123 | 68,652 | 93,708 | 148,953 |
| Currents tax liabilities | 5,993 | 4,221 | 233 | 6,449 | 9,053 | 14,390 |
| Deferred tax liabilities | 23,381 | 26,132 | 24,269 | 15,927 | 25,465 | 40,478 |
| Provisions | 71,822 | 72,136 | 75,046 | 73,433 | 290,990 | 462,542 |
| Other liabilities | 169,269 | 151,113 | 217,960 | 84,952 | 107,050 | 170,161 |
| Total liabilities | 10,473,599 | 11,006,237 | 12,815,995 | 13,406,804 | 16,830,699 | 26,753,189 |
| Total equity[12] | Ch$ 834,490 | Ch$ 925,590 | Ch$ 976,174 | Ch$ 1,144,968 | Ch$ 1,297,743 | U.S.$ 2,062,823 |
| **U.S. GAAP**[3] : | | | | | | |
| Financial investments | 1,838,563 | 1,336,790 | 1,137,515 | 760,010 | 1,470,226 | 2,336,994 |
| Loans, net | 7,784,003 | 8,893,200 | 10,055,847 | 11,445,681 | 13,519,843 | 21,490,428 |
| Total assets | 11,856,202 | 12,692,587 | 14,405,023 | 15,162,336 | 18,694,146 | 29,715,227 |
| Total liabilities | 10,217,894 | 10,985,258 | 12,678,224 | 13,289,667 | 16,565,639 | 26,331,864 |
| Minority Interest | 1 | 1 | 2 | 1 | 8 | 13 |
| Total Equity | 1,638,307 | 1,707,328 | 1,726,797 | 1,872,668 | 2,128,499 | 3,383,350 |

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| | At or for the year ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2004 | 2005 | 2006 | 2007 | 2008 |
| **CONSOLIDATED RATIOS** | | | | | |
| **Chilean GAAP:** | | | | | |
| *Profitability and Performance* | | | | | |
| Net interest margin[5] | 4.09% | 4.04% | 3.48% | 3.97% | 5.12% |
| Return on average total assets[6] | 1.67 | 1.86 | 1.77 | 1.91 | 1.61 |
| Return on average equity[7] | 23.56 | 26.66 | 22.63 | 24.35 | 18.99 |
| *Capital* | | | | | |
| Average equity as a percentage of average total assets | 7.10 | 6.98 | 7.81 | 7.84 | 8.46 |
| Bank regulatory capital as a percentage of minimum regulatory capital | 179.13 | 184.06 | 165.71 | 183.33 | 218.53 |
| Ratio of liabilities to regulatory capital[8] | 16.22 | 15.51 | 17.14 | 15.22 | 12.97 |
| *Credit Quality* | | | | | |
| Substandard loans as a percentage of total loans[9] | 7.02 | 5.04 | 4.17 | 3.66 | 4.98 |
| Allowances for loan losses as a percentage of substandard loans[9] | 28.86 | 30.58 | 33.15 | 34.80 | 33.45 |
| Allowances for loan losses as a percentage of total loans | 2.03 | 1.54 | 1.38 | 1.27 | 1.66 |
| Consolidated risk index | 2.03 | 1.54 | 1.38 | 1.27 | 1.66 |
| *Operating Ratios* | | | | | |
| Operating expenses/operating revenue | 55.07 | 54.79 | 55.84 | 49.86 | 52.29 |
| Operating expenses/average total assets | 2.94 | 3.17 | 3.02 | 2.83 | 3.39 |
| **U.S. GAAP:** | | | | | |
| *Profitability and Performance* | | | | | |
| Net interest margin[10] | 4.10% | 3.95% | 3.35% | 3.57% | 4.50% |
| Return on average total assets[11] | 1.61 | 1.74 | 1.57 | 1.82 | 1.28 |

(1) Earnings per share data have been calculated by dividing net income by the weighted average number of common shares outstanding during the year.

(2) Dividends per share data are calculated by dividing the amount of the dividend paid during each year by the previous year s number of shares outstanding.

(3) All U.S. GAAP numbers use Article 9 presentation. All U.S. GAAP figures have been calculated taking into account the U.S. GAAP adjustments set forth in Note 34 to our audited consolidated financial statements.

(4) For 2004, the weighted average of shares outstanding includes the effect of the repurchase of our shares during 2004. For 2005, the weighted average of shares outstanding includes the effect of the sale of 1,701,994,590 shares issued by us in accordance with our share repurchase program. For 2006, the weighted average of shares outstanding includes the effect of the issuance and distribution of 957,781,060 shares as a result of the capitalization of retained earnings. For 2007, the weighted average of shares outstanding includes the effect of the issuance and distribution of 882,459,200 shares as a result of the capitalization of retained earnings and the effect of the issuance and payment of 2,076,059,351 shares in connection with a capital increase. For 2008, the weighted average of shares outstanding includes the effect of the merger between Banco de Chile and Citibank Chile. In accordance with the terms of the merger, 8,443,861,140 nominative, ordinary shares with no par value, of the Banco de Chile S series, were given to the shareholders of Citibank Chile, in the proportion of 8,443.86114 shares of Banco de Chile for each share of Citibank Chile. In addition, 439,951,628 shares were subscribed and fully paid.

(5) Net interest revenue divided by average interest earning assets. The average balances for interest earning assets, including interest and readjustments, have been calculated on the basis of our daily balances and on the basis of monthly balances for our subsidiaries.

(6) Net income (loss) divided by average total assets. The average balances for total assets have been calculated on the basis of our daily balances and on the basis of monthly balances for our subsidiaries.

(7) Net income (loss) divided by average equity. The average balances for equity have been calculated on the basis of our daily balances.

(8) Total liabilities divided by bank regulatory capital.

(9) See Item 4. Information on the Company Selected Statistical Information Analysis of Substandard Loans and Amounts Past Due.

(10) Net interest revenue under U.S. GAAP divided by average interest earning assets.

(11) Net income under U.S. GAAP divided by average total assets.

(12) Under Chilean GAAP, total equity includes the minority interest.

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**Exchange Rates**

As a general matter, prior to 1989, Chilean law permitted the purchase and sale of foreign exchange only in those cases explicitly authorized by the Central Bank. The *Ley Organica Constitucional del Banco Central de Chile 18.840*, or the Central Bank Act, liberalized the rules that govern the purchase and sale of foreign currency. The Central Bank Act empowers the Central Bank to determine that certain purchases and sales of foreign currency specified by law must be carried out in the *Mercado Cambiario Formal*, or the Formal Exchange Market. The Formal Exchange Market is formed by the banks and other entities so authorized by the Central Bank. The observed exchange rate for any given day equals the average exchange rate of the transactions conducted in the Formal Exchange Market on the immediately preceding banking day, as certified by the Central Bank. Even though the Central Bank is authorized to carry out its transactions at the rates it sets, it generally uses the spot rate for its transactions. Authorized transactions by other banks are generally carried out at the spot rate.

Purchases and sales of foreign exchange which may be effected outside the Formal Exchange Market can be carried out in the *Mercado Cambiario Informal*, or the Informal Exchange Market. There are no limits imposed on the extent to which the rate of exchange in the Informal Exchange Market can fluctuate above or below the observed exchange rate. On December 30, 2008 (the latest practicable date as December 31, 2008 was a banking holiday in Chile), the average exchange rate in the Informal Exchange Market was Ch$641.25 per U.S.$1.00, or 1.89% higher than the published observed exchange rate of Ch$629.11 per U.S.$1.00.

The following table sets forth the annual low, high, average and period-end observed exchange rate for U.S. dollars for each year beginning in 2004, as reported by the Central Bank:

| | Daily Observed Exchange Rate Ch$ per U.S.$(1) | | | |
|---|---|---|---|---|
| **Year** | **Low(2)** | **High(2)** | **Average(3)** | **Period End(4)** |
| 2004 | Ch$ 559.21 | Ch$ 649.45 | Ch$ 609.53 | Ch$ 559.83 |
| 2005 | 509.70 | 592.75 | 559.77 | 514.21 |
| 2006 | 511.44 | 549.63 | 530.28 | 534.43 |
| 2007 | 493.14 | 548.67 | 522.47 | 495.82 |
| 2008 | 431.22 | 676.75 | 522.46 | 629.11 |
| December | 625.59 | 674.83 | 649.32 | 629.11 |
| 2009 | | | | |
| January | 610.09 | 643.87 | 623.01 | 612.43 |
| February | 583.32 | 623.87 | 606.00 | 595.76 |
| March | 572.39 | 614.85 | 592.93 | 582.10 |
| April | 575.12 | 601.04 | 583.18 | 588.62 |
| May | 558.95 | 580.10 | 565.72 | 564.64 |
| June(5) | 531.93 | 568.71 | 554.28 | 531.93 |

Source: Central Bank.

(1) Nominal amounts.

(2) Exchange rates are the actual low and high, on a day-by-day basis for each period.

(3) The average of monthly average rates during the year.

(4) As reported by the Central Bank the first business day of the following period.

(5) Period from June 1, 2009 through June 26, 2009.

The observed exchange rate on June 26, 2009 was Ch$531.93 = U.S.$1.00. The Federal Reserve Bank of New York does not report a noon buying rate for Chilean pesos.

## RISK FACTORS

*The risks and uncertainties described below are not the only ones that we face. Additional risks and uncertainties that we do not know about or that we currently think are immaterial may also impair our business operations. Any of the following risks if they actually occur, could materially and adversely affect our business, results of operations, prospects and financial condition.*

*We are subject to market risks that are presented both in this subsection and in Item 11. Quantitative and Qualitative Disclosures About Market Risk.*

### Risks Relating to our Operations and the Banking Industry

***The growth of our loan portfolio may expose us to increased loan losses.***

From December 31, 2004 to December 31, 2008, our aggregate loan portfolio, net of interbank loans (on a consolidated basis) grew by 113.8% in nominal terms and 72.8% in real terms to Ch$13,649,005 million. During the same period, our consumer loan portfolio grew by 150.2% in nominal terms and 102.2% in real terms to Ch$1,887,548 million, each calculated in accordance with the loan classification system of the Chilean Superintendency of Banks. Expansion of our loan portfolio (particularly in the retail market) may expose us to a higher level of loan losses and require us to establish higher levels of allowances for loan losses. For the year ended December 31, 2008, total allowances for loan losses accounted for Ch$227,202 million, or 1.66%, of total loans.

***Our loan portfolio may not continue to grow at the same or similar rate.***

We cannot assure you that in the future our loan portfolio will continue to grow at historical rates. According to the Chilean Superintendency of Banks, from December 31, 2004 to December 31, 2008, the aggregate amount of loans outstanding in the Chilean banking system grew by 103.2% in nominal terms and 64.3% in real terms to Ch$70,251,139 million. A slowdown or negative growth rate of the Chilean economy could adversely affect the rate of growth of our loan portfolio and our risk index and, accordingly, increase our required allowances for loan losses. See Item 4. Information on the Company Regulation and Supervision and Item 4. Information on the Company Selected Statistical Information.

***Restrictions imposed by banking regulations may restrict our operations and thereby adversely affect our financial condition and results of operations.***

We are subject to regulation by the Chilean Superintendency of Banks. In addition, we are subject to regulation by the Central Bank with regard to certain matters, including interest rates and foreign exchange transactions. See Item 4. Information on the Company Regulation and Supervision. During the Chilean financial crisis of 1982 and 1983, the Central Bank and the Chilean Superintendency of Banks strictly controlled the funding, lending and general business matters of the Chilean banking industry.

Pursuant to the *Ley General de Bancos*, or the General Banking Law, all Chilean banks may, subject to the approval of the Chilean Superintendency of Banks, engage in additional businesses depending on the risk of the activity and the strength of the bank. The General Banking Law also applies to the Chilean banking system a modified version of the capital adequacy guidelines issued by the Basel Committee on Banking Regulation and Supervisory Practices, or Basel Committee, and limits the discretion of the Chilean Superintendency of Banks to deny new banking licenses. There can be no assurance that regulators will not impose more restrictive limitations in the future on the activities of banks, including us, than those that are currently in effect. Any such change could have a material adverse effect on our financial condition or results of operations.

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***Increased competition and industry consolidation may adversely affect our operations.***

The Chilean market for financial services is highly competitive. We compete with other Chilean private sector domestic and foreign banks, with Banco del Estado de Chile, a public sector bank, and with large department stores that make consumer loans to a large portion of the Chilean population. In 2002, two new private sector banks affiliated with Chile s largest department stores began their operations, mainly as consumer and medium-sized corporate niche banks. In 2003, a new niche bank oriented at servicing corporations began its operations, and in 2004, two new retail banks commenced operations. The retail market (comprised of individuals and small- and medium-sized companies) has become the target market of several banks, and competition with respect to these customers is likely to increase. As a result, net interest margins (after credit risk) in these sub-segments are likely to decline.

We also face competition from non-bank competitors with respect to some of our credit products, such as credit cards and consumer loans. Non-bank competition from large department stores, private compensation funds and savings and credit associations has become increasingly significant in the consumer lending sector. In addition, we face competition from competitors such as leasing, factoring and automobile finance companies, with respect to credit products, and mutual funds, pension funds and insurance companies, with respect to savings products and mortgage loans. Currently, banks continue to be the main suppliers of leasing, factoring and mutual funds, and the insurance sales business has experienced rapid growth, but we cannot assure you that this will continue in the future. See Item 4. Information on the Company Business Overview Competition.

The increase in competition within the Chilean banking industry in recent years has led to, among other things, consolidation in the industry. For example, on August 1, 2002, Banco Santiago and Banco Santander-Chile, the then-second and third largest banks in Chile, respectively, merged to create Chile s largest bank. In 2003, Banco del Desarrollo merged with Banco Sudameris; in 2004, Banco Security merged with Dresdner Banque Nationale de Paris; in 2005, Banco de Creditos e Inversiones merged with Banco Conosur; in 2007, Banco Itaú acquired Bank Boston unit in Chile, while Rabobank acquired HNS Bank and Scotiabank acquired Banco del Desarrollo; and in 2008, we merged with Citibank Chile and The Royal Bank of Scotland acquired ABN Amro Bank. We expect the trends of increased competition and consolidation to continue and result in the formation of new large financial groups. Consolidation, which can result in the creation of larger and stronger banks, may adversely affect our financial condition and results of operations by decreasing the net interest margins we are able to generate and by increasing our costs of operations.

***Our exposure to certain segments of the retail market could lead to higher levels of past due loans and subsequent charge-offs.***

Although we historically focused on banking for the wholesale market and high income individuals, an increasing proportion of our retail market consists of middle-sized and small companies (approximately 6.1% of the value of our total loan portfolio at December 31, 2008, including companies with annual sales of up to Ch$1,400 million) and, to a lesser extent, of lower income individuals (approximately 4.5% of the value of our total loan portfolio at December 31, 2008, including individuals with monthly incomes between Ch$100,000 and Ch$400,000). Our strategy includes increasing lending and providing other services to attract additional retail customers. These customers are likely to be more severely affected by adverse developments in the Chilean economy than large corporations and high-income individuals. Consequently, in the future we may experience higher levels of past due loans, which could result in higher allowances for loan losses. The levels of past due loans and subsequent write-offs may be materially higher in the future. See Item 4. Information on the Company Business Overview Principal Business Activities.

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***Our affiliate may be obligated to sell shares of our stock in the public market if we do not pay sufficient dividends.***

As of December 31, 2008, Sociedad Administradora de la Obligacion Subordinada S.A., or SAOS, our affiliate, holds 35.35% of our shares as a consequence of our 1996 reorganization. This reorganization was due in part to our 1989 repurchase from the Central Bank of certain non-performing loans that we had previously sold to the Central Bank and later exchanged for subordinated debt without a fixed term. Under the terms of a repayment obligation in favor of the Central Bank that SAOS assumed to replace the Central Bank subordinated debt, SAOS may be required to sell some of our shares to the public. See Item 4. Information on the Company History and Development of the Bank History The 1982-1983 Economic Crisis and the Central Bank Subordinated Debt. See Note 34 to our audited consolidated financial statements.

In exchange for assuming the Central Bank indebtedness, SAOS received from SM-Chile S.A., a holding company that controls us and SAOS, 63.6% of our shares as collateral for this indebtedness. As a result of our merger with Banco de A. Edwards, the percentage of our shares held by SAOS decreased to 42.0%. As a result of the capital increase agreed upon in the Extraordinary Shareholders Meeting held in May 2007, the share dividend paid in May 2006, May 2007 and June 2009, and the merger with Citibank Chile in January 2008, the percentage of our shares held by SAOS further decreased to 34.6%. Dividends received from us are the sole source of SAOS s revenue, which it must apply to repay this indebtedness. However, under SAOS s agreement with the Central Bank, we have no obligation to distribute dividends to our shareholders. To the extent distributed dividends are not sufficient to pay the amount due on this indebtedness, SAOS is permitted to maintain a cumulative deficit balance with the Central Bank that SAOS commits to pay with future dividends. If the cumulative deficit balance exceeds an amount equal to 20% of our capital and reserves, the Central Bank may require SAOS to sell a sufficient number of shares of our stock owned by SAOS to pay the entire accumulated deficit amount. As of April 30, 2009, SAOS maintained a surplus with the Central Bank of Ch$86,819 million, equivalent to 6.58% of our capital and reserves. As of the same date, Ch$263,719 million would have represented 20% of our capital and reserves. If from time to time in the future our shareholders decide to retain and capitalize all or part of our annual net income in order to finance our future growth, and to distribute stock dividends among our shareholders, the Central Bank may require us to pay the portion of the net income corresponding to shares owned by SAOS in cash to SAOS. If we distribute stock dividends and the Central Bank does not require us to pay that portion in cash, the shares received by SAOS must be sold by SAOS within the following 12 months. The shareholders of SM-Chile will have a right of first refusal with respect to that sale.

We are unable to determine the likelihood that the Central Bank would require SAOS to sell shares of our common stock or that SAOS will otherwise be required to sell any stock dividends distributed by us, nor can we determine the number of such shares SAOS may be required to sell. If SAOS is required to sell shares of our stock in the public market, that sale could adversely affect the prevailing market price of our stock.

***The results of our operations are affected by inflation and interest rate volatility.***

The results of our operations depend to a great extent on our net interest revenue, which represented 70.9% of our operating revenue in 2008. Changes in inflation and in market interest rates could affect the interest rates earned on our interest-earning assets differently from the interest rates paid on our interest-bearing liabilities as well as in the derivative portfolio, resulting in a reduction in our net revenue. Inflation and interest rates are highly sensitive to many factors beyond our control, including the reserve policies of the Central Bank, deregulation of the financial sector in Chile, domestic and international economic and political conditions and other factors. Any volatility in interest rates could have a material adverse effect on our financial condition or results of operations. The average inflation rate was 3.40% in 2006, 4.39% in 2007 and 8.71% in 2008. The average annual short-term interest rate (based on the rate paid by Chilean financial institutions) for 90 to 360 day deposits was 2.83% in 2006, 2.20% in 2007 and 2.23% in 2008. The average long-term interest rate based on the Central Bank s ten-year bonds was 2.98% in 2006, 2.9% in 2007 and 3.24% in 2008. See Item 5. Operating and Financial Review and Prospects Operating Results Overview Inflation and Item 5. Operating and Financial Review and Prospects Operating Results Overview Interest Rates.

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***Operational problems or errors can have a material adverse impact on our business, financial condition and results of operations.***

As all large financial institutions, we are exposed to many operational risks, including the risk of fraud by employees and outsiders, failure to obtain proper internal authorizations, failure to properly document transactions, equipment failures and errors by employees. Although we maintain a system of operational controls, there can be no assurance that operational problems or errors will not occur and that their occurrence will not have a material adverse impact on our business, financial condition and results of operations.

***Complaint of Consejo de Defensa del Estado***

On March 11, 2009, the Consejo de Defensa del Estado de la Republica de Chile filed a complaint against Banco de Chile in the United States District Court of the Southern District of Florida. The complaint alleges substantive civil violations of the Racketeer Influenced & Corrupt Organizations Act ( RICO ), RICO conspiracy, aiding and abetting RICO violations, and aiding and abetting a breach of fiduciary duty. The complaint seeks redress for funds allegedly misappropriated from the Chilean government by the former President of Chile, Augusto Pinochet, and it alleges that Banco de Chile participated in conduct related to a money laundering scheme. Damages being sought are $22 million, which amount is subject to trebling pursuant to RICO.

It is not possible to predict the outcome of this matter, or what impact, if any, it might have. As of the date of filing this annual report, Banco de Chile has not been served with the complaint, and it has not waived (and does not waive by virtue of filing this annual report) any of its rights with respect to service of process of the complaint. Banco de Chile believes it has meritorious defenses to the complaint, and it intends to defend this matter vigorously if and when it is served.

**Risks Relating to our ADSs**

***Our principal shareholders may have interests that differ from those of our other shareholders and their significant share ownership may have an adverse effect on the future market price of our ADSs and shares.***

As of June 17, 2009, LQ Inversiones Financieras S.A., a holding company beneficially owned by Quiñenco S.A., and Citigroup Chile S.A. beneficially owned approximately 61.7% of our outstanding voting rights. These principal shareholders are in a position to elect a majority of the members of our board of directors, direct our management and control substantially all matters that are to be decided by a vote of the shareholders, including fundamental corporate transactions.

Actions by our principal shareholders with respect to the disposition of the shares or ADSs they beneficially own, or the perception that such actions may occur, may adversely affect the trading price of our shares on the various stock exchanges on which they are listed and, consequently, the market price of the ADSs.

***There may be a lack of liquidity and a limited market for our shares and ADSs.***

While our ADSs have been listed on the New York Stock Exchange, or NYSE, since the first quarter of 2002, there can be no assurance that an active trading market for our ADSs will be sustained. During 2008, a daily average of 17,721 American Depositary Receipts, or ADRs, were traded on the NYSE. Although our shares are traded on the Santiago Stock Exchange, the Valparaiso Stock Exchange and the Chilean Electronic

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Stock Exchange, the market for our shares in Chile is small and illiquid. At December 31, 2008, approximately 11.78% of our outstanding shares were held by shareholders other than our principal shareholders, including SM-Chile and SAOS.

If an ADS holder withdraws the underlying shares from the ADR facility, the small size of the market and its low liquidity in general, and our concentrated ownership in particular, may impair the ability of the ADS holder to sell the shares in the Chilean market in the amount and at the price and time such holder desires, and could increase the volatility of the price of our ADSs.

***You may be unable to exercise preemptive rights.***

The *Ley Sobre Sociedades Anonimas No. 18,046* and the *Reglamento de Sociedades Anonimas*, or the Chilean Corporations Law and its regulations, require that whenever we issue new common stock for cash, we grant preemptive rights to all of our shareholders (including holders of ADSs) to purchase a sufficient number of shares to maintain their existing ownership percentage. Such an offering would not be possible unless a registration statement under the Securities Act of 1933, as amended, or the Securities Act, were effective with respect to such rights and common stock or an exemption from the registration requirements thereunder were available.

We may elect not to make a registration statement available with respect to the preemptive rights and the common stock, in which case you may not be able to exercise your preemptive rights. If a registration statement is not filed, the depositary will sell such holders preemptive rights and distribute the proceeds thereof if a premium can be recognized over the cost of any such sale.

***Developments in international financial markets may adversely affect the market price of the ADSs and shares.***

The market price of the ADSs and shares may be adversely affected by declines in the international financial markets and adverse world economic conditions. The market for Chilean securities is, to varying degrees, influenced by economic and market conditions in other emerging market countries, especially those in Latin America. Although economic conditions are different in each country, investors reactions to developments in one country can affect the securities markets in other countries, including Chile. Developments in other countries may adversely affect the market price of the ADSs and shares.

In particular, since August 2007 to date, there has been significant volatility in worldwide financial markets due to the announcement, by several U.S. banks and financial institutions, of significant write-downs related to their exposure to mortgage-backed securities and other financial instruments. Although we, and our subsidiaries, are not directly exposed to the U.S. housing credit market and do not directly hold any assets related to such financial instruments, these write-downs, combined with other factors, have led to a tightening in the credit markets and to a downturn in the U.S. economy, which has impacted the Chilean economy. In fact, starting in late 2008 and continuing into 2009, many countries in Latin America, including Chile, are experiencing economic slowdowns or recessions. Any of these developments could adversely affect the market price of the ADSs and shares.

***In the past, Chile has imposed controls on foreign investment and repatriation of investments that affected investments in, and earnings from, our ADSs.***

Equity investments in Chile by persons who are not Chilean residents have historically been subject to various exchange control regulations that restrict the repatriation of the investments and earnings therefrom. In April 2001, the Central Bank eliminated most of the regulations that affected foreign investors, although foreign investors still have to provide the Central Bank with information related to equity investments and must conduct such operations within the Formal Exchange Market. Additional Chilean restrictions applicable to holders of our ADSs, the disposition of the shares underlying them, the repatriation of the proceeds from such disposition or the payment of dividends may be imposed in the future, and we cannot advise you as to the duration or impact of such restrictions if imposed.

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If for any reason, including changes in Chilean law, the depositary were unable to convert Chilean pesos to U.S. dollars, investors would receive dividends and other distributions, if any, in Chilean pesos.

***We are required to withhold 35% tax from any dividend we pay to you.***

ADSs owners are entitled to receive dividends on the underlying shares to the same extent as the holders of shares. Dividends received by ADSs owners will be paid net of foreign currency exchange fees and expenses of the depositary and will be subject to Chilean withholding tax of up to 35% of the dividend, which we will withhold and pay to the Chilean tax authorities. Any dividend distributions made in property (other than common stock) will be subject to the same Chilean tax rules as cash dividends. See Item 10. Additional Information Taxation Chilean Tax Considerations.

**Risks Relating to Chile**

***Our growth and profitability depend on the level of economic activity in Chile.***

A substantial amount of the transactions in which we participate are with customers doing business in Chile. Accordingly, our ability to increase the amount of business volume and our results of operations and financial condition, in general, are dependent to a significant extent on the level of economic activity in Chile. The global financial system has been experiencing difficulties since August of 2007 and the global financial markets have deteriorated very significantly since September of 2008. The recent global financial crisis has had significant consequences worldwide, including in Chile. It has generally caused capital markets volatility, unavailability of credit, volatile exchange rates and a general slowdown of the world economy. We cannot assure you that the Chilean economy will continue to grow in the future or that future developments in, or affecting, the Chilean economy will not materially and adversely affect our business, financial condition or results of operations.

***Currency fluctuations could adversely affect the value of our ADSs and any distributions on the ADSs.***

The Chilean government s economic policies and any future changes in the value of the Chilean peso against the U.S. dollar could affect the dollar value of our common stock and our ADSs. The peso has been subject to large fluctuations in the past and could continue with this trend in the future. In the period from December 31, 2007 to December 31, 2008, the value of the U.S. dollar relative to the Chilean peso increased approximately 26.7%, as compared to a 7.2% decrease in value in the period from December 31, 2006 to December 31, 2007.

Chilean trading in the shares underlying our ADSs is conducted in pesos. Cash distributions with respect to our shares of common stock are received in Chilean pesos by the depositary, which then converts such amounts to U.S. dollars at the then-prevailing exchange rate for the purpose of making payments in respect of our ADSs. If the value of the Chilean peso falls relative to the U.S. dollar, the dollar value of our ADSs and any distributions to be received from the depositary will be reduced. In addition, the depositary will incur customary currency conversion costs (to be borne by the holders of our ADSs) in connection with the conversion and subsequent distribution of dividends or other payments. See Item 10. Additional Information Exchange Controls.

Our results of operations may be affected by fluctuations in the exchange rates between the peso and the U.S. dollar despite our policy and Chilean regulations related to the general avoidance of material exchange rate mismatches. In order to reduce the effect of exchange rate mismatches we enter into foreign exchange derivative transactions. As of December 31, 2008, the net position of our foreign currency denominated assets and Chilean peso-denominated assets, which contain repayment terms linked to changes in

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foreign currency exchange rates, exceeded our foreign currency denominated liabilities and Chilean peso-denominated liabilities, which contain repayment terms linked to changes in foreign currency exchange rates, by Ch$51,114 million, or 4.2% of our paid-in capital and reserves.

We may decide to change our policy regarding exchange rate mismatches. Regulations that limit such mismatches may also be amended or eliminated. Greater exchange rate mismatches will increase our exposure to the devaluation of the peso, and any such devaluation may impair our capacity to service foreign-currency obligations and may, therefore, materially and adversely affect our financial condition and results of operations. Notwithstanding the existence of general policies and regulations that limit material exchange rate mismatches, the economic policies of the Chilean government and any future fluctuations of the peso against the U.S. dollar could adversely affect our financial condition and results of operations.

***Inflation could adversely affect the value of our ADSs and financial condition and results of operations.***

The level of inflation generally has moderated in recent years, especially in comparison to the periods of higher inflation in the 1980s and 1990s. High levels of inflation in Chile could adversely affect the Chilean economy and, indirectly, the value of our ADSs. The annual rate of inflation (as measured by changes in the Consumer Price Index and as reported by the Chilean National Institute of Statistics) during the last five years ended December 31, 2008 and the first five months of 2009 was:

| Year | Inflation (Consumer Price Index) |
|---|---|
| 2004 | 2.4 |
| 2005 | 3.7 |
| 2006 | 2.6 |
| 2007 | 7.8 |
| 2008 | 7.1 |
| 2009 (through May 31) | (1.1) |

Source: Chilean National Institute of Statistics

Although we benefit from inflation in Chile due to the structure of our assets and liabilities (i.e., we have a significant net asset position indexed to the inflation rate), our operating results and the value of our ADSs in the future may be adversely affected by changing levels of inflation, and Chilean inflation could change significantly from the current level. See  Item 5. Operating and Financial review and Prospects  Inflation.

***Chile has corporate disclosure and accounting standards different from those you may be familiar with in the United States.***

The accounting, financial reporting and securities disclosure requirements in Chile differ from those in the United States. Accordingly, the information about us available to you will not be the same as the information available to shareholders of a U.S. company.

There are also important differences between Chilean and U.S. accounting and financial reporting standards. As a result, Chilean financial statements and reported earnings generally differ from those that would be reported based on U.S. accounting and reporting standards. See Note 34 to our audited consolidated financial statements.

As a regulated financial institution, as of December 2008, we are required to submit to the Chilean Superintendency of Banks unaudited consolidated and unconsolidated balance sheets and income statements, excluding any note disclosure, prepared in accordance with Chilean GAAP on a monthly basis. The Chilean Superintendency of Banks makes this information public and also makes summary financial information available within approximately three weeks of receipt. Such documentation is also published monthly in Banco de Chile s website in both Spanish and in English.

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Such disclosure differs in a number of significant aspects from information generally available in the United States with respect to U.S. financial institutions.

Chilean disclosure requirements for publicly listed companies differ from those in the United States in some significant aspects. In addition, although Chilean law imposes restrictions on insider trading and price manipulation, the Chilean securities markets are not as highly regulated and closely supervised as the U.S. securities markets.

***Chilean law provides for fewer and less well-defined shareholders rights.***

Our corporate affairs are governed by our *estatutos*, or bylaws, and the laws of Chile. Under such laws, our shareholders may have fewer or less well-defined rights than they might have as shareholders of a corporation incorporated in a U.S. jurisdiction. For example, our shareholders would not be entitled to appraisal rights in the event of a merger or other business combination undertaken by us.

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**FORWARD-LOOKING STATEMENTS**

This annual report contains forward-looking statements. These statements appear throughout this annual report, including, without limitation, under Item 4. Information on the Company and Item 5. Operating and Financial Review and Prospects. Examples of such forward-looking statements include:

- projections of operating revenues, net income (loss), net income (loss) per share, capital expenditures, dividends, capital structure or other financial items or ratios;
- statements of our plans, objectives or goals, including those related to anticipated trends, competition and regulation;
- statements about our future economic performance or that of Chile or other countries in which we operate; and
- statements of assumptions underlying such statements.

Words such as believe, anticipate, plan, expect, intend, target, estimate, project, potential, predict, forecast, guideline, and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. These statements may relate to (1) our asset growth and financing plans, (2) trends affecting our financial condition or results of operations and (3) the impact of competition and regulations, but are not limited to such topics. Forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and actual results may differ materially from those described in such forward-looking statements included in this annual report as a result of various factors (including, without limitation, the actions of competitors, future global economic conditions, market conditions, foreign exchange rates and operating and financial risks), many of which are beyond our control. The occurrence of any such factors not currently expected by us would significantly alter the results set forth in these statements.

Factors that could cause actual results to differ materially and adversely include, but are not limited to:

- changes in general economic, business, political or other conditions in Chile or changes in general economic or business conditions in Latin America;
- changes in capital markets in general that may affect policies or attitudes towards lending to Chile or Chilean companies;
- increased costs;
- unanticipated increases in financing and other costs or the inability to obtain additional debt or equity financing on attractive terms; and
- the factors discussed under Risk Factors.

You should not place undue reliance on forward-looking statements, which speak only as of the date that they were made. This cautionary statement should be considered in connection with any written or oral forward-looking statements that we may issue in the future. We do not undertake any obligation to publicly release any revisions to such forward-looking statements after the filing of this annual report to reflect later events or circumstances or to reflect the occurrence of unanticipated events.

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**Item 4. Information on the Company**

## HISTORY AND DEVELOPMENT OF THE BANK

### Overview

We were founded in 1893, and we believe that we have been, for much of our recent history, among the largest and most profitable Chilean banks in terms of return on assets and equity. We are engaged primarily in commercial banking in Chile, providing general banking services to a diverse customer base that includes corporations and individuals.

Our legal name is Banco de Chile. We are organized as a banking corporation under the laws of Chile and are licensed by the Chilean Superintendency of Banks to operate as a commercial bank. Our principal executive offices are located at Ahumada 251, Santiago, Chile. Our telephone number is +56 (2) 637-1111 and our website is www.bancochile.cl.

We are a full-service financial institution providing, directly and indirectly through our subsidiaries and affiliates, a wide variety of credit and non-credit products and services to all segments of the Chilean financial market. Our operations are organized in four principal business segments:

- wholesale market;
- retail market;
- treasury and money market operations; and
- operations through subsidiaries.

Our banking services for corporate customers include commercial loans, including working capital facilities and trade finance, foreign exchange, capital market services, cash management and non-credit services such as payroll and payment services, as well as a wide range of treasury and risk management products. We provide our individual customers with credit cards, residential mortgage, auto and consumer loans, as well as traditional deposit services such as checking and savings accounts and time deposits.

As of December 31, 2008, we offered international banking services directly through our trade services subsidiary in Hong Kong, our representative offices in Sao Paulo and Beijing and a worldwide network of correspondent banks. In addition to our commercial banking operations, through our subsidiaries, we offer a variety of non-banking financial services including securities brokerage, mutual fund management, investment banking services, factoring, insurance brokerage, securitization, collection and sales services.

As of December 31, 2008, we had:

- total assets of Ch$18,128,442 million (U.S.$28,816 million);
- loans outstanding of Ch$13,649,005 million (U.S.$21,696 million);
- deposits of Ch$11,479,851 million (U.S.$18,248 million); and
- equity (including net income and minority interest) of Ch$1,297,743 million (U.S.$2,063 million).

According to information published by the Chilean Superintendency of Banks, as of December 31, 2008, we were the second largest private bank in Chile in terms of total loans (excluding interbank loans) with a market share of 19.4 %.

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We are headquartered in Santiago, Chile and, as of December 31, 2008, had 14,580 employees and delivered financial products and services through a nationwide network of 371 branches and 1,584 ATMs that form part of a network of 7,056 ATMs operated by Redbanc S.A., a company owned by us and 13 other private sector financial institutions.

**History**

We were established in 1893 as a result of the merger of Banco Nacional de Chile, Banco Agricola and Banco de Valparaiso, which created the largest privately held bank in Chile. We believe that we remained the largest private bank in Chile until 1996. Beginning in the early 1970s, the Chilean government assumed control of a majority of Chilean banks and all but one of the foreign banks operating at the time closed their branches and offices in Chile. Throughout this era, we remained privately owned, with the Chilean government owning participating shares which it sold to private investors in 1975. We developed a well-recognized name in Chile and expanded our operations in foreign markets where we developed an extensive network of correspondent banks. In the early twentieth century, we established a representative office in London, which we maintained until 1985, when our European operations were moved to Frankfurt. The Frankfurt office was closed in 2000, when our foreign operations were centralized at the New York branch. In 2008, we sold our US branches to Citigroup in connection with our merger with Citibank Chile. In 1987 and 1988, we established four subsidiaries to provide the full range of financial products and services permitted by the General Banking Law and in 1999, we established our insurance brokerage and factoring subsidiaries.

***Merger with Banco de A. Edwards***

On December 6, 2001, our shareholders approved the merger with Banco de A. Edwards, which became effective on January 1, 2002. Banco de A. Edwards had been listed on the NYSE since 1995, and in January 2002, we were listed on the NYSE under the symbol BCH. Since 2002, our shares have also been listed on the Latin American Stock Exchange of the Madrid Stock Exchange, or Latibex, and the London Stock Exchange, or LSE. We concluded the merger process at the end of 2002 with the consolidation of a new corporate structure and the integration of our technological platforms.

***Merger with Citibank Chile***

On December 27, 2007 our shareholders approved the merger of Citibank Chile into Banco de Chile, which became effective on January 1, 2008. In addition, we entered into a Global Connectivity Agreement with Citigroup Inc. to offer joint global financial services to customers in Chile. During 2008, we integrated Citibank Chile s technological platforms with ours and also established a new organizational structure in order to satisfy our customers needs and to achieve important synergies. We concluded the merger process at the end of 2008 with the integration of Citibank Chile s consumer business with ours.

***Technological Projects***

In 2003, we developed the groundwork for Neos, our technological innovation platform that provides information necessary for designing specific value proposals for every market subsegment and that simultaneously improves the quality of our service and increases efficiency. During 2004, we concluded the initial phases of Neos, which consisted of implementing a new management control platform that supports internal administration, a customer relationship management system, which manages client service requirements and global client information, a new core banking products system and a new accounting system.

During 2005, we successfully concluded the implementation of the Enterprise Resource Planning system, which, in its orientation towards self-service applications, provides human resources solutions. We also deployed a Customer Relationship Management, or CRM, service platform in all our retail branches and call centers. The CRM mainly allows for preventive functions, the management of commercial campaigns and the tracking of credit approvals. In addition, the new accounting system was deployed.

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During 2006, we expanded the CRM system and related processes to our corporate and private banking businesses, thus covering all of our segments and branch networks, with the exception of Credichile. We also introduced important improvements in this system, adding functionalities mainly related to the opportunity and post-sale modules. As part of the new core banking system, commercial and consumer loans were placed into the new loan module. In addition, we initiated the replacement of the teller system, which will enable faster and more accurate customer service. Also during 2006, a Customer Intelligence solution was implemented to improve customer acquisition, cross-selling, segmentation and retention.

During 2007, we achieved several milestones. We completed the migration of checking accounts, lines of credit and sight accounts into a new module as part of the new core banking system. In addition, the CRM platform and the teller solution were expanded to all of our networks. In addition, we implemented a new anti-money laundering program to increase the quality and efficiency of the operational follow-up and alerts.

During 2008, our priorities were focused on operational and technological stabilization after the merger with Citibank Chile. We have implemented critical initiatives such as the updating of the core database, which included hardware upgrades, the improvement of the batch process time and the performance of our front-end systems and middleware components.

***The 1982-1983 Economic Crisis and the Central Bank Subordinated Debt***

During the 1982-1983 economic crisis, the Chilean banking system experienced significant instability requiring that the Central Bank and the Chilean government provide assistance to most Chilean private sector banks, including us. During this period, we experienced significant financial difficulties. In 1985 and 1986, we increased our capital and sold shares representing 88% of our capital to more than 30,000 new shareholders. As a result, no single shareholder held a controlling stake in our company. In 1987, the Chilean Superintendency of Banks returned the control and administration of the bank to our shareholders.

Subsequent to the crisis, like most major Chilean banks, we sold certain of our non-performing loans to the Central Bank at face value on terms that included a repurchase obligation. The repurchase obligation was later exchanged for subordinated debt of each participating bank issued in favor of the Central Bank. In 1989, pursuant to Law No. 18,818, banks were permitted to repurchase the portfolio of non-performing loans for a price equal to the economic value of such loans, provided that the bank assume a subordinated obligation equal to the difference between the face value and economic value of such loans. In November 1989, we repurchased our portfolio of non-performing loans from the Central Bank and assumed the Central Bank s subordinated debt relating to our non-performing loans.

The original repayment terms of our Central Bank subordinated debt, which at December 31, 1989 equaled approximately Ch$1,330,259 million, or U.S.$2,115 million, required that a certain percentage of our income before provisions for the subordinated debt be applied to repay this obligation. The Central Bank subordinated debt did not have a fixed maturity, and payments were made only to the extent that we earned income before provisions for the subordinated debt. In 1993 we applied 72.9% of our income before provisions for the Central Bank subordinated debt to the repayment of this debt. In 1994 we applied 67.6% and in 1995 we applied 65.8% of our income before provisions for the Central Bank subordinated debt to the repayment of this debt.

In November 1996, pursuant to Law No. 19,396, our shareholders approved a reorganization by which Banco de Chile was converted to a holding company named SM-Chile. In turn, SM-Chile organized a new wholly-owned banking subsidiary named Banco de Chile, to which it contributed all of its assets and liabilities other than the Central Bank subordinated debt. SM-Chile then created SAOS, a second wholly-owned subsidiary that, pursuant to a prior agreement with the Central Bank, assumed a new repayment obligation in favor of the Central Bank that replaced the Central Bank subordinated debt in its entirety.

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This Central Bank indebtedness, for which SAOS is solely responsible and for which there is no recourse to us or SM-Chile, was equal to the unpaid principal of the Central Bank subordinated debt that it replaced, but had terms that differed in some aspects. The most important of these included a rescheduling of the debt for a term of 40 years providing for equal annual installments and a pledge of our shares as collateral for such debt. The Central Bank indebtedness bears interest at a rate of 5.0% per year and is denominated in UF. See Item 5. Operating and Financial Review and Prospects Operating Results Overview Inflation UF-denominated Assets and Liabilities for a further explanation of UF.

In exchange for assuming the Central Bank indebtedness, SAOS received from SM-Chile, a holding company that beneficially owns SAOS and us, 63.6% of our shares as collateral for this indebtedness. As a result of our merger with Banco de A. Edwards, the percentage of our shares held by SAOS decreased to 42.0%. As a result of the capital increase agreed upon in the Extraordinary Shareholders Meeting held in May 2007, the share dividend paid in May 2006, May 2007, and June 2009, and the merger with Citibank Chile in January 2008, the percentage of our shares held by SAOS further decreased to 34.6%. Dividends received from us are the sole source of SAOS s revenue, which it must apply to repay this indebtedness. However, under SAOS s agreement with the Central Bank, we have no obligation to distribute dividends to our shareholders. To the extent distributed dividends are not sufficient to pay the amount due on this indebtedness, SAOS is permitted to maintain a cumulative deficit balance with the Central Bank that SAOS commits to pay with future dividends. If the cumulative deficit balance exceeds an amount equal to 20% of our paid-in capital and reserves, the Central Bank may require SAOS to sell a sufficient number of shares of our stock owned by SAOS to pay the entire accumulated deficit amount. As of April 30, 2009, SAOS maintained surplus with the Central Bank of Ch$86,819 million, equivalent to 6.58% of our paid-in capital and reserves. As of the same date, Ch$263,719 million would have represented 20% of our paid-in capital and reserves. See Item 3. Key Information Risk Factors Risks Relating to our Operations and the Banking Industry. Our affiliate may be obligated to sell shares of our stock in the public market if we do not pay sufficient dividends. See Note 34 to our audited consolidated financial statements.

If from time to time in the future our shareholders decide to retain and capitalize all or part of our annual net income in order to finance our future growth, and to distribute stock dividends among our shareholders, the Central Bank may require us to pay the portion of the net income corresponding to shares owned by SAOS in cash to SAOS. If we distribute stock dividends and the Central Bank does not require us to pay that portion in cash, the shares received by SAOS must be sold by SAOS within the following 12 months. The shareholders of SM-Chile will have a right of first refusal with respect to that sale.

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**Capital Expenditures**

The following table reflects our capital expenditures in each of the three years ended December 31, 2006, 2007 and 2008:

| | For the Year Ended December 31, | | |
|---|---|---|---|
| | 2006 | 2007 | 2008 |
| | (in millions of constant Ch$ as of December 31, 2008) | | |
| Computer equipment | Ch$ 11,004 | Ch$ 14,223 | Ch$ 5,440 |
| Furniture, machinery and installations | 12,567 | 11,749 | 9,266 |
| Real estate | 1,944 | 1,232 | 1,138 |
| Vehicles | 380 | 895 | 467 |
| Subtotal | 25,895 | 28,099 | 16,311 |
| Software | 12,717 | 8,067 | 8,261 |
| Total | Ch$ 38,612 | Ch$ 36,166 | Ch$ 24,572 |

Our budget for capital expenditures in 2009 is Ch$41,480 million. Capital expenditures planned for 2009 consist mainly of expenditures for information technology and infrastructure, which are aimed at improving our efficiency and productivity.

Regarding technology capital expenditures, during 2009 we expect that the main disbursements will be related to:

- the final stages of our new checking account system, including the integration with Citibank s regional and global systems;
- the roll-out of our new teller system as well as the Customer Relationship Management (CRM) sales platform in all CrediChile branches;
- the upgrade of our internet customer authentication platform; and
- the implementation of biometric solutions for customer transactions.

In terms of infrastructure, our 2009 capital expenditures are expected to involve the opening of new branches and ATMs, the refurbishment of some existing branches and the performance of maintenance in the ordinary course of our business.

## BUSINESS OVERVIEW

**Business Strategy**

Our long-term strategy is to maintain and enhance our position as a leading bank in Chile by providing a broad range of financial products and services to corporations and individuals nationwide. As part of this strategy, we utilize a multi-brand approach to target diverse market segments and leverage our strongly positioned brand names: Banco de Chile, Banco Edwards Citi, Banchile and Banco Credichile. The key components of our strategy are described below.

***Profitable Business Growth***

Our banking strategy is focused on those businesses which make significant contributions and have risks that are bounded, and on retaining and strengthening the relationship with our customers. We seek a sustained growth, especially in higher-margin segments and in those business areas that provide a strong growth potential. Our focus on growth has been primarily placed on Retail segments, large companies and the Treasury segment, as we seek to achieve the same strong position in those areas that we have in the Large Corporations segment.

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Along with our traditional lending activities, we have increased our focus on other sources of revenue, such as foreign exchange derivative transaction, fee-based products and services. In this regard, our consolidated income from fees and other services has continued to be an important source of income in recent years, achieving Ch$187,773 million (U.S.$298 million or 23.9% of operating revenues) in 2007 and Ch$215,862 million (U.S.$ 343 million or 19.7% of operating revenues) in 2008. We seek to continue to increase our fee-based revenues by developing new services and by strategically cross-selling these services to our base of existing retail and wholesale banking customers. For our wholesale banking customers, we intend to actively market new and existing fee-based services such as receivables collection, payroll services, supplier payments, investment advisory services and cash management. For our retail banking customers, we intend to increase revenues from new and existing fee-based services such as general checking services, ATMs, credit cards, mutual funds, securities brokerage and insurance brokerage.

***Continued Improvement of our Efficiency***

Our efficiency approach is focused on seeking higher levels of productivity and cost control. We believe that a low-cost structure will become increasingly important to our ability to compete profitably. To achieve this goal, we have invested in (1) technology development, (2) developing business processes that are simpler and more manageable, and (3) secure and modern platforms that allow better time response and higher productivity.

We have invested heavily in technology during recent years (approximately Ch$99,350 million (U.S.$158 million) in the last three years) and we plan to continue focusing on technology in the future to achieve further improvements in customer service and operating efficiency.

In 2008, our consolidated operating expenses represented approximately 52.3% of our operating revenue. We intend to improve this ratio in the coming years by expanding the volume of our business and enhancing our internal processes, cost controls and monitoring.

***High Standards of Service Quality***

Given the importance of service quality to loyalty and retention of our customers, continuous improvement is required. We have developed and implemented a series of measures to improve our quality of service, such as: (1) the implementation of a new value proposition with emphasis on excellence service, (2) the strengthening of the quality service delivered to customers through an ongoing improvement plan that identifies the critical behaviors of our customers, developing an attention protocol for different kind of clients, (3) the transfer of business operation practices from high service quality branches to lower service quality branches, (4) the implementation of several enhancements to our Internet channel and business units in order to increase the processing capacity of information, allowing us to manage larger volumes of business with better time response to customers, (5) the development of a more effective call center platform and (6) the redistribution of our corporate portfolios among corporate executives, allowing us to obtain a deeper specialization and to improve the quality of our service.

***Excellence in Human Resources Management***

In order to succeed in the long term, we believe that it is essential to have highly qualified and motivated employees with a strong commitment to the goals and values of our institution. We seek to establish a distinctive culture among our employees fostering (1) a clear focus on the customer, (2) confidence and leadership, (3) meritocracy and high performance, (4) collaboration and teamwork, (5) accountability and empowerment, and (6) innovation and continuous improvement.

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We intend to make all necessary efforts to remain as one of the most respected companies at the occupational level, developing and fostering one of the most important assets of the Bank, represented by a team of excellence that is highly committed to our mission and the institutional values that represent us.

We cannot assure you that we will be able to realize our strategic objectives. For a discussion of certain risks applicable to our operations and to Chile that may affect our ability to meet our objectives, see Item 3. Key Information Risk Factors.

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**Ownership Structure**

The following diagram shows the ownership structure as of June 17, 2009:

**Principal Business Activities**

We are a full-service financial institution providing, directly and indirectly through our subsidiaries and affiliates, a wide variety of credit and non-credit products and services to all segments of the Chilean financial market. The following diagram summarizes our principal business segments, which we conduct directly or, in the case of Operations Through Subsidiaries, through our subsidiaries:

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The following table provides information on the composition of our loan portfolio and our consolidated net income before tax for the year ended December 31, 2008, allocated among our principal business segments:

| | Loans | | Consolidated net income [1][2] |
|---|---|---|---|
| | (in millions of constant Ch$ as of December 31, 2008, except for percentages) | | |
| Retail market | Ch$ 5,756,906 | 42.2% | Ch$ 157,894 |
| Wholesale market | 7,640,021 | 56.0 | 128,773 |
| Treasury and money market operations | | | 108,664 |
| Operations through subsidiaries | 252,078 | 1.8 | 26,335 |
| Other (adjustments and eliminations) | | | (149,239) |
| Total | Ch$ 13,649,005 | 100.0% | Ch$ 272,427 |

(1) The net income breakdown shown is used for internal reporting, planning and marketing purposes and is based on, among other things, our estimated funding cost and direct and indirect cost allocations. This breakdown may differ in some aspects from breakdowns of our operating income for financial reporting and regulatory purposes. Separate information on the operations, assets and income of our financial services subsidiaries and affiliates is provided below under Operations through Subsidiaries.

(2) The results associated with our gap management (interest rate mismatches) have been allocated in the treasury and money market operations segment.

The following table provides our consolidated operating revenues, for the period indicated, allocated among our principal business segments:

| | For the Year Ended December 31, | | |
|---|---|---|---|
| | 2006 | 2007 | 2008 |
| | (in millions of constant Ch$ as of December 31, 2008) | | |
| Retail market | Ch$ 367,223 | Ch$ 403,951 | Ch$ 547,182 |
| Wholesale market | 161,787 | 186,222 | 293,016 |
| International banking[1] | 18,075 | 11,863 | |
| Treasury and money market operations | 50,533 | 87,801 | 136,461 |
| Operations through subsidiaries | 84,329 | 104,809 | 119,920 |
| Other (adjustments and eliminations) | 16,114 | (9,966) | 901 |
| Total | Ch$ 698,061 | Ch$ 784,680 | Ch$ 1,097,480 |

(1) As part of the merger with Citibank Chile, Banco de Chile sold its Miami and New York branches to Citibank N.A.

The following table provides a geographic market breakdown of our operating revenues for the years indicated.

| | For the Year Ended December 31, | | |
|---|---|---|---|
| | 2006 | 2007 | 2008 |
| | (in millions of constant Ch$ as of December 31, 2008) | | |
| Chile | Ch$ 679,861 | Ch$ 772,975 | Ch$ 1,097,334 |
| Banking operations | 586,097 | 662,127 | 939,806 |

| | | | |
|---|---|---|---|
| Operations through subsidiaries | 93,764 | 110,848 | 157,528 |
| Foreign operations | 18,200 | 11,705 | 146 |
| New York | 16,255 | 9,564 | |
| Miami | 1,648 | 1,922 | |
| Operations through subsidiaries | 297 | 219 | 146 |
| Total | Ch$ 698,061 | Ch$ 784,680 | Ch$ 1,097,480 |

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***Retail Market***

Our retail market business segment serves the financial needs of individuals and middle market companies through our branch network comprised of 371 branches.

As of December 31, 2008, loans to our retail market represented 42.2% of our total loans outstanding and our retail market business segment accounted for approximately Ch$179,710 million of our net income before tax for the year ended December 31, 2008.

The following table sets forth the composition of our retail market business segment s loan portfolio as of December 31, 2008:

| | As of December 31, 2008 (in millions of constant Ch$ as of December 31, 2008, except for percentages) | |
|---|---|---|
| Commercial loans | Ch$ 1,576,694 | 27.4% |
| Residential mortgage loans | 2,301,574 | 40.0 |
| Consumer loans | 1,878,638 | 32.6 |
| Total | Ch$ 5,756,906 | 100.0% |

The retail market business segment is served by two divisions: (i) the individuals and middle market division and (ii) the Banco CrediChile division.

*Individuals and Middle Market Division*

The individuals and middle market division is responsible for offering financial services to individuals with incomes of over Ch$400 thousand monthly (or Ch$4.8 million annually) and to small and medium-sized companies with annual sales of up to Ch$1,400 million. The individuals and middle market division manages that portion of our branch network that operates under the brand names Banco Chile and Banco Edwards/Citi. We had 227 such branches at December 31, 2008.

The individuals and middle market division has a range of management tools that measure returns, cross-sell products, track performance and the effectiveness of campaigns. Incentive systems have been gradually incorporated into the commercial targets, differentiated by segment, consequently permitting faster response times and a more efficient use of resources. This division also counts on the support of specialized call centers and internet banking services. The strategy followed in the individual and middle market division is mainly focused on subsegmentation and multi-brand positioning, on cross-selling of products and on quality of service.

At December 31, 2008, the individuals and middle market division served more than 571,000 individual customers and over 54,000 companies, resulting in outstanding loans to approximately 535,000 debtors, including approximately 60,109 residential loans, 46,018 commercial loans, 463,000 approved lines of credit, 256,967 other consumer loans and 658,871 credit card accounts. At the same date, we maintained 570,292 checking accounts, 163,939 savings accounts and 156,282 time deposits related to individuals.

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As of December 31, 2008, loans originated by our individuals and middle market division represented 37.7% of our total outstanding loans. The following table sets forth the composition of our portfolio of loans to individuals and middle market companies as of December 31, 2008:

| | As of December 31, 2008 (in millions of constant Ch$ as of December 31, 2008, except for percentages) | |
|---|---|---|
| Commercial Loans | | |
| Commercial credit | 1,338,759 | 26.0 |
| Leasing contracts | 155,354 | 3.0 |
| Other loans | 76,402 | 1.5 |
| Total Commercial Loans | Ch$ 1,570,515 | 30.5% |
| Residential Mortgage Loans | Ch$ 2,236,897 | 43.5% |
| Consumer Loans | | |
| Installment loans | 810,798 | 15.8 |
| Credit cards | 280,386 | 5.4 |
| Lines of credit | 247,177 | 4.8 |
| Total Consumer Loans | Ch$ 1,338,361 | 26.0% |
| Total | Ch$ 5,145,773 | 100.0% |

The principal financial services offered to individuals include checking accounts, automatic bill payment, debit cards, credit cards, revolving credit lines, housing loans, consumer loans, life insurance, general insurance (like home and vehicle insurance), savings instruments, mutual funds, stock trading and foreign currency services.

*Installment Loans*

Our consumer installment loans to individuals are generally incurred, up to a customer s approved credit limit, to finance the cost of goods or services, such as cars, travel and household furnishings. Consumer loans are denominated in both pesos and UF, bear interest at fixed or variable rates of interest and are generally repayable in installments of up to 36 months.

At December 31, 2008, we had Ch$ 810,798 million in installment loans to individuals, which accounted for 43.2% of the retail market business segment consumer loans. A majority of installment loans are denominated in pesos and are payable monthly.

*Residential Mortgage Loans*

As of December 31, 2008, there were outstanding residential mortgage loans to individuals of Ch$2,236,897 million, which represented 43.5% of the retail market total loans and 16.4% of our total loan portfolio. A feature of our mortgage loans to individuals is that mortgaged property typically secures all of a mortgagor s credit with us, including credit card and other loans.

Our residential mortgage loans generally have maturities between five and 30 years and are denominated in UF. To reduce our exposure to interest rate fluctuations and inflation with respect to our residential loan portfolio, a portion of these residential loans is currently funded through the issuance of mortgage finance bonds, which are recourse obligations with payment terms that are matched to the residential loans and which bear a real market interest rate plus a fixed spread over the rate of change in the UF. Chilean banking regulations limit the amount of a residential mortgage loan that may be financed with a mortgage finance bond to the lesser of 75% of the purchase price of the property securing the loan or the appraised value of such property. In addition, we generally require that the monthly payments on a residential mortgage loan not exceed 25% of the borrower s household after-tax monthly income. This is mandatory for mortgage loans financed by mortgage bonds in which the assessment value of the property is less than UF3,000.

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We have promoted the expansion of *Mutuos Hipotecarios*, a mortgage-lending product, as an alternative form to traditional financing of mortgage loans with mortgage bonds. Whereas our traditional mortgage loans are financed by means of mortgage finance bonds, *Mutuos Hipotecarios* are financed with our general funds, especially long-term subordinated bonds. *Mutuos Hipotecarios* offer the opportunity to finance up to 100% of the lower of the purchase price or the appraised value of the property, as opposed to the 75% that a standard mortgage would allow.

As of December 31, 2008, we were Chile s second largest private sector bank in terms of amount of mortgage loans, and, based on information prepared by the Chilean Superintendency of Banks, we accounted for approximately 14.1% of the residential mortgage loans in the Chilean banking system and approximately 18.7 % of such loans made by private sector banks.

*Credit Cards*

As of December 31, 2008, we issued Visa, MasterCard and Diners credit cards, and our product portfolio includes both personal and corporate cards. In addition to traditional cards, our credit card portfolio also includes co-branded cards ( Travel Club, Global Pass and Premium Club ), and 75 affinity card groups, most of which are associated with our co-branded programs.

As of December 31, 2008, we had 697,729 valid credit card accounts, with 883,536 credit cards to individuals. Total charges on our credit cards during 2008 amounted to Ch$ 1,139,510 million, with Ch$1,022,952 million corresponding to purchases and service payments in Chile and abroad and Ch$ 116,558 million corresponding to cash advances (both within Chile and abroad). These charge volumes represent a 34.5% market share in terms of volume of use of bank credit cards issued in Chile.

As of December 31, 2008, our credit card loans to individuals amounted to Ch$ 280,386 million and represented 14.9% of our retail market business segment s consumer loans.

Two Chilean companies that are affiliated with us, Transbank S.A. and Nexus S.A., provide us with merchant acquisition and credit card processing services. As of December 31, 2008, Transbank S.A. had 15 shareholders and Nexus S.A. had seven shareholders, all of which are banks. As of December 31, 2008, our equity ownership in Transbank S.A. was 26.2% and our equity interest in Nexus S.A. was 25.8%.

We believe that the Chilean market for credit cards has a high potential for growth, especially among customers in the lower-middle and middle-income bracket, as the average merchant fees will continue to decline. We also believe that, in addition to the other banks that operate in Chile, our main competitors are department store cards and other non-banking businesses involved in the issuance of credit cards.

*Debit Cards*

We have different types of debit cards. Depending on their specifications, these cards can be used for banking transactions on the ATMs that operate on the local network, Redbanc, the Visa International PLUS network, the local network of merchants participating in the local Redcompra debit program or the international network of merchants associated with the Electron program. We have given these debit cards different names (*Chilecard*, *Chilecard Plus*, *Chilecard Electron, Chilecard Empresas, Banjoven*, *Cheque Electronico, Multiedwards, Cuenta Directa, Cuenta Facil, Cuenta Familiar and Citicard)* based on their specific functions and the relevant brand and target market to which they are oriented. As of December 31, 2008, we had a 43.8% market share of debit card transactions, with approximately 46.5 million transactions performed as of that date.

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*Lines of Credit*

We had approximately 463,458 approved lines of credit to individual customers as of December 31, 2008 and outstanding advances to 326,407 individuals totaling Ch$247,177 million, or 4.3% of the retail market total loans.

Our individual lines of credit are generally available on a revolving basis, up to an approved credit limit, and may be used for any purpose. Advances under lines of credit are denominated in pesos and bear interest at a rate that is set monthly. At the customer s option, a line of credit loan may be renewed and re-priced for successive monthly periods, in each case subject to minimum monthly payments.

*Deposit Products*

We seek to increase our deposit-taking activities as a means of diversifying our sources of funding. We believe that the deposits of our individual customers provide us with a relatively low cost, stable funding source, as well as the opportunity to cross-market our other products and services. We offer checking accounts, time deposits and savings accounts to our individual customers. Checking accounts are peso-denominated and mostly non-interest bearing (approximately 0.1% of total checking accounts of the individual and middle market division are interest-bearing) and savings accounts are denominated in UF and bear interest at a fixed rate. Time deposits are denominated in pesos, UF and U.S. dollars. Most time deposits bear interest at a fixed rate with a term of 30 to 360 days.

While historically demand has been mainly for UF-denominated deposits during times of high inflation, demand for deposits denominated in pesos has increased in the current environment of lower and more stable inflation rates in Chile.

As of December 31, 2008, we administered 516,385 checking accounts for approximately 492,337 individual customers with an aggregate balance of Ch$708,620 million. At such date, our checking account balances totaled approximately Ch$2,534,753 million and represented 15.1% of our total liabilities.

The principal financial services offered to small and medium size companies with annual sales of up to Ch$1,400 million by the individuals and middle market division include a complete range of products, such as various financing options, support in import and export transactions, collection services, payments and collections, leasing agreements, factoring services, checking account services, investment management, insurance brokerage, currency trading, transfers and payments to and from abroad. As of December 31, 2008, we had approximately 51,020 middle market companies with checking accounts and 30,088 debtors.

*Commercial Credits*

Our individuals and middle market division s commercial loans, which mainly consist of project financing and working capital loans, are denominated in pesos, UF or U.S. dollars. Commercial loans may have fixed or variable rates of interest and generally mature between one and three months from the date of the loan. As of December 31, 2008, our individuals and middle market companies had outstanding commercial loans of Ch$1,415,161 million, representing 24.6% of the retail market business segment s total loans and 10.4% of our total loans at that date.

*Leasing Contracts*

Leasing contracts are financing leases for capital equipment and property. Leasing contracts may have fixed or variable rates of interest and generally mature between one and five years for equipment and between five and twenty years for property. Most of these contracts are denominated in UF. As of December 31, 2008, our individuals and middle market companies had outstanding leasing contracts of Ch$155,354 million, representing 2.7% of the retail market and 1.1% of our total loans at that date.

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*Mortgage Loans*

Mortgage loans granted to middle market companies are non-residential mortgage loans made to finance offices, land and other real estate. Mortgage loans are denominated in UF and generally have maturities of between eight and 12 years. As of December 31, 2008, middle market companies had outstanding mortgage loans of approximately Ch$178,284 million, representing 3.5% of the retail market business segment s total loans and 1.3% of our total loans at such date.

*Banco CrediChile Division, or Banco CrediChile*

The Banco CrediChile division offers loans and other financial services to the lower-middle to middle income portions of the Chilean population, which historically have only been partially served by banking institutions. This bracket includes individuals whose monthly incomes fluctuate between Ch$100,000 and Ch$400,000 and small businesses. Banco CrediChile represents a distinct delivery channel for our products and services in this bracket, maintaining a separate brand and network of 144 Banco CrediChile branches. Banco CrediChile was established in 2004 from what was formerly our consumer banking division. In 2008, the business of Banco Credichile was combined with the consumer division of Atlas as part of the merger with Citibank Chile and thus became the leader in this segment in Chile.

Banco CrediChile offers our customers a range of products, including consumer loans, credit cards, auto loans and residential mortgage loans and a special demand deposit account (see Bancuenta below) targeted at low-income customers. As of December 31, 2008, Banco CrediChile had approximately 450,709 customers and total loans outstanding of Ch$611,134 million, representing 4.5% of our total loan portfolio at that date.

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The following table sets forth the composition of our portfolio of loans to Banco CrediChile as of December 31, 2008:

| | As of December 31, 2008 (in millions of constant Ch$ as of December 31, 2008, except for percentages) | | |
|---|---|---|---|
| Commercial loans | Ch$ | 6,179 | 1.0% |
| Residential mortgage loans | Ch$ | 64,677 | 10.6% |
| Consumer loans | | | |
| Installment loans | | 508,926 | 83.3 |
| Credit cards | | 30,428 | 5.0 |
| Lines of credit | | 923 | 0.1 |
| Total consumer loans | Ch$ | 540,277 | 88.4% |
| Total | Ch$ | 611,133 | 100.0% |

Banco CrediChile focuses on developing and marketing innovative, targeted products to satisfy the needs of its customers while introducing them to the banking system. Banco CrediChile complements the services offered in our other business segments, especially our wholesale market, by offering services to employers such as direct deposit capabilities that stimulate the use of our services by employees.

The Chilean Superintendency of Banks requires greater allowances for loan losses for banks with lower credit classifications, such as Banco CrediChile. Banco CrediChile employs a specific credit scoring system, developed by our individual risk division, as well as other criteria to evaluate and monitor credit risk. Banco CrediChile seeks to ensure the quality of our loan portfolio through adherence to our loan origination procedures, particularly the use of our credit scoring system and credit management policies, including the use of credit bureaus and the services of the Chilean Superintendency of Banks. Banco CrediChile uses rigorous procedures for collection of past due loans through Socofin S.A., our specialized collection subsidiary. We believe that we have the necessary procedures and infrastructure in place to manage the risk exposure that Banco CrediChile introduces. These procedures allow us to take advantage of the attractive growth and earnings potential of this market while helping to manage the exposure to higher risk. See Item 3. Key Information Risk Factors Risks Relating to our Operations and the Banking Industry The growth of our loan portfolio may expose us to increased loan losses and Item 3. Key Information Risk Factors Risks Relating to our Operations and the Banking Industry Our loan portfolio may not continue to grow at the same or similar rate.

*Consumer Lending*

Banco CrediChile provides short- to medium-term consumer loans and credit card services. As of December 31, 2008, Banco CrediChile had approximately 371,371 consumer loans that totaled Ch$508,926 million outstanding. As of the same date, Banco CrediChile customers had 214,506 valid credit card accounts, with outstanding balances of Ch$30,428 million.

*Bancuenta*

Banco CrediChile introduced Bancuenta as a basic deposit product that provides consumers flexibility and ease of use, which allows us to tap a section of the consumer market that previously was not part of the banking system. The Bancuenta account is a non-interest bearing demand deposit account without checking privileges targeted at customers who want a secure and comfortable means of managing and accessing their money. The customer may use the ATM card linked to the Bancuenta account (which may include a revolving line of credit) to make deposits or automatic payments to other Banco CrediChile accounts through a network of 7,056 ATMs available through the Redbanc network.

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As of December 31, 2008, Banco CrediChile had approximately 655,179 Bancuenta accounts. Bancuenta account holders pay an annual fee, a fee related to the number of withdrawals on the Bancuenta line of credit and interest on any outstanding balance under the line of credit. All fees and interest due on a Bancuenta account are withdrawn automatically on a monthly basis from funds available in the account. Bancuenta allows us to offer our wholesale customers the ability to pay their employees by direct deposit of funds into the individual employee s account at Banco CrediChile. We believe this product can lead to stronger long-term relationships with our wholesale customers and with the employees of such customers.

***Wholesale Market***

Our wholesale market business segment serves the needs of corporate customers with annual sales in excess of Ch$1,400 million. As of December 31, 2008, loans made by this business segment totaled approximately Ch$7,640,021 million and represented 56.0% of our total loan portfolio. Our wholesale banking business segment accounted for approximately Ch$146,708 million of our net income before tax for the year ended December 31, 2008.

The following table sets forth the composition of our portfolio of loans to the wholesale market as of December 31, 2008:

| | As of December 31, 2008 | | |
|---|---|---|---|
| | (in millions of constant Ch$ as of December 31, 2008, except for percentages) | | |
| Commercial credits | Ch$ | 5,167,658 | 67.6% |
| Foreign trade loans | | 1,505,087 | 19.7 |
| Leasing loans | | 568,703 | 7.5 |
| Factoring loans | | 236,876 | 3.1 |
| Other loans | | 161,697 | 2.1 |
| Total | Ch$ | 7,640,021 | 100.0% |

As of December 31, 2008, we had approximately 8,628 wholesale debtors. Our wholesale customers are engaged in a wide spectrum of industry sectors. As of December 31, 2008, this business segment s loans were mainly related to:

- financial services (approximately 29.5% of all loans made by this business segment);
- trade (approximately 15.5% of all loans made by this business segment);
- manufacturing (approximately 13.5% of all loans made by this business segment);
- construction (approximately 11.5% of all loans made by this business segment);
- agriculture, forestry and fishing (approximately 7.2% of all loans made by this business segment); and
- community, social and personal services (approximately 5.6% of all loans made by this business segment).

In line with our strategy of identifying and differentiating market segments to provide value proposals for the specific needs of our customers, we have defined two divisions within the wholesale market based on companies annual sales, grouping them into (i) large corporations and (ii) large companies.

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*Large Corporations Division*

The large corporations division is oriented towards providing services to corporations that sell more than Ch$70 billion annually. This division s customers include a large proportion of Chile s publicly traded companies, subsidiaries of multinationals and conglomerates, including those in the financial, commercial, manufacturing, industrial and infrastructure sectors, as well as projects and concessions.

As of December 31, 2008, we had 606 large corporations debtors. Loans to large corporations totaled approximately Ch$3,923,232 million as of December 31, 2008, representing 28.7% of our total loans at that date.

The following table sets forth the composition of our portfolio of loans by the large corporations division as of December 31, 2008:

| | As of December 31, 2008 (in millions of constant Ch$ as of December 31, 2008, except for percentages) | | |
|---|---|---|---|
| Commercial credits | Ch$ | 2,946,005 | 75.1% |
| Foreign trade loans | | 630,312 | 16.1 |
| Leasing loans | | 73,612 | 1.9 |
| Factoring loans | | 172,690 | 4.4 |
| Other loans | | 100,613 | 2.5 |
| Total | Ch$ | 3,923,232 | 100.0% |

We offer our large corporation customers a wide variety of products that include short and long-term financing, working capital loans, mortgage loans, leasing, long-term syndicated loans and factoring, plus the investment banking services offered by our subsidiary, Banchile Asesoría Financiera S.A. Our investment banking services include the underwriting of public and private securities offerings. We also offer payment services (payrolls, suppliers, pensions, dividends, etc.), collection services and connection to international funds transfer networks, apart from the traditional deposit products, especially the checking account.

We are party to approximately 837 payment service contracts and approximately 210 collection service contracts with large corporations. We believe that cash management and payment service contracts provide a source of low-cost deposits and the opportunity to cross-market our products and fees to payees, many of whom maintain accounts with us. Under our collection contracts, we act as a collection agent for our large corporate customers, providing centralized collection services for their accounts receivable and other similar payments.

In order to provide a highly competitive service, our large corporation division has the direct support of our treasury and money market operations segment, which fulfills our corporate customers liquidity and short-term loans requirements directly. We have also improved our technological offerings to facilitate connection with customers and permit self-service. Similarly, we offer derivative products, which we believe have become increasingly important, especially peso-dollar and UF-dollar forward contracts and interest rate swaps.

The market for loans to large corporations in Chile in recent years has been characterized by reduced profit margins, due in part to the greater direct access of such customers to domestic and international capital markets and other sources of funds. As a result, we have been increasingly focused on margin growth and cross-selling fee generating services, such as the above mentioned payroll processing, dividend payments and billing services as well as computer banking services. This strategy has enabled us to maintain profitable relationships with our large corporate customers while preserving the ability to extend credit when appropriate opportunities arise.

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*Large Companies Division*

The large companies division provides a broad range of financial products such as electronic banking, leasing, foreign trade and financial consultancy to companies with annual sales between Ch$1,400 million and Ch$70 billion. Customers within this division are those related to commercial, manufacturing, the agriculture, forestry, fishing, infrastructure and real estate sectors, as well as projects and concessions.

As of December 31, 2008, we had 8,022 large companies debtors. Loans to large companies totaled approximately Ch$3,716,789 million as of December 31, 2008, representing 27.2% of our total loans at that date.

The following table sets forth the composition of our portfolio of loans by the large companies division as of December 31, 2008:

| | As of December 31, 2008 (in millions of constant Ch$ as of December 31, 2008, except for percentages) | | |
|---|---|---|---|
| Commercial credits | Ch$ | 2,221,653 | 59.8% |
| Foreign trade loans | | 874,775 | 23.5 |
| Leasing loans | | 495,091 | 13.3 |
| Factoring loans | | 64,186 | 1.7 |
| Other loans | | 61,084 | 1.7 |
| Total | Ch$ | 3,716,789 | 100.0% |

The products offered to these customers are mainly commercial loans, lines of credit, foreign trade and foreign currency transactions, factoring services, leasing, mortgage loans, syndicated loans, mergers and acquisitions and debt restructuring assistance, payments and collections services, checking accounts and related services, corporate credit cards, cash and investment management, forward contracts to hedge against currency fluctuations and insurance brokerage.

Our leasing segment is part of the large companies division and operates under the name of Banchile Leasing. Our factoring subsidiary, Banchile Factoring S.A., provides its services principally through the large companies division. The large companies division has introduced a new service model, centralizing the majority of business relations with its customers and eliminating intermediate reporting levels to provide faster response times. Account officers, which are organized by geographic region and by economic sector, are strongly sales-oriented and have a particular concern for service quality.

***Treasury and money market operations***

Our treasury and money market operations business segment provides a wide range of financial services to our customers including currency intermediation, forwards contracts, interest rate swaps, transactions under repurchase agreements and investment products based on bonds, mortgage notes and deposits.

In addition to providing services, our treasury and money market operations business segment is focused on managing currency, interest rate and maturity gaps, ensuring adequate liquidity levels and managing our investment portfolio. This business segment also performs the intermediation of fixed-income instruments, currencies and derivatives. Interest rate gap management is aimed at generating an adequate funding structure, prioritizing our capitalization and asset and liability cost structure and funding source diversification. This segment is also responsible for the issuance of short- and long-term bonds and the issuance of long-term subordinated bonds.

The treasury and money market operations business segment is also in charge of monitoring compliance with regulatory deposit limits, technical reserves and maturity and rate matches, and monitors our adherence to the security margins defined by regulatory limits, as well as risk limits for interest rate, currency and investment gaps. The treasury and money market operations business segment continually monitors the funding costs of the local financial system, comparing them with our costs.

Our security portfolio as of December 31, 2008 amounted to Ch$1,071,438 million, of which 39.5% consisted of securities issued by the Central Bank and the Chilean Government, 9.6% consisted of securities from foreign issuers, 46.5% consisted of securities issued by local financial institutions and 4.4% consisted of securities issued by Chilean corporate issuers. Our investment strategy is designed with a view to supplementing our expected profitability, risks and economic variable projections. Our investment strategy is kept within regulatory limits as well as internal limits defined by our finance committee.

The international area, also part of the treasury and money market operations segment, manages relations with correspondent banks throughout the world, ensuring the fluent functioning of international payments and obtaining foreign currency financing for the Bank itself. As of December 31, 2008, we have established a network of approximately 900 correspondent banks, credit relations with approximately 250 correspondent banks and account relationships with approximately 42 correspondent banks.

***Operations through Subsidiaries***

We have made several strategic long-term investments in financial services companies, which are engaged in activities complementary to our commercial banking activities. Our principal goal in making these investments is to develop a comprehensive financial services group capable of meeting the diverse financial needs of our current and potential clients.

The following table sets forth information with respect to our financial services subsidiaries as of December 31, 2008:

| | As of or for the year ended December 31, 2008 | | |
|---|---|---|---|
| | Assets | Equity | Net Income (loss) |
| | (in millions of constant Ch$ as of December 31, 2008) | | |
| Banchile Corredores de Bolsa S.A. | Ch$ 465,118 | Ch$ 65,705 | Ch$ 10,016 |
| Banchile Administradora General de Fondos S.A. | 46,855 | 44,764 | 5,758 |
| Banchile Factoring S.A. | 245,753 | 33,220 | 925 |
| Banchile Corredores de Seguros Ltda | 13,447 | 11,257 | 3,595 |
| Socofin S.A. | 5,270 | 572 | 112 |
| Banchile Asesoría Financiera S.A. | 5,469 | 3,869 | 4,743 |
| Banchile Trade Services Limited | 724 | 695 | 113 |
| Banchile Securitizadora S.A. | 522 | 408 | (42) |
| Promarket S.A. | 2,353 | 933 | 598 |
| Citibank Agencia de Valores S.A[(1)]. | Ch$ 6,876 | Ch$ 6,746 | Ch$ (144) |
| Total | Ch$ 792,387 | Ch$ 168,169 | Ch$ 25,674 |

(1) As a result of the merger with Citibank Chile, Banco de Chile, as the legal successor and continuing entity of Citibank Chile, holds title to all of the rights that belonged to the corporation Citibank Agencia de Valores S.A., which consequently became a subsidiary of Banco de Chile in accordance with article 70 of the General Banking Law and Chapter 11-6 of the Updated Compilation of Standards. Effective January 1, 2009, Citibank Agencia de Valores S.A. merged with and into Banchile Corredores de Bolsa S.A.

The following table sets out our ownership interest in our financial services subsidiaries as of December 31, 2008:

| | Ownership Interest | | |
|---|---|---|---|
| | Direct (%) | Indirect (%) | Total (%) |
| Banchile Trade Services Limited (Hong Kong) | 100.00 | | 100.00 |
| Banchile Administradora General de Fondos S.A. | 99.98 | 0.02 | 100.00 |
| Banchile Asesoría Financiera S.A. | 99.96 | | 99.96 |
| Banchile Corredores de Seguros Ltda. | 99.83 | 0.17 | 100.00 |
| Banchile Corredores de Bolsa S.A. | 99.68 | 0.32 | 100.00 |
| Banchile Factoring S.A. | 99.75 | 0.25 | 100.00 |
| Banchile Securitizadora S.A. | 99.00 | 1.00 | 100.00 |
| Socofin S.A. | 99.00 | 1.00 | 100.00 |
| Promarket S.A. | 99.00 | 1.00 | 100.00 |
| Citibank Agencia de Valores S.A[1]. | 99.90 | | 99.90 |

(1) As a result of the merger with Citibank Chile, Banco de Chile, as the legal successor and continuing entity of Citibank Chile, holds title to all of the rights that belonged to the corporation Citibank Agencia de Valores S.A., which consequently became a subsidiary of Banco de Chile in accordance with article 70 of the General Banking Law and Chapter 11-6 of the Updated Compilation of Standards. Effective January 1, 2009, Citibank Agencia de Valores S.A. merged with and into Banchile Corredores de Bolsa S.A.

Each of these subsidiaries is incorporated in Chile, except for Banchile Trade Services Limited, which is incorporated in Hong Kong.

*Securities Brokerage Services*

We provide securities brokerage services through Banchile Corredores de Bolsa S.A. Banchile Corredores de Bolsa S.A. is registered as a securities broker with the Chilean Superintendency of Securities and Insurance, the regulator of Chilean open stock corporations, and is a member of the Santiago Stock Exchange and the Chilean Electronic Stock Exchange. Since it was founded in 1989, Banchile Corredores de Bolsa S.A. has provided stock brokerage services, fixed income investments and foreign exchange products to individuals and businesses through our branch network. During the year ended December 31, 2008, Banchile Corredores de Bolsa S.A. had an aggregate trading volume on the Santiago Stock Exchange and the Chilean Electronic Stock Exchange of approximately Ch$6,175,895 million. As of December 31, 2008, Banchile Corredores de Bolsa S.A. had equity of Ch$65,705 million and, for the year ended December 31, 2008, net income of Ch$10,016 million, which represented 3.7% of our consolidated net income for such period.

In addition, Citibank Agencia de Valores S.A., prior to its merger with and into Banchile Corredores de Bolsa S.A. referred to below, provided financial services as a securities broker, such as mutual funds management services. Citibank Agencia de Valores S.A. became a subsidiary of Banco de Chile as of January 1, 2008, as a result of the merger with Citibank Chile. As of December 31, 2008, Citibank Agencia de Valores S.A. had equity of Ch$6,746 million and, for the year ended December 31, 2008, a net loss of Ch$144 million. Effective January 1, 2009, Citibank Agencia de Valores S.A. merged with and into Banchile Corredores de Bolsa S.A.

*Mutual and Investment Fund Management*

Since 1980, we have provided mutual fund management services through Banchile Administradora General de Fondos S.A. (formerly Banchile Administradora de Fondos Mutuos S.A.). As of December 31, 2008, according to data prepared by the Chilean Superintendency of Securities and Insurance, Banchile Administradora General de Fondos S.A. was the largest mutual fund manager in Chile, managing

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approximately 24.0% of all Chilean mutual funds assets. As of December 31, 2008, Banchile Administradora General de Fondos S.A. operated 73 mutual funds and managed Ch$3,005,266 million in net assets on behalf of 250,930 corporate and individual participants. Banchile Administradora General de Fondos S.A. also operates four investment funds, Chile Small Cap, Banchile Inmobiliario I, II and III, and manages Ch$75,269 million in net assets on behalf of 938 participants.

During 2008, Banco de Chile acquired Legg Mason Chile, which channeled the business of Citibank Chile. Subsequently, during the same period, Legg Mason Chile merged with Banchile Administradora General de Fondos S.A.

The following table sets forth information regarding the various mutual funds managed by Banchile Administradora General de Fondos S.A. as of December 31, 2008:

| Name of Fund | Type of Fund | Net Asset Value As of December 31, 2008 (in millions of Ch$) |
|---|---|---|
| Utilidades | Fixed income (short/medium term) | 74,334 |
| Liquidez 2000 | Fixed income (short term) | 534,889 |
| Deposito XXI | Fixed income (medium/long term) | 160,621 |
| Corporativo | Fixed income (short term) | 354,301 |
| Estrategico | Fixed income (medium/long term) | 281,893 |
| Corporate Dollar | Fixed income (short term) | 315,793 |
| Horizonte | Fixed income (medium/long term) | 39,355 |
| Patrimonial | Fixed income (short term) | 124,623 |
| Performance | Fixed income (short/medium term) | 20,360 |
| Banchile Acciones | Equity | 48,130 |
| Ahorro | Fixed income (medium/long term) | 20,816 |
| Alianza | Debt/Equity (medium/long term) | 17,045 |
| Disponible | Fixed income (short term) | 66,060 |
| Crecimiento | Fixed income (short/medium term) | 62,644 |
| Inversion | Debt/Equity | 19,865 |
| Inversion 10 | Debt/Equity | 678 |
| Inversion 20 | Debt/Equity | 2,038 |
| Operacional | Fixed income (short/medium term) | 11,539 |
| Capitalisa Accionario | Equity | 4,366 |
| Renta Futura | Fixed income (short/medium term) | 25,058 |
| Euro Money Market Fund | Fixed income (short term) | 23,059 |
| Emerging Fund | Debt/Equity | 24,808 |
| Latin America Fund | Debt/Equity | 67,046 |
| Cobertura | Fixed income (medium/long term) | 1,609 |
| Dolar Fund | Fixed income (medium/long term) | 2,469 |
| U.S. Fund | Debt/Equity | 2,457 |
| Global | Debt/Equity | 403 |
| Asia Fund | Debt/Equity | 5,946 |
| Europe Fund | Debt/Equity | 2,925 |
| International Bond | Fixed income (medium/long term) | 484 |
| Medical & Health-Care Fund | Debt/Equity | 209 |
| Inversion Dollar 30 | Debt/Equity | 1,421 |
| Emerging Dollar | Debt/Equity | 21,187 |
| Global Dollar | Debt/Equity | 716 |
| U.S. Dollar Fund | Debt/Equity | 524 |
| Gestion Activa A | Debt/Equity | 7,041 |
| Gestion Activa Acciones | Debt/Equity | 2,442 |
| Gestion Activa B | Debt/Equity | 2,466 |
| Gestion Activa C | Debt/Equity | 3,427 |
| Gestion Activa D | Debt/Equity | 1,043 |
| Gestion Activa E | Debt/Equity | 5,296 |

| | | |
|---|---|---|
| Bambu Garantizado | Fixed income (medium/long term) | 21,137 |
| Brics Garantizado | Fixed income (medium/long term) | 12,104 |
| Inversionista Calificado | Equity | 13,271 |
| Fronteras del Este | Fixed income (medium/long term) | 4,086 |
| Marfil Garantizado | Fixed income (medium/long term) | 11,749 |
| Verde Amarelo Garantizado | Fixed income (medium/long term) | 62,528 |
| Consumo Estable | Debt/Equity | 222 |
| Energía y Materiales | Debt/Equity | 1,042 |
| Financiero | Debt/Equity | 229 |

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| | | |
|---|---|---|
| Gigantes Garantizado | Fixed income (medium/long term) | 26,547 |
| Industria y Consumo Cíclico | Debt/Equity | 671 |
| Liquidez Full | Fixed income (short term) | 226,605 |
| Tecnología y Telecomunicaciones | Debt/Equity | 191 |
| Tigres Garantizado | Fixed income (medium/long term) | 15,242 |
| Potencias Garantizado | Fixed income (medium/long term) | 29,434 |
| Fortalezas Garantizado | Fixed income (medium/long term) | 16,479 |
| Wall Street 107 Garantizado | Fixed income (medium/long term) | 10,368 |
| Inversión China | Debt/Equity | 308 |
| Inversión Brasil | Debt/Equity | 669 |
| Balance I | Debt/Equity | 2,744 |
| Asiatico Accionario | Debt/Equity | 443 |
| Inversión Dólar | Debt/Equity | 2,710 |
| Acciones Europa | Debt/Equity | 1,163 |
| Acciones USA | Debt/Equity | 398 |
| Cash | Fixed income (short term) | 79,271 |
| Inversión M.P. | Debt/Equity | 5,302 |
| Latina Accionario | Debt/Equity | 12,565 |
| Mid Cap | Equity | 4,222 |
| Inversión L.P. | Debt/Equity | 23,178 |
| Chile Accionario | Equity | 20,930 |
| Capital Financiero | Fixed income (short term) | 31,193 |
| Depósito Flexible | Fixed income (short term) | 6,879 |
| Total | | Ch$ 3,005,266 |

As of December 31, 2008, Banchile Administradora General de Fondos S.A. had equity of Ch$44,763 million and, for the year ended December 31, 2008, net income of Ch$5,758 million, which represented 2.1% of our consolidated net income for such period.

*Factoring Services*

We provide factoring services to our customers through Banchile Factoring S.A. Through this service, we purchase our customers outstanding debt portfolios, such as bills, notes, promissory notes or contracts, advancing them the cash flows involved and performing the collection of the related instruments. As of December 31, 2008, Banchile Factoring S.A. had net income of Ch$925 million, with a 2.8% return on equity and an estimated 12.3% market share in Chile s factoring industry.

*Financial Advisory Services*

We provide financial advisory and other investment banking services to our customers through Banchile Asesoría Financiera S.A. The services offered by Banchile Asesoría Financiera S.A. are directed primarily to our corporate customers and include advisory services regarding mergers and acquisitions, restructuring, project finance and strategic alliances. As of December 31, 2008, Banchile Asesoría Financiera S.A. had equity of Ch$3,869 million and, for the year ended December 31, 2008, net income of Ch$4,744 million.

*Insurance Brokerage*

We provide insurance brokerage services to our customers through Banchile Corredores de Seguros Limitada. In 2000, we began to offer life insurance policies associated with consumer loans and non-credit related insurance to our individual clients and the general public. As of December 31, 2008, Banchile Corredores de Seguros Limitada had equity of Ch$11,256 million and, for the year ended December 31, 2008, net income of Ch$3,595 million. Banchile Corredores de Seguros Limitada had a 4.4% market share, measured by amount of policies (in Chilean pesos) sold by insurance brokerage companies during 2007, the latest year for which information is available for insurance brokerage companies.

*Securitization Services*

We offer investment products to meet the demands of institutional investors, such as private pension funds and insurance companies, through Banchile Securitizadora S.A. This subsidiary securitizes financial assets, which involves the issuance of a debt instrument with a credit rating that can be traded in the Chilean marketplace, backed by a bundle of revenue-producing assets of the client company. As of December 31, 2008, Banchile Securitizadora S.A. had equity of Ch$407 million and, for the year ended December 31, 2008, a net loss of Ch$42 million. Banchile Securitizadora S.A. had a 11.3% market share measured by volume of assets securitized as of December 31, 2008.

*Credits pre-evaluation services*

Promarket S.A. provides credit pre-evaluation services to the Bank and its subsidiaries, and researches information about potential customers. As of December 31, 2008, Promarket S.A. had equity of Ch$934 million and, for the year ended December 31, 2008, net income of Ch$598 million.

*Collection Services*

We provide judicial and extra-judicial loan collection services on our behalf or on behalf of third parties through Socofin S.A. As of December 31, 2008, Socofin S.A. had equity of Ch$572 million and, for the year ended December 31, 2008, net income of Ch$112 million.

*Trade Services*

In November 2004, we began offering direct trade services to our customers through Banchile Trade Services Limited, which acts as our trade finance entity in markets such as China, Hong Kong, Taiwan and South Korea. As of December 31, 2008, Banchile Trade Services Limited had equity of Ch$695 million and, for the year ended December 31, 2008, net income of Ch$113 million.

**Distribution Channels and Electronic Banking**

Our distribution network provides integrated financial services and products to our customers through a wide range of channels. This network includes ATMs, branches, on-line banking and phone-banking devices. Our 1,584 ATMs (that form part of Redbanc s 7,056 ATM system) allow our customers to conduct self-service banking transactions during banking and non-banking hours.

As of December 31, 2008, we had a network of 371 retail branches throughout Chile. The branch system serves as a distribution network for all of the products and services offered to our customers. Our full-service branches accept deposits, disburse cash, offer the full range of our retail banking products such as consumer loans, automobile financing, credit cards, mortgage loans and checking accounts and provide information to current and potential customers.

We offer electronic banking services to our customers 24 hours a day through our internet website, www.bancochile.cl, which has homepages that are segmented by market. Our individual homepage offers a broad range of services, including the payment of bills, electronic fund transfers, stop payment and non-charge orders, as well as a wide variety of account inquiries. Our corporate homepage offers services including our office banking service, *Banconexion Web*, which enables our corporate customers to perform all of their banking transactions from their offices. Both homepages offer our customers the sale of third-party products with exclusive benefits. We also have a homepage designed for our investor customers, through which they can perform transactions such as stock trading, time deposit taking and opening savings accounts. Our foreign trade customers can rely on our international business homepage, which enables them to inquire about the status of their foreign trade transactions and perform transactions such as opening letters of credit, recording import collection and hedging on instructions and letters of credit. In 2008, approximately 409,631 individual and corporate customers performed close to 16.6 million transactions monthly on our website, of which approximately 3.4 million were monetary transactions.

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In addition, we provide our customers with access to a 24-hour phone-banking call center that grants them access to account information and allows them to effect fund transfers and certain payments. This service, through which we receive approximately 605,703 calls per month, has enabled us to develop customer loyalty campaigns, sell financial services and products, answer specialized inquiries about our remote services and receive and resolve complaints by customers and non-customers.

In 2001, in association with Banco de Credito e Inversiones, we created a company called Comercio Electronico Artikos Chile S.A. with the purpose of providing Chilean companies with the opportunity to trade their products and services electronically through the internet. We supplement this service with a wide range of financial services and electronic payment means.

**Involvement with the Transantiago Plan**

Since June 2005, we have been a shareholder in *Administrador Financiero de Transantiago* ( AFT ), the company responsible for the financial management of the overhaul of Santiago s public transit system (the Transantiago Plan ). Other majority shareholders of the company include three major Chilean banks, a financial services company and a technology services company. We own 20% of AFT s shares, which had an original capitalization of approximately U.S.$13.4 million as of June 8, 2005.

Although the Transantiago Plan has been beset with problems regarding its design, implementation and financing, certain transport agreements executed in March 2008 by and among the Secretary of Transportation and Telecommunications, the AFT and Toll Roads Companies sought to improve the Transantiago Plan. The Transantiago Plan is facing operational deficits that may be funded by means of permanent fiscal subsidies.

In 2007, as shareholders of AFT, we made extraordinary contributions for a total amount of U.S.$4,114,000 with the purpose of financing AFT s expenses, which were capitalized as of December 31, 2007. Between January and April 2008, we made additional funds available to AFT in the amount of U.S.$358,000, to pay expenses arising from the Transantiago Plan. We have made no additional funds available after April 2008. AFT believes that it may continue to finance its operational expenses with revenue generated in the ordinary course of its business. However, if we had to incur additional payments, we do not expect that any such payments will materially affect our business.

**Competition**

***Overview***

The Chilean market for banking and other financial services is highly competitive, and we face significant competition in each of our principal segments of operation. The Chilean financial services market consists of a number of distinct sectors. The most important sector, commercial banking, includes 23 privately owned banks and one public sector bank, Banco del Estado. As of December 31, 2008, three banks together accounted for 53.5% of all outstanding loans by Chilean financial institutions, net of interbank loans: Banco Santander-Chile (20.8%), our bank (19.4%) and Banco de Credito e Inversiones (13.3%).

As a commercial bank offering a range of services to all types of businesses and individual customers, we face a variety of competitors, ranging from other large, privately owned commercial banks to more specialized entities like niche banks. We consider the principal commercial banks in Chile to be our primary competitors, namely, Banco Santander-Chile, Banco de Credito e Inversiones, Banco Bilbao Vizcaya Argentaria Chile, or BBVA, and Corpbanca. Nevertheless, we face competition to a lesser extent from Banco del Estado, which has a larger distribution network and larger customer base than we do. Banco del Estado, which operates under the same regulatory regime as Chilean private sector banks, was the fourth largest bank in Chile as of December 31, 2008, with outstanding loans, net of interbank loans, of Ch$9,322,591 million, representing a 13.3% market share, according to data published by the Chilean Superintendency of Banks.

In the wholesale market, we consider our strongest competitors to be Banco Santander-Chile, Banco de Credito e Inversiones, BBVA and Corpbanca. We also consider these banks to be our most significant competitors in the middle market companies business segment.

In the retail market, we compete with other private sector Chilean banks, as well with Banco del Estado. Among private banks, we consider our strongest competitors in this market to be Banco Santander-Chile, Banco de Credito e Inversiones and BBVA, as each of these banks has developed business strategies that focus on both middle market companies and lower-middle to middle income brackets of the Chilean population. In addition, with respect to high-income individuals, as of December 2008, we considered our strongest competitors in this market to be Banco Santander-Chile and Banco Itaú Chile.

The Chilean banking industry has experienced increased levels of competition in recent years, including from foreign banks, which has led to, among other things, consolidation in the industry. Consequently, strategies have, on an overall basis, been aimed at reducing costs and improving efficiency standards. Our income may decrease due to the extent and intensity of competition.

We expect the trend of increased competition and consolidation to continue, particularly in connection with the formation of new large financial groups and the creation of new niche banks. In this regard, in mid-1996, Banco Santander of Spain took control of Banco Osorno and merged it into its Chilean operations, changing its name to Banco Santander-Chile. In addition, Banco O Higgins and Banco de Santiago merged in January 1997, forming Banco Santiago. In 1999, Banco Santander of Spain took control of Banco Santiago. In August 2002, Banco Santiago and Banco Santander Chile, then the second and fourth largest banks in Chile, respectively, merged and became Chile s largest bank. In 2003, Banco del Desarrollo merged with Banco Sudameris, and in 2004, Dresdner Banque Nationale de Paris merged with Banco Security. In 2005, Banco de Credito e Inversiones merged with Banco Conosur. In 2007, Banco Itaú acquired Bank Boston unit in Chile, while Rabobank acquired HNS Bank. In addition, Scotiabank acquired Banco del Desarrollo. In the first quarter of 2008, we merged with Citibank Chile. In 2008, the Chilean Superintendency of Banks authorized the opening of a branch of the Norwegian bank DnB NOR and the acquisition of ABN Amro Bank by The Royal Bank of Scotland.

Although we believe that we are currently large enough to compete effectively in our target markets, any further consolidation in the Chilean financial services industry may adversely affect our competitive position.

Historically, commercial banks in Chile have competed in the retail market against each other, with finance companies and with department stores, the latter two having traditionally been focused on consumer loans to middle- and low-income subsegments. However, finance companies have gradually disappeared as most of them have been merged into the largest banks.

Non-bank competition from large department stores has become increasingly significant in the consumer-lending sector. Indeed, three new consumer-oriented banks, affiliated with Chile s largest department stores, have been established during recent years. Although these banks had a market share of 1.5% as of December 31, 2008, according to the Chilean Superintendency of Banks, the opening of these banks is likely to make consumer banking more competitive.

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The following table provides certain statistical information on the Chilean financial system as of December 31, 2008:

| | As of December 31, 2008 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Assets | | Loans(1) | | Deposits | | Equity(2) | |
| | Amount | Share | Amount | Share | Amount | Share | Amount | Share |
| | (in millions of constant Ch$ as of December 31, 2008, except percentages) | | | | | | | |
| Private banks | Ch$ 87,717,192 | 85.1% | Ch$ 60,928,548 | 86.7% | Ch$ 51,578,027 | 84.4% | Ch$ 6,820,696 | 90.7% |
| Banco del Estado | 15,384,129 | 14.9 | 9,322,591 | 13.3 | 9,526,365 | 15.6 | 695,307 | 9.3 |
| Total banking system | Ch$ 103,101,321 | 100.0% | Ch$ 70,251,139 | 100.0% | Ch$ 61,104,392 | 100.0% | Ch$ 7,516,003 | 100.0% |

Source: Chilean Superintendency of Banks

(1) Net of interbank loans.

(2) Equity includes net income for purposes of this table.

***Loans***

The following table sets forth our market share in terms of loans (excluding interbank loans), and such of our principal private sector competitors, as of the dates indicated:

| | Bank Loans(1) As of December 31, 2008 | | | | |
|---|---|---|---|---|---|
| | 2004 | 2005 | 2006 | 2007 | 2008 |
| Banco Santander-Chile | 22.5% | 22.3% | 22.0% | 20.9% | 20.8% |
| Banco de Chile(2) | 18.2 | 18.3 | 18.2 | 18.4 | 19.4 |
| Citibank Chile | 2.2 | 1.9 | 1.8 | 1.7 | |
| Banco de Credito e Inversiones | 12.6 | 13.0 | 13.1 | 13.0 | 13.3 |
| BBVA Bilbao Vizcaya | 7.7 | 8.0 | 8.1 | 8.3 | 7.5 |
| Banco Corpbanca | 6.4 | 6.3 | 6.2 | 6.7 | 7.0 |
| Total market share | 69.6% | 69.8% | 69.4% | 69.0% | 68.0% |

Source: Chilean Superintendency of Banks

(1) For ease of comparison, interbank loans have been eliminated.

(2) Banco de Chile merged with Citibank Chile in 2008.

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***Credit Quality***

As of December 31, 2008, according to information published by the Chilean Superintendency of Banks, we had a ratio of allowances to total loans of 1.66%. This ratio was below the 1.79% posted by all banks in Chile as a whole. The following graph illustrates the five-year history of our allowances to total loan portfolio ratio as compared to the Chilean financial system s ratio as of December 31 for each of the years indicated. Since 2008, the Chilean Superintendency of Banks has published financial statement information on a consolidated basis.

Source: Chilean Superintendency of Banks

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The following table sets forth the ratio of allowances to total loans of the largest private sector banks and that of the financial system as a whole (including such banks) as of December 31 in each of the last five years:

| | Allowances to Total Loans As of December 31, | | | | |
|---|---|---|---|---|---|
| | 2004 | 2005 | 2006 | 2007 | 2008(1) |
| Banco de Chile(1) | 2.24% | 1.73% | 1.50% | 1.37% | 1.66% |
| Citibank Chile | 2.71 | 2.13 | 1.55 | 1.96 | |
| Banco de Credito e Inversiones | 1.88 | 1.52 | 1.23 | 1.28 | 1.41 |
| BBVA Bilbao Vizcaya | 2.06 | 1.36 | 1.14 | 1.00 | 1.18 |
| Banco Santander Chile | 2.04 | 1.49 | 1.50 | 1.73 | 1.95 |
| Banco Corpbanca | 1.72 | 1.57 | 1.40 | 1.28 | 1.46 |
| Financial system | 2.03% | 1.64% | 1.50% | 1.59% | 1.79% |

Source: Chilean Superintendency of Banks

(1) Banco de Chile merged with Citibank Chile in 2008.

As of December 31, 2008, according to information published by the Chilean Superintendency of Banks, we had a ratio of past due loans to total loans of 0.60%. The following table sets forth the ratio of past due loans to total loans for the four largest private sector banks as of December 31 in each of the last five years on a consolidated basis:

| | Past Due Loans to Total Loans As of December 31, | | | | |
|---|---|---|---|---|---|
| | 2004 | 2005 | 2006 | 2007 | 2008(1) |
| BBVA Bilbao Vizcaya | 1.65% | 1.14% | 0.93% | 0.91% | 1.00% |
| Banco Santander Chile | 1.54 | 1.07 | 0.80 | 0.87 | 1.10 |
| Banco de Credito e Inversiones | 0.92 | 0.72 | 0.79 | 0.66 | 0.80 |
| Banco de Chile(1) | 1.23 | 0.87 | 0.64 | 0.52 | 0.60 |
| Citibank Chile | 1.07 | 0.57 | 0.28 | 0.25 | |
| Banco Corpbanca | 0.81% | 0.89% | 0.58% | 0.54% | 0.78% |

Source: Chilean Superintendency of Banks

(1) Banco de Chile merged with Citibank Chile in 2008.

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***Deposits***

We had deposits of Ch$11,482,449 million as of December 31, 2008 on a consolidated basis. In consolidated terms, our 18.8% of the market share for deposits, including borrowings from domestic financial institutions, placed us in second place among private sector banks. The following table sets forth the market shares in terms of deposits for the private sector banks with the largest market share as of December 31 in each of the last five years on a consolidated basis:

| | Deposits As of December 31, | | | | |
|---|---|---|---|---|---|
| | 2004 | 2005 | 2006 | 2007 | 2008 |
| Banco de Chile[(1)] | 16.6% | 16.4% | 17.8% | 17.0% | 18.8% |
| Citibank Chile | 2.4 | 2.0 | 1.8 | 2.0 | |
| Banco Santander Chile | 19.3 | 20.5 | 20.9 | 20.2 | 20.8 |
| Banco de Credito e Inversiones | 11.1 | 11.8 | 12.3 | 12.3 | 13.2 |
| BBVA Bilbao Vizcaya | 9.1 | 8.6 | 8.9 | 8.9 | 7.4 |
| Banco Corpbanca | 6.9 | 5.9 | 5.1 | 6.2 | 6.1 |
| Total market share | 65.4% | 65.2% | 66.8% | 66.6% | 66.3% |

Source: Chilean Superintendency of Banks

(1) Banco de Chile merged with Citibank Chile in 2008.

***Equity***

With Ch$1,216,008 million in equity (not including net income, minority interest and provision for minimum dividends), according to information published by the Chilean Superintendency of Banks, as of December 31, 2008, we were the second largest private sector commercial bank in Chile in terms of equity.

The following table sets forth the level of equity for the largest private sector banks in Chile as of December 31 in each of the last five years:

| | Equity As of December 31, | | | | |
|---|---|---|---|---|---|
| | 2004 | 2005 | 2006 | 2007 | 2008 |
| | (in millions of constant Ch$ as of December 31, 2008) | | | | |
| Banco Santander Chile | Ch$ 1,031,203 | Ch$ 1,006,335 | Ch$ 1,122,916 | Ch$ 1,229,911 | Ch$ 1,348,342 |
| Banco de Chile[(1)] | 646,118 | 710,287 | 748,078 | 881,115 | 1,216,008 |
| Citibank Chile | 286,693 | 296,642 | 331,184 | 326,137 | |
| Banco de Credito e Inversiones | 417,441 | 472,252 | 546,912 | 619,160 | 684,007 |
| Banco Corpbanca | 403,128 | 424,097 | 461,150 | 472,218 | 455,152 |
| BBVA Bilbao Vizcaya | Ch$ 312,292 | Ch$ 309,624 | Ch$ 312,279 | Ch$ 364,720 | Ch$ 420,914 |

Source: Chilean Superintendency of Banks

(1) Banco de Chile merged with Citibank Chile in 2008.

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***Return on Average Equity***

Our return on average equity, including net income for the year, was 20.1% for the year ended December 31, 2008, according to information published by the Chilean Superintendency of Banks. The following table sets forth our return on average equity and the returns of our principal competitors and the Chilean financial system, in each case as of December 31 in each of the last five years:

| | Return on Average Equity Year Ended December 31, | | | | |
|---|---|---|---|---|---|
| | **2004** | **2005** | **2006** | **2007** | **2008** |
| Banco de Chile[1] | 23.6% | 26.7% | 25.0% | 27.4% | 20.1% |
| Banco Santander-Chile | 20.4 | 23.7 | 25.2 | 23.9 | 22.0 |
| Banco de Credito e Inversiones | 22.8 | 23.4 | 22.6 | 21.8 | 20.3 |
| Banco Corpbanca | 14.6 | 13.8 | 9.5 | 11.6 | 11.9 |
| BBVA Bilbao Vizcaya | 5.3 | 10.7 | 10.0 | 9.8 | 10.4 |
| Citibank Chile | 4.2 | 6.8 | 10.7 | 6.7 | |
| Financial system average | 15.3% | 16.4% | 16.8% | 16.5% | 13.6% |

Source: Chilean Superintendency of Banks

(1) Banco de Chile merged with Citibank Chile in 2008.

***Efficiency***

For the year ended December 31, 2008, our efficiency ratio (operating expenses as a percentage of our operating revenues) was 52.3% on a consolidated basis.[1]

The following table sets forth the efficiency ratios of the largest private sector Chilean banks as of December 31 in each of the last three years:

| | Efficiency Ratio[1] As of December 31, | | | | |
|---|---|---|---|---|---|
| | **2004** | **2005** | **2006** | **2007** | **2008** |
| BBVA Bilbao Vizcaya | 63.6% | 65.0% | 62.5% | 59.1% | 54.5% |
| Banco de Credito e Inversiones | 53.0 | 51.8 | 52.8 | 49.7 | 50.6 |
| Banco de Chile[2] | 51.4 | 53.6 | 53.8 | 48.5 | 52.3 |
| Citibank Chile | 81.3 | 77.5 | 68.1 | 63.4 | |
| Banco Santander-Chile | 44.0 | 41.5 | 39.0 | 36.5 | 38.0 |
| Banco Corpbanca | 39.2% | 40.0% | 48.8% | 41.8% | 43.6% |

Source: Chilean Superintendency of Banks

(1) Calculated by dividing operating expense by operating revenue.

(2) Banco de Chile merged with Citibank Chile in 2008.

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## REGULATION AND SUPERVISION

### General

In Chile, only banks may maintain checking accounts for their customers, conduct foreign trade operations and, together with non-banking financial institutions, accept time deposits. The principal authorities that regulate financial institutions in Chile are the Chilean Superintendency of Banks and the Central Bank. Chilean banks are primarily subject to the Chilean General Banking Law and secondarily, to the extent not inconsistent with that law, the provisions of the Chilean Corporations Law governing public corporations, except for certain provisions that are expressly excluded.

The modern Chilean banking system dates back to 1925 and has been characterized by periods of substantial regulation and state intervention, as well as periods of deregulation. The most recent period of deregulation commenced in 1975 and culminated in the adoption of a series of amendments to the Chilean General Banking Law. In 2004, amendments to the General Banking Law granted additional powers to banks, including general underwriting powers for new issues of certain debt and equity securities and the power to create subsidiaries to engage in activities related to banking, such as brokerage, investment advisory, mutual fund services, administration of investment funds, factoring, securitization products and financial leasing services. Prior to 2006, banks had the option of distributing less than 30% of their earnings as dividends in any given year, subject to approval of the holders of at least two-thirds of the bank s common stock. In 2006, however, the General Banking Law was amended to eliminate this option.

Following the Chilean banking crisis of 1982 and 1983, the Chilean Superintendency of Banks assumed control of banks representing approximately 51% of the total loans in the banking system. As part of the assistance that the Chilean government provided to Chilean banks, the Central Bank permitted banks to sell to it a certain portion of their problem loan portfolios at the book value of the loan portfolios. Each bank then repurchased such loans at their economic value (which, in most cases, was substantially lower than the book value at which the Central Bank had acquired the loans), with the difference to be repaid to the Central Bank out of future income. Pursuant to Law No. 18,818, which was passed in 1989, this difference was converted into subordinated debt.

### The Central Bank

The Central Bank is an autonomous legal entity created by the Chilean Constitution. It is subject to its *Ley Orgánica Constitucional*, or Organic Constitutional Law, and the Chilean Constitution. To the extent not inconsistent with its Organic Constitutional Law or the Chilean Constitution, the Central Bank is also subject to private sector laws, but is not subject to the laws applicable to the public sector. It is directed and administered by a board of directors composed of five members designated by the President of Chile, subject to Senate approval.

The legal purpose of the Central Bank is to maintain the stability of the Chilean peso and the orderly functioning of Chile s internal and external payment systems. The Central Bank s powers include setting reserve requirements, regulating the amount of money and credit in circulation, and establishing regulations and guidelines regarding finance companies, foreign exchange (including the Formal Exchange Market) and bank deposit-taking activities.

### The Chilean Superintendency of Banks

Banks are supervised and controlled by the Chilean Superintendency of Banks, a Chilean governmental agency. The Chilean Superintendency of Banks authorizes the creation of new banks and has broad powers to interpret and enforce legal and regulatory requirements applicable to banks and financial companies. Furthermore, in cases of noncompliance with its legal and regulatory requirements, the Chilean Superintendency of Banks has the ability to impose sanctions. In extreme cases, it can appoint, with the prior approval of the board of directors of the Central Bank, a provisional administrator to manage a bank. It must also approve any amendment to a bank s bylaws or any increase in its capital.

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The Chilean Superintendency of Banks examines all banks from time to time, generally at least once a year. Banks are also required to submit unconsolidated unaudited financial statements to the Chilean Superintendency of Banks on a monthly basis and to publish their unaudited financial statements at least four times a year in a newspaper with countrywide coverage. Financial statements as of December 31 of any given year must be audited. In addition, banks are required to provide extensive information regarding their operations at various periodic intervals to the Chilean Superintendency of Banks. A bank s annual financial statements and the opinion of its independent auditors must also be submitted to the Chilean Superintendency of Banks.

Any person wishing to acquire, directly or indirectly, 10.0% or more of the share capital of a bank must obtain the prior approval of the Chilean Superintendency of Banks. Without such approval, the holder will not have the right to vote such shares. The Chilean Superintendency of Banks may only refuse to grant its approval based on specific grounds set forth in the Chilean General Banking Law.

According to Article 35 bis of the Chilean General Banking Law, the prior authorization of the Chilean Superintendency of Banks is required for:

- the merger of two or more banks;
- the acquisition of all or a substantial portion of a bank s assets and liabilities by another bank;
- the control by the same person, or controlling group, of two or more banks; or
- a substantial increase in the share ownership of a bank by a controlling shareholder of that bank.

Such prior authorization is required only when the acquiring bank or the resulting group of banks would own a market share in loans determined by the Chilean Superintendency of Banks to be more than 15.0% of all loans in the Chilean banking system. The intended purchase, merger or expansion may be denied by the Chilean Superintendency of Banks, or, if the acquiring bank or resulting group would own a market share in loans determined to be more than 20.0% of all loans in the Chilean banking system, the purchase, merger, or expansion may be conditioned on one or more of the following:

- that the bank or banks maintain an effective equity higher than 8.0% and up to 14.0% of their risk-weighted assets;
- that the technical reserve established in article 65 of the General Banking Law be applicable when deposits exceed one and a half times the resulting bank s paid-in capital and reserves; or
- that the margin for interbank loans be reduced to 20.0% of the resulting bank s effective equity.

If the acquiring bank or resulting group would own a market share in loans determined by the Chilean Superintendency of Banks to be more than 15% but less than 20%, the authorization will be conditioned on the bank or banks maintaining an effective equity not lower than 10% of their risk-weighted assets for a period set by the Chilean Superintendency of Banks, which may not be less than one year. The calculation of risk-weighted assets is based on a five-category risk classification system applied to a bank s assets that is based on the Basel Committee recommendations.

Pursuant to the regulations of the Chilean Superintendency of Banks, the following ownership disclosures are required:

banks must disclose to the Chilean Superintendency of Banks the identity of any person owning, directly or indirectly, 5.0% or more of its shares;

holders of ADSs must disclose to the depositary the identity of beneficial owners of ADSs registered under such holders names;

the depositary must disclose to the bank the identity of beneficial owners of ADSs which the depositary has registered, and the bank, in turn, must disclose to the Chilean Superintendency of Banks the identity of the beneficial owners of the ADSs representing 5.0% or more of such bank s shares; and

bank shareholders who individually hold 10.0% or more of a bank s capital stock and who are controlling shareholders must periodically inform the Chilean Superintendency of Banks of their financial condition.

**Limitations on Types of Activities**

Chilean banks can only conduct those activities allowed by the General Banking Law, including making loans, factoring and leasing activities, accepting deposits and, subject to limitations, making investments and performing financial services. Investments are restricted to real estate for the bank s own use, gold, foreign exchange and debt securities. Through subsidiaries, banks may also engage in other specific financial service activities such as securities brokerage services, mutual fund management, investment fund management, foreign capital fund management, financial advisory, securitization and factoring activities. Subject to specific limitations and the prior approval of the Chilean Superintendency of Banks and the Central Bank, Chilean banks may own majority or minority interests in foreign banks.

In March 2002, the Central Bank authorized banks to pay interest on checking accounts and the Chilean Superintendency of Banks published guidelines permitting banks to offer and charge fees for the use of a checking account product that pays interest. Under these guidelines, these accounts may be subject to a minimum balance and different interest rates depending on average balances held in the account. The Central Bank has imposed additional caps on the interest rate that can be charged by banks with a solvency score of less than A.

In June 2007, the Chilean Government passed Law No. 20,190, which amended various aspects of Chile s capital markets regulatory framework, such as the General Banking Law, Securities, Insurance, Venture Capital and Tax law. Law No. 20,190 is aimed at improving the access to financing for start-up companies and small businesses in order to strengthen confidence in the stock market and to stimulate the development of the financial market in general. The General Banking Law was amended to achieve these ends by, among other things, revising regulations concerning demand deposits, increasing certain credit limits, and redefining the calculations to determine the proper amount for a bank s reserves. In addition, the General Banking Law was amended to allow local banks to engage in derivatives such as options, swaps and forwards, thereby eliminating prior existing legal impediments to those practices.

**Deposit Insurance**

According to the Chilean General Banking Law, local or foreign currency denominated deposits at banks or financial companies are insured as described below.

The Chilean Government guarantees up to 100% of the principal amount of the following deposits held by individuals:

Deposits in current accounts;

Deposits in savings accounts;

Other demand deposits; and

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Deposits in savings accounts with unlimited withdrawals.

In addition, the Chilean Government guarantees up to 90.0% of the principal amount of time deposits held by individuals in the Chilean banking system. This guarantee covers obligations with a maximum value of UF108 per person (Ch$2,316,877.6 or U.S.$3,682.79 as of December 31, 2008).

**Reserve Requirements**

Deposits are subject to a reserve requirement of 9.0% for demand deposits and 3.6% for time deposits (with terms of less than one year). The Central Bank has statutory authority to increase these percentages to as much as 40% for demand deposits and as much as 20% for time deposits, to implement monetary policy.

In addition, Chilean banks must hold a certain amount of assets in cash or highly liquid instruments. This reserve requirement is equal to the amount by which the daily balance of deposits payable on demand, net of clearing, exceeds 2.5 times the amount of the bank s effective equity. Deposits payable on demand include:

deposits in checking accounts;

other demand deposits or obligations payable on demand and incurred in the ordinary course of business;

saving deposits that allow unconditional withdrawals that bear a stated maturity; and

other deposits unconditionally payable immediately.

Chilean regulations also require that (1) gaps between assets and liabilities maturing within less than 30 days do not exceed a bank s basic capital and (2) gaps between assets and liabilities maturing within less than 90 days do not exceed twice a bank s equity.

**Minimum Capital**

Under the Chilean General Banking Law, a bank must have a minimum paid-in capital and reserves of UF800,000 (Ch$17,162 million or U.S.$27.3 million as of December 31, 2008). However, a bank may begin its operations with 50.0% of such amount, provided that it has an effective equity ratio (defined as effective equity as a percentage of risk-weighted assets) of not less than 12.0%. When such a bank s paid-in capital reaches UF600,000 (Ch$12,872 million or U.S.$20.5 million as of December 31, 2008), the effective equity ratio requirement is reduced to 10.0%.

**Capital Adequacy Requirements**

According to the General Banking Law, each bank should have an effective equity of at least 8.0% of its risk-weighted assets, net of required allowances. Effective equity is defined as the aggregate of:

a bank s paid-in capital and reserves, or net capital base;

its subordinated bonds, considered at the issue price (but reduced 20.0% for each year during the period commencing six years prior to maturity), but not exceeding 50.0% of its net capital base; and its additional allowances for loan losses, up to 1.25% of risk-weighted assets to the extent these additional allowances exceed those that banks are required to maintain by law or regulation.

Banks should also have a net capital base of at least 3.0% of their total assets, net of required allowances.

**Market Risk Regulations**

In September 2005, the Chilean Superintendency of Banks introduced new regulations for measuring market risks (e.g., price and liquidity risks). The Chilean Superintendency of Banks introduced standardized methodologies based on Basel Market Risk Measurement models for measuring and reporting price risks. These methodologies allow local banks to determine interest rate, foreign exchange ( FX ) and options risks (for FX and interest rate transactions) taken in both their trading and accrual books.

The trading book is comprised of the debt instruments portfolios that have a liquid secondary market and therefore their valuation at market prices (and the corresponding P&L) impact is representative of market conditions. In addition, all derivative transactions and the FX mismatches are also part of the trading book. The accrual book is comprised of all of the asset and liability balance sheet items that are not part of the trading book.

The new rules state that the price risk of the trading book plus 10% of the risk-weighted assets may not be greater than a bank s effective equity (in this case, the effective equity is equivalent to equity plus subordinated debt and other minor adjustments). As of December 31, 2008, the price risk of our trading book totaled Ch$46,696 million.

The following table shows our regulatory risk availability, computed as the difference between the total risk (10% of the risk-weighted assets plus the trading book risk) and our effective equity, as of December 31, 2008:

| | **As of December 31, 2008 (in millions of constant Ch$)** |
|---|---|
| (a) 10% risk-weighted assets | 1,515,396 |
| (b) Trading price risk | 46,696 |
| (c = a + b) Total risk | 1,562,092 |
| (d) Effective Equity | 1,774,448 |
| (e = d - c) Risk Availability | 212,356 |

The guidelines for measuring liquidity risk are mainly focused on constructing a projected cash flow including behavioral run-off assumptions for some specific balance sheets items (for example, demand deposits).

In June 2006, the Chilean Superintendency of Banks introduced new regulations relating to (a) the valuation process of debt instruments and (b) the measurement and reporting of credit risk generated by derivative transactions.

Prior to June 2006, the Chilean Superintendency of Banks allowed banks to classify debt instruments for accounting and business purposes as either Trading or Held-to-Maturity only. Starting in June 2006, a new alternative classification was added ( Available-for-Sale ). With these three classifications now in place, the Chilean classification framework is in line with current international standards prevalent in all major financial centers. No changes to the classification system have occurred since June 2006.

Credit risk for derivative transactions, for regulatory purposes, must be measured and reported as:

Credit risk = Current Mark-to-Market (if positive) + Credit Risk Factor (%) * Notional Amount

The Current Mark-to-Market (or CMTM) of the transaction, if positive, reflects the amount of money owed by the customer today. In other words, the CMTM represents the amount the customer would pay us if the transaction was unwound today.

As we are interested in measuring the amount of money that the customer would owe us at maturity, the potential future value of the transaction is added to the CMTM. This potential is measured as the Credit Risk Factor multiplied by the Notional Amount. The Credit Risk Factor reflects the potential fluctuation (under some specific confidence level) that the market factors involved in the transaction may have in the future until maturity, that positively (or negatively) impact the value (or risk) of the transaction for the bank. The regulator determines the Credit Risk Factor by considering market factors (interest rates, FX rates, etc.) and the types of transactions (FX forwards, interest rate swaps, etc.).

The formula detailed above does not completely capture the counterparty risk due to the derivative activities as the above methodology excludes transactions with a current negative value. This exclusion misstates the actual counterparty risk for the counterparties whose transactions are currently showing a negative current value for the bank. It is important to note that the fluctuation of market factors may lead to a positive expected value for the bank at maturity, although the above methodology does not capture such risk while it has a negative value.

**Lending Limits**

Under the General Banking Law, Chilean banks are subject to certain lending limits, including the following material limits:

- a bank may not extend to any entity or individual, directly or indirectly, unsecured credit in an amount that exceeds 10.0% of the bank s effective equity, or in an amount that exceeds 30.0% of its effective equity if the excess over 10.0% is secured by certain assets with a value equal to or higher than such excess. In the case of foreign export trade financing, the ceiling for unsecured credits is 10.0% and 30.0% for secured credits.

- in the case of financing infrastructure projects built through the concession mechanism, the 10.0% ceiling for unsecured credits is raised to 15.0% if secured by a pledge over the concession, or if granted by two or more banks or finance companies which have executed a credit agreement with the builder or holder of the concession;

- a bank may not extend loans to another financial institution subject to the General Banking Law in an aggregate amount exceeding 30.0% of its effective equity;

- a bank may not extend to any individual or entity that is, directly or indirectly, related to the ownership or management of the bank, credit under more favorable terms with respect to repayment conditions, interest rates or collateral than those granted to third parties in similar transactions. The aggregate amount of such credits granted to related persons may not exceed 5.0% of the bank s effective equity. The 5.0% unsecured ceiling is raised to 25.0% of the bank s effective equity if the excess over 5.0% is secured by certain assets with a value equal to or higher than such excess. In any case, the aggregate amount of these credits granted by the bank may not exceed the bank s effective equity.

- a bank may not directly or indirectly grant a loan, the purpose of which is to allow an individual or entity to acquire shares of the lender bank;

- a bank may not lend, directly or indirectly, to a director or any other person who has the power to act on behalf of the bank; and

- a bank may not grant loans to related parties (including holders of more than 1.0% of its shares) on more favorable terms than those generally offered to non-related parties. Loans granted to related parties are subject to the limitations described in the first bullet point above. The aggregate amount of loans to related parties may not exceed a bank s effective equity.

In addition, the General Banking Law limits the aggregate amount of loans that a bank may grant to its employees to 1.5% of its effective equity and provides that no individual employee may receive loans in excess of 10.0% of this 1.5% limit. Notwithstanding these limitations, a bank may grant to each of its employees a single residential mortgage loan for personal use once during such employee s term of employment.

**Classification of Banks**

The Chilean Superintendency of Banks regularly examines and evaluates each bank s solvency and credit management process, including its compliance with loan classification guidelines. On the basis of this evaluation, it classifies banks into various categories.

***Solvency and Management***

In accordance with amended regulations of the Chilean Superintendency of Banks effective as of January 1, 2004, banks are classified into categories I through V based upon their solvency and management ratings. This classification is confidential.

| | |
|---|---|
| Category I: | This category is reserved for financial institutions that have been rated level A in terms of solvency and management. |
| Category II: | This category is reserved for financial institutions that have been rated (1) level A in terms of solvency and level B in terms of management, (2) level B in terms of solvency and level A in terms of management, or (3) level B in terms of solvency and level B in terms of management. |
| Category III: | This category is reserved for financial institutions that have been rated (1) level B in terms of solvency and level B in terms of management for two or more consecutive review periods, (2) level A in terms of solvency and level C in terms of management, or (3) level B in terms of solvency and level C in terms of management. |
| Category IV: | This category is reserved for financial institutions that are rated level A or B in terms of solvency and have been rated level C in terms of management for two or more consecutive review periods. |
| Category V: | This category is reserved for financial institutions that have been rated level C in terms of solvency, irrespective of their rating level of management. |

A bank s solvency rating is determined by its effective equity (after deducting accumulated losses during the financial year) to risk-weighted assets ratio. This ratio is equal to or greater than 10.0% for level A banks, equal to or greater than 8.0% and less than 10.0% for level B banks and less than 8.0% for level C banks.

With respect to a bank s management rating, level A banks are those that are not rated as level B or C. Level B banks display some weakness in internal controls, information systems, response to risk, private risk rating or ability to manage contingency scenarios. Level C banks display significant deficiencies in internal controls, information systems, response to risk, private risk rating or ability to manage contingency scenarios.

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**Allowances for Loan Losses**

Chilean banks are required to evaluate their loan portfolio on a continuous basis using models and methods that follow guidelines established by the Chilean Superintendency of Banks that have been approved by our board of directors. This evaluation is conducted in order to determine the necessary allowances to cover loan losses adequately. Each bank is required to calculate and maintain, on a monthly basis, the following types of allowances:

- allowances determined by individual analysis models (allowances for normal risk and above normal risk portfolios);
- allowances determined by group analysis models; and
- additional allowances for the loan portfolio.

Each year, a bank s board of directors must examine the sufficiency of its level of allowances and provide an opinion stating whether the allowances are sufficient to cover all potential loan losses. The board must also obtain a report from the external auditors regarding compliance with required allowance levels. The opinion of the board of directors must be submitted in writing to the Chilean Superintendency of Banks and, if necessary, should state that additional allowances have been created as a result of the board s examination.

The additional provisions up to an amount equal to 1.25% of the risk-weighted assets must be accounted for as effective equity in accordance with the Chilean Superintendency of Banks guidelines.

The Chilean Superintendency of Banks amended its guidelines effective as of January 1, 2004. Pursuant to the amended guidelines, Chilean banks are required to classify their loan portfolio on an ongoing basis for the purpose of determining the amount of allowances for loan losses. Although the Chilean Superintendency of Banks has established these guidelines, banks are given some latitude in devising more stringent classification systems within such guidelines. Prior to January 1, 2004, banks classified their loan portfolios and determined allowances for loan losses using different guidelines.

In order to create and maintain allowances, Chilean banks use models and methods to classify their portfolio by borrower and loan type. Loans are divided into:

- consumer loans: comprised of all loans granted to individuals to be used for purchasing goods or services. This category include different types of loans (either installments or revolving), as well as balances from using credit cards or making overdrafts on current accounts belonging to individuals. Consumer loans also include consumer lease transactions and other accounts receivable;
- mortgage loans: this category includes mortgage loans granted to individuals to acquire, expand, repair or build a home, issued as mortgage bonds, endorsable mortgage loans or other methods. It also includes supplementary loans for the same purposes and bridge loans granted during the period before the mortgage loan has been settled. This subcategory also includes residential real estate lease transactions and other accounts receivable; and
- commercial loans: this category includes loans other than those described in the bullets above.

The models and methods a bank uses to classify its loan portfolio must comply with the following guidelines established by the Chilean Superintendency of Banks.

***Models Based on the Individual Analysis of Borrowers***

An individual analysis of the borrower is necessary if the borrower is a large or complex business, or one to which the bank has no previous exposure. Models based on the individual analysis of borrowers require that the bank assign a risk category level to each borrower and its respective loans. In making such a determination, a bank must consider the following risk factors with respect to the borrower: (i) its industry or sector; (ii) its owners or managers; (iii) its financial situation; (iv) its payment capacity; and (v) its payment behavior.

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Upon completion of this analysis, each borrower and loan must be classified by the following normal risk or above normal risk category levels:

Borrowers with Normal Risk

| | |
|---|---|
| Categories A1, A2 and A3: | Borrowers with payment capacity sufficient to cover their loan obligations. They have no apparent credit risk and their payment capacity is not affected by unfavorable business, economic or financial situations. Category A1 is used exclusively for companies with titles in national currency with a private risk rating equal to or higher than AA-. |
| Category B: | Borrowers with payment capacity sufficient to cover their loan obligations. While they present some risk, their payment capacity is not affected by unfavorable business, economic or financial situations. |

Borrowers with Above Normal Risk

| | |
|---|---|
| Categories C1, C2, C3, C4, D1 or D2: | These borrowers have insufficient payment capacity to cover their loan obligations under predictable circumstances. |

*Required Allowances.* For loans in categories A1, A2, A3 or B, the board of directors of a bank is authorized to determine the levels of required allowances. Our Board of Directors has established the following levels of required allowances for loans classified as A1, A2, A3 and B:

| Classification | Estimated range of loss | Allowance |
|---|---|---|
| A1 | | |
| A2 | | |
| A3 | | 0.5% |
| B | | 1.0% |

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For loans in categories C1, C2, C3, C4, D1 or D2, we must have the following levels of allowances:

| Category(1) | Estimated range of loss | Allowance(2) |
|---|---|---|
| C1 | Up to 3% | 2% |
| C2 | More than 3% up to 19% | 10% |
| C3 | More than 19% up to 29% | 25% |
| C4 | More than 29% up to 49% | 40% |
| D1 | More than 49% up to 79% | 65% |
| D2 | More than 79% | 90% |

(1) Classification into categories is based on a level of expected combined loss from commercial loans and operations of commercial leasing of the borrower. This calculation is made in accordance with our methodology.

(2) Allowance percentages are supported by statistical probabilities.

***Models Based on the Group Analysis of Borrowers***

A model based on the group analysis of borrowers should be used for the evaluation of borrowers whose individual loan amounts are relatively small, primarily loans to individuals and small companies. Each bank determines the level of required allowances depending on the estimated loss that may result from the loans, by classifying the loan portfolio using one or both of the following models:

A model based on the characteristics of the borrowers and their outstanding loans. Borrowers and their loans with similar characteristics will be placed into groups and each group will be assigned a risk level. Characteristics considered include payment behavior (with respect to the bank and other financial institutions), level of debt and financial stability.

A model based on the behavior of a group of loans. Loans with similar payment histories and characteristics will be placed into groups and each group will be assigned a risk level.

**Additional Allowances**

Under the Chilean Superintendency of Bank s regulations, banks may create allowances in addition to those established pursuant to their model-based evaluation of the loan portfolio. However, a bank may create additional allowances only to cover specific risks that have been authorized by the board of directors. Our Board of Directors has established additional allowances to cover the unexpected deterioration of our loan portfolio.

**Obligations Denominated in Foreign Currencies**

Foreign currency denominated obligations of Chilean banks are subject to two requirements:

a reserve requirement of 9.0% for demand deposits and 3.6% for time deposits. See Reserve Requirements above; and

a bank s aggregate amount of net foreign currency liabilities having an original maturity of less than 30 days cannot exceed its net capital base, and the aggregate amount of net foreign currency liabilities having an original maturity of less than 90 days cannot exceed twice its net capital base.

**Capital Markets**

Under the General Banking Law, banks in Chile may purchase, sell, place, underwrite and act as paying agents with respect to certain debt securities. Likewise, banks in Chile may place and underwrite certain equity securities. Bank subsidiaries may also engage in debt placement and dealing, equity issuance advice and securities brokerage, as well as mutual fund and investment fund administration, factoring, investment advisory services and merger and acquisition services. The Chilean Superintendency of Banks generally regulates these subsidiaries. However, the Chilean Superintendency of Securities and Insurance regulates some of these subsidiaries. The Chilean Superintendency of Securities and Insurance is the regulator of the Chilean securities market and open stock corporations.

### Legal Provisions Regarding Banking Institutions with Economic Difficulties

The General Banking Law provides that if specified adverse circumstances exist at any bank, its board of directors must correct the situation within 30 days from the date of receipt of the relevant financial statements. If the board of directors is unable to do so, it must call a special shareholders meeting to increase the capital of the bank by the amount necessary to return the bank to financial stability. If the shareholders reject the capital increase, or if it is not effected within the 30-day period and in the manner agreed to at the meeting, or if the Chilean Superintendency of Banks does not approve the board of directors proposal, the bank will be barred from increasing its loan portfolio beyond that stated in the financial statements presented to the board of directors and from making any further investments in any instrument other than instruments issued by the Central Bank. In such a case, or in the event that a bank is unable to make timely payment in respect of its obligations, or if a bank is under provisional administration of the Chilean Superintendency of Banks, the General Banking Law provides that the bank may receive a two-year term loan from another bank. The terms and conditions of such a loan must be approved by the directors of both banks, as well as by the Chilean Superintendency of Banks, but need not be submitted to the borrowing bank s shareholders for their approval. A creditor bank may not grant such interbank loans to an insolvent bank in an amount exceeding 25.0% of the creditor bank s effective equity. The board of directors of a bank that is unable to make timely payment of its obligations must present a reorganization plan to its creditors in order to capitalize the credits, extend their respective terms, forgive debts or take other measures for the payment of the debts. If the board of directors of a bank submits a reorganization plan to its creditors and such arrangement is approved, all subordinated debt issued by the bank, whether or not matured, will be converted by operation of law into common stock in the amount required for the ratio of effective equity to risk-weighted assets to be no lower than 12.0%. If a bank fails to pay an obligation, it must notify the Chilean Superintendency of Banks, which shall determine if the bank is solvent.

### Dissolution and Liquidation of Banks

The Chilean Superintendency of Banks may establish that a bank should be liquidated for the benefit of its depositors or other creditors when the bank does not have the necessary solvency to continue its operations. In such case, the Chilean Superintendency of Banks must revoke the bank s authorization to exist and order its mandatory liquidation, subject to agreement by the Central Bank. The Chilean Superintendency of Banks must also revoke the bank s authorization if the reorganization plan of the bank has been rejected twice. The resolution by the Chilean Superintendency of Banks must state the reason for ordering the liquidation and must name a liquidator, unless the Superintendent of Banks assumes this responsibility. When a liquidation is declared, all checking accounts, other demand deposits received in the ordinary course of business, other deposits unconditionally payable immediately or that have a maturity of no more than 30 days, and any other deposits and receipts payable within 10 days of its maturity date, are required to be paid by using the bank s existing funds, its deposits with the Central Bank, or its investments in instruments that represent its reserves. If these funds are insufficient to pay these obligations, the liquidator may seize the bank s remaining assets, as needed. If necessary, and in specified circumstances, the Central Bank will lend the bank the funds necessary to pay these obligations. Any such loans are preferential to any claims of other creditors of the liquidated bank.

### Investments in Foreign Securities

Under current Chilean banking regulations, banks in Chile may grant loans to foreign individuals and entities and invest in certain foreign currency securities. Chilean banks may only invest in equity securities of foreign banks and certain other foreign companies which may be affiliates of the bank or which would support the bank s business if such companies were incorporated in Chile. Banks in Chile may also invest in debt securities traded in formal secondary markets. Such debt securities shall qualify as (1) securities issued or guaranteed by foreign sovereign states or their central banks or other foreign or international financial entities, and (2) bonds issued by foreign companies. Such foreign currency securities must have a minimum rating as indicated in the table below:

| Rating Agency | Short Term | Long Term |
|---|---|---|
| Moody s | P2 | Baa3 |
| Standard and Poor s | A3 | BBB- |
| Fitch IBCA | F2 | BBB- |

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A Chilean bank may invest in securities having a minimum rating as follows, provided that if the total amount of these investments exceeds 20% (or 30% in certain cases) of the effective equity of the bank, an allowance of 100% of the excess shall be established by the bank:

| Rating Agency | Short Term | Long Term |
|---|---|---|
| Moody s | P2 | Ba3 |
| Standard and Poor s | A3 | BB- |
| Fitch IBCA | F2 | BB- |

If investments in these securities and certain loans referred to below exceed 70% of the effective equity of the bank, an allowance for 100% of the excess shall be established, unless the excess, up to 70% of the bank s effective equity, is invested in securities having a minimum rating as follows:

| Rating Agency | Short Term | Long Term |
|---|---|---|
| Moody s | P1 | Aa3 |
| Standard and Poor s | A-1+ | AA- |
| Fitch IBCA | F1+ | AA- |

Subject to specific conditions, a bank may grant loans in dollars to subsidiaries or branches of Chilean companies located abroad, to companies listed on foreign stock exchanges located in countries with an international risk rating not less than BB- or its equivalent and, in general, to individuals and entities residing or domiciled abroad.

In the event that the sum of the investments of a bank in foreign currency and the commercial and foreign trade loans granted to foreign individuals and entities exceeds 70.0% of the effective equity of such bank, the excess is subject to a mandatory reserve of 100.0%.

**Convergence to IFRS**

The Chilean Superintendency of Banks through Circular No. 3.410, dated November 9, 2007, subsequently complemented by Circular No. 3.443, dated August 21, 2008, introduced the new Compendium of Accounting Standards applicable as of January 1, 2009, as a result of the convergence project to International Financial Reporting Standards (IFRS). Since January 1, 2008, Chilean banks have begun to use the new Compendium of Accounting Standards in the preparation of their financial statements in accordance with the guidance provided by the Chilean Superintendency of Banks. The new Compendium of Accounting Standards differs in certain aspects from IFRS, such as the fact that banks (i) must provide for credit risk based on requirements such as expected losses on loan commitments (i.e., off-balance contingent risk such as authorized credit limits or letters of credit not yet negotiated) and (ii) are not allowed to designate assets or liabilities at fair value.

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The retroactive accumulated impact of the accounting changes at December 31, 2008 were directly recognized in equity by an increase equivalent to Ch$23.131 million at January 1, 2009.

The summary of the main accounting criteria changes that have been applied since January 1, 2009, include the following:

**Price-level restatement**

Until December 31, 2008, non-monetary assets, liabilities and equity accounts were restated according to the changes in the Consumer Price Index (CPI).

As of January 1, 2009, price-level restatement criteria was eliminated, considering Chile has a non- hyperinflationary economy as per the terms of the International Standard of Accountancy No. 29 (NIC 29).

**Staff severance indemnities:**

This liability is recorded at its present value, according with Technical Bulletin No. 8 of the Chilean Association of Accountants. As of January 1, 2009, the liabilities of this benefit plan are valued according to projected unit of credit method, including as variables: staff rotation rate, the salary growth expected and the probability of use of this benefit, discounted to the current rate for long term operations in accordance with the International Standard of Accountancy No. 19 (NIC 19) Benefits to Employees.

**Fixed assets:**

Until December 31, 2008, fixed assets were stated at acquisition cost net of accumulated depreciation restated by price-level restatement. As of January 1, 2009, the fixed assets value corresponds to historical cost or value of last appraisal required by the local regulator, with the price-level restatement applied until December 31, 2007. In the case of certain real estate items, according to the Compendium of Accounting Standards, the Bank chose to apply the reasonable value of these assets based on independent appraisals.

**Impaired Portfolio:**

The Impaired Portfolio concept was incorporated as of January 1, 2009. Impaired Portfolio corresponds to those customers where there is evidence that they will fail with any of their obligations in the payment conditions that were previously agreed.

In this context, the bank must incorporate these loans to impaired portfolio category and maintain them in that portfolio until a normalization payment s conduct is observed.

**Interest revenue:**

(i) Until December 31, 2008, the loans and accounts receivable to customers were presented with their interests and accruals, according to the agreed rate. Loan origination costs were capitalized and amortized over the average life of the loan portfolio. As of January 1, 2009, loans and interest revenue are recorded using the effective interest rate method.

(ii) Suspension of recognition of revenue on an accrual basis

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Until December 31, 2008, interest revenue recognition factored in the suspension of accrual according to the following criteria:

From the date a loan, portion of the loan or installment is unpaid and 90 days overdue, while no payments or renegotiations apply on the delinquent amounts

Accrual suspended for loans classified in categories D1 and D2, from the classification date and so long as these loans are not reclassified in a risk category lower than C4.

For loans that were classified in category C4 during one year, the accrual is suspended one year after the credit was classified in this category (C4).

Starting on January 1, 2009, a portion of the loan portfolio classified as impaired portfolio (customers classified in the D1, D2, C3 and C4 credit risk categories) suspends the accrual of interest as described below:

| **Suspension Criteria** | **Suspension applies:** |
|---|---|
| Individual Credit Evaluation (by debtor): | Inmediately when the client is classified in these categories. |
| Loans classified in categories D1 and D2 | |
| Individual Credit Evaluation (by debtor): | After three months in these categories |
| Loans classified in category C3 and C4 | |
| Group Credit Evaluation (by group of debtors): | When the loan completes six months of |
| Loans with guaranties less than 80% of the outstanding | delinquency. |

**Charge-off loans:**

Until December 31, 2008, the time requested by the Chilean Superintendency of Banks for recording charge-offs from loans was considered from its entrance to its past due portfolio. The past due portfolio is comprised of loans and loan installments whose principal or interest payments are 90 days or more past due.

As of January 1, 2009, charge-off loans apply on the current and past due installments, i.e., the charge-off should be recorded when the period of an unpaid installment or part of a credit completes the term indicated in the table below:

| **Types of Loan** | **Term** |
|---|---|
| Consumer loans with or without collateral | 6 months |
| Other operations without collateral | 24 months |
| Commercial loans with collateral | 36 months |
| Residential real estate mortgage loans | 48 months |
| Consumer leasing | 6 months |
| Other non real estate leasing operations | 12 months |
| Real estate leasing (commercial or residential) | 36 months |

**Rewrite of charged-off transactions**

Until December 31, 2008, at the moment of a renegotiation of a credit transaction previously written off, the accounting criteria applied treated it as loan recovery for the total amount renegotiated.

Under the new rule, any renewal or renegotiation of charge off credits is not considered recovery and only effective payments received from customers must be treated as loan recoveries.

Consequently, a previous credit write-off can only be recorded as an asset if the client maintains regular payments for at least six consecutive months.

**Deferred taxes:**

The effect of deferred taxes arising out of the temporary differences originating in the adjustment made due to the application of the new accounting criteria established by the Chilean Superintendency of Banks, were recognized in January 1, 2009.

The summary of retroactive impact on the financial statement due to these new accounting criteria, applicable as of December 31, 2008, is shown under Note 35 to the Consolidated Financial Statements.

**Changes to Charging of Fees for Bank Services**

On March 25, 2008, the Chilean Superintendency of Banks issued a circular (No. 3,429) which adopted a new rule to govern the charging of fees or commissions for services performed by banks. The new rule provides general criteria for the calculation of fees depending on which products or services are involved. The new rule seeks to increase transparency in fee and commission structures by improving the accuracy of information delivered to customers.

Under the new rule, banks will be required to provide adequate disclosure of financial services costs and will submit periodic information on fees effectively charged. In addition, banks must give 60 days notice to affected customers before implementing any changes related to the amount of fees and other charges and must provide full disclosure of any such fees or charges. In particular, the amended rule imposes a restriction on the ability of banks to collect fees for current accounts. Banks will only be permitted to charge annual administration fees for certain services (such as non-payment orders, check protests and non-authorized overdrafts, to name a few). The only fees that may be charged for services to current accounts are those that are either voluntarily accepted by the customer or those that relate to the maintenance of systems for providing such services (and not the transactions themselves).

We anticipate that the application of this new rule will have an impact on the Bank s income, primarily due to our inability to charge certain fees which have historically been charged. The amended rule became fully effective as of March 1, 2009.

**Procedures for the Management of Information of Interest to the Market**

In order to ensure compliance with the provisions of the Chilean Securities Market Law and regulations, issued by the Chilean Superintendency of Securities and Insurance and the Chilean Superintendency of Banks, the Board of Directors of Banco de Chile approved, on October 24, 2008, the Manual for the Management of Information of Interest to the Market (the Manual ).

The Manual s main objective is to provide timely disclosure of Banco de Chile s policies and internal regulations in connection with the disclosure of information to the public and the systems that have been implemented at the Bank.

In addition, these policies and internal regulations establish codes of conduct that Banco de Chile s employees and other persons with access to certain information must comply with in order to protect information related to the Bank.

The Manual is available to the general public on Banco de Chile s web page at www.bancochile.cl.

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**Prevention of Money Laundering and the Financing of Terrorism**

On March 6, 2006, the Chilean Superintendency of Banks issued regulations governing the requirements applicable to banks with respect to prevention of money laundering and terrorism financing. The regulations are aimed at incorporating international anti-money laundering ( AML ) and terrorism financing laws to the Chilean banking industry. Pursuant to the regulations, the Chilean Superintendency of Banks requires that banks implement an Anti-Money Laundering and Terrorism Financing system based mainly on the know your customer concept. Moreover, these policies and procedures must be approved by the board of directors and must take into account the volume and complexity of its operations and other related parties.

Based on these requirements, a Customer Identification Program (as part of the Anti-Money Laundering and Terrorism Financing) is needed to enable the Bank to reestablish the reasonable belief that it knows the true identity of its customers. In general, the program includes:

- properly identifying customers, including their background, source and amount of funds, country of origin and other risk factors;
- identifying what the Chilean Superintendency of Banks has defined as persons politically exposed at the international level, or PEPs, both within Chile and internationally;
- establishing procedures to open accounts and products, with different documentation requirements needed for different types of accounts and products.

The Anti-Money Laundering and Terrorism Financing system required by local regulations must also include the following components:

- AML policies and procedures aimed at preventing the Bank from being used as an intermediary to carry out money laundering operations;
- Creation of a Compliance Officer on a senior management level who is responsible for coordinating and monitoring day-to-day AML compliance;
- Establishment of an AML Committee, whose main function is planning and coordinating the fulfillment of AML policies and procedures. Our AML Committee gathers on a monthly basis and its membership includes the Chairman of the Board, the Chief Executive Officer, Legal Counsel, Operations and Technology Manager, CEO of Banchile Administradora General de Fondos S.A., the Risk Control Manager and the Global Compliance Head. In addition, we have also established a Transaction Analysis Committee, whose purpose is to analyze suspicious transactions, determine continuity of business with such clients and report these matters to the Financial Analysis Unit;
- Use of software tools to detect, monitor and report unusual operations related to transactions made by customers on different products;
- Implementation of personnel selection policies and a training program, in order to prevent money laundering issues;
- Establishment of a Code of Conduct, in order to, among other things, guide employee behavior and prevent possible conflicts of interest; and

Independent testing in the Compliance area, which must be conducted by the Bank s Internal Audit Department.

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## ORGANIZATIONAL STRUCTURE

The following diagram presents our current corporate structure, including our subsidiaries and their respective ownership interests:

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

## PROPERTY, PLANTS AND EQUIPMENT

We are domiciled in Chile and own the building located at Ahumada 251, Santiago, Chile that is approximately 76,500 square meters and serves as the headquarters for the Bank and its subsidiaries. In addition, we own an approximately 15,000 square meter building located at Huerfanos 740, Santiago, Chile where the remainder of our executive offices are located. As of, December 31, 2008, we owned the properties on which 165 of our full-service branches and other points of sale are located (approximately 110,000 square meters of office space). As of December 31, 2008, we had leased office space for our remaining 263 full-service branches and other points of sale, as well as for our representative offices. We also own properties throughout Chile for back office and administrative operations, as well as for storage of documents and other purposes. We believe that our facilities are adequate for our present needs and suitable for their intended purposes.

We also own approximately 135,000 square meters in mainly recreational physical facilities in Chile, which we use to assist our employees in maintaining a healthy work and life balance and which we use for incentive and integration activities.

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## SELECTED STATISTICAL INFORMATION

The following information is included for analytical purposes and should be read in conjunction with our audited consolidated financial statements as well as Item 5. Operating and Financial Review and Prospects.

**Average Balance Sheets, Interest Earned on Interest Earning Assets and Interest Paid on Interest Bearing Liabilities**

The average balances for interest earning assets and interest bearing liabilities, including interest and readjustments received and paid, have been calculated on the basis of our daily balances and on the basis of monthly balances for our subsidiaries. These average balances are presented in Chilean pesos (Ch$), in UF and in foreign currencies (principally the U.S. dollar). The UF is an inflation-indexed Chilean monetary unit of account with a value in Chilean pesos which is linked to, and which is adjusted daily to reflect changes in, the Consumer Price Index of the Chilean National Institute of Statistics. See Note 1(b) to our audited consolidated financial statements.

The nominal interest rate has been calculated by dividing the amount of interest and principal readjustment gain or loss during the period by the related average balance, both amounts expressed in constant pesos. The nominal rates calculated for each period have been converted into real rates using the following formulas:

Where:

Rp = real average rate for peso-denominated assets and liabilities (in Ch$ and UF) for the period;

Rd = real average rate for foreign currency denominated assets and liabilities for the period;

Np = nominal average rate for peso-denominated assets and liabilities for the period;

Nd = nominal average rate for foreign currency denominated assets and liabilities for the period;

D = devaluation rate of the Chilean peso to the dollar for the period; and

I = inflation rate in Chile for the period (based on the variation of the Consumer Price Index).

The real interest rate can be negative for a portfolio of peso-denominated loans when the inflation rate for the period is higher than the average nominal rate of the loan portfolio for the same period. A similar effect could occur for a portfolio of foreign currency denominated loans when the inflation rate for the period is higher than the combined effect of the devaluation rate for the period and the corresponding average nominal rate of the portfolio.

The formula for the average real rate for foreign currency denominated assets and liabilities (Rd) reflects a gain or loss in purchasing power caused by the difference between the devaluation rate of the Chilean peso and the inflation rate in Chile during the period.

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The following example illustrates the calculation of the real interest rate for a U.S. dollar asset bearing a nominal annual interest rate of 10% (Nd = 0.10), assuming a 5% annual devaluation rate (D = 0.05) and a 12% annual inflation rate (I = 0.12):

In the example, since the inflation rate was higher than the devaluation rate, the real rate is lower than the nominal rate in dollars. If, for example, the annual devaluation rate were 15%, using the same numbers, the real rate in Chilean pesos would be 12.9%, which is higher than the nominal rate in dollars. Using the same numbers, if the annual inflation rate were greater than 15.5%, the real rate would be negative.

Due to the significant revaluation of the Chilean peso against the U.S. dollar in 2007, and the fact that nominal interest rates and the inflation rate were comparatively high in 2007, most real interest rates on foreign currency assets and liabilities shown in the tables in Selected Statistical Information are negative in 2007.

Non-performing loans that are not yet 90 days or more overdue have been included in each of the various categories of loans, and therefore affect the various averages. Non-performing loans consist of loans for which either principal or interest is overdue (i.e., non-accrual loans) and restructured loans earning no interest. Non-performing loans that are 90 days or more overdue (i.e., past due loans) are shown as a separate category of loans. Interest and/or indexation readjustments received on all non-performing loans during the periods are included as interest revenue.

Included in interbank deposits are current accounts maintained in the Central Bank and overseas banks. Such assets have a distorting effect on the average interest rate earned on total interest earning assets because of balances maintained in:

- the Central Bank, only the portion that is legally required to be held for liquidity purposes earns interest; and

- overseas banks earn interest on certain accounts in certain countries.

Consequently, the average interest earned on such assets is comparatively low. These deposits are maintained by us in these accounts to comply with statutory requirements and to facilitate international business, rather than to earn income.

The monetary gain or loss on interest earning assets and interest bearing liabilities is not included as a component of interest revenue or interest expense because inflation effects are taken into account in the calculation of real interest rates.

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The following tables show, by currency of denomination, average balances and, where applicable, interest amounts, nominal and real rates for our assets and liabilities for the years ended December 31, 2006, 2007 and 2008:

| | Year Ended December 31, 2006 | | | | 2007 | | | | 2008 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Average balance | Interest earned(1) | Average nominal rate | Average real rate | Average balance | Interest earned(1) | Average nominal rate | Average real rate | Average balance | Interest earned(1) | Average nominal rate | Average real rate |
| | (in millions of constant Ch$ as of December 31, 2008, except percentages) | | | | | | | | | | | |
| **ets** | | | | | | | | | | | | |
| **rest ning ts** | | | | | | | | | | | | |
| **h and from ks** | | | | | | | | | | | | |
| | Ch$ 254,822 | Ch$ 583 | 0.23% | (2.28%) | Ch$ 295,948 | Ch$ 1,170 | 0.40% | (6.89%) | Ch$ 422,079 | Ch$ 415 | 0.10% | (6.91 |
| ign ency | 726,595 | 6,843 | 0.94 | 2.28 | 515,138 | 8,570 | 1.66 | (12.52) | 381,112 | 2,997 | 0.79 | 18.92 |
| l | 981,417 | 7,426 | 0.76 | 1.10 | 811,086 | 9,740 | 1.20 | (10.46) | 803,191 | 3,412 | 0.42 | 5.35 |
| **ancial estments** | | | | | | | | | | | | |
| | 710,284 | 39,269 | 5.53 | 2.88 | 905,763 | 50,999 | 5.63 | (2.03) | 867,210 | 62,371 | 7.19 | (0.31 |
| | 179,795 | 10,750 | 5.98 | 3.32 | 216,936 | 20,689 | 9.54 | 1.59 | 322,485 | 36,753 | 11.40 | 3.60 |
| ign ency | 572,303 | 25,068 | 4.38 | 5.76 | 444,819 | 16,666 | 3.75 | (10.73) | 203,955 | 5,301 | 2.60 | 21.06 |
| l | 1,462,382 | 75,087 | 5.13 | 4.07 | 1,567,518 | 88,354 | 5.64 | (4.00) | 1,393,650 | 104,425 | 7.49 | 3.72 |
| **ns in ance to ks** | | | | | | | | | | | | |
| | 42,005 | 3,552 | 8.46 | 5.74 | 96,019 | 8,670 | 9.03 | 1.12 | 141,955 | 15,343 | 10.81 | 3.05 |
| ign ency | | | | | | | | | | | | |
| l | 42,005 | 3,552 | 8.46 | 5.74 | 96,019 | 8,670 | 9.03 | 1.12 | 141,955 | 15,343 | 10.81 | 3.05 |
| **nmercial s** | | | | | | | | | | | | |
| | 2,166,742 | 175,100 | 8.08 | 5.37 | 2,594,798 | 211,466 | 8.15 | 0.31 | 3,590,168 | 331,502 | 9.23 | 1.58 |
| | 3,286,110 | 231,010 | 7.03 | 4.35 | 3,388,834 | 400,698 | 11.82 | 3.71 | 3,569,057 | 486,244 | 13.62 | 5.67 |
| ign ency | 968,043 | 55,847 | 5.77 | 7.17 | 1,137,472 | 66,004 | 5.80 | (8.96) | 1,662,260 | 79,709 | 4.80 | 23.65 |
| l | 6,420,895 | 461,957 | 7.19 | 5.12 | 7,121,104 | 678,168 | 9.52 | 0.45 | 8,821,485 | 897,455 | 10.17 | 7.39 |
| **sumer s** | | | | | | | | | | | | |
| | 1,184,899 | 225,020 | 18.99 | 16.01 | 1,325,815 | 245,424 | 18.51 | 9.92 | 1,794,184 | 376,279 | 20.97 | 12.50 |
| | 30,456 | 5,982 | 19.64 | 16.64 | 30,455 | 4,278 | 14.05 | 5.78 | 34,449 | 5,337 | 15.49 | 7.40 |

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ign ency | | | | | | | | | | | | |
| l | 1,215,355 | 231,002 | 19.01 | 16.03 | 1,356,270 | 249,702 | 18.41 | 9.82 | 1,828,633 | 381,616 | 20.87 | 12.40 |
| **dential tgage s** | | | | | | | | | | | | |
| | 1,680,655 | 124,723 | 7.42 | 4.73 | 1,958,547 | 235,605 | 12.03 | 3.90 | 2,156,801 | 300,347 | 13.93 | 5.95 |
| ign ency | | | | | | | | | | | | |
| l | 1,680,655 | 124,723 | 7.42 | 4.73 | 1,958,547 | 235,605 | 12.03 | 3.90 | 2,156,801 | 300,347 | 13.93 | 5.95 |
| **urchase eement** | | | | | | | | | | | | |
| | 51,055 | 2,538 | 4.97 | 2.34 | 33,354 | 1,892 | 5.67 | (1.99) | 72,007 | 4,639 | 6.44 | (1.01 |
| ign ency | 1,027 | 11 | 1.07 | 2.41 | 7,541 | 481 | 6.38 | (8.46) | 2,668 | 27 | 1.01 | 19.19 |
| l | 52,082 | 2,549 | 4.89 | 2.34 | 40,895 | 2,373 | 5.80 | (3.18) | 74,675 | 4,666 | 6.25 | (0.29 |
| **l rest nings ts** | | | | | | | | | | | | |
| | 4,409,807 | 446,062 | 10.12 | 7.36 | 5,251,697 | 519,621 | 9.89 | 1.92 | 6,887,603 | 790,549 | 11.48 | 3.67 |
| | 5,177,016 | 372,465 | 7.19 | 4.51 | 5,594,772 | 661,270 | 11.82 | 3.71 | 6,082,792 | 828,681 | 13.62 | 5.67 |
| ign ency | 2,267,968 | 87,769 | 3.87 | 5.25 | 2,104,970 | 91,721 | 4.36 | (10.20) | 2,249,995 | 88,034 | 3.91 | 22.61 |
| l | Ch$ 11,854,791 | Ch$ 906,296 | 7.64% | 5.71% | Ch$ 12,951,439 | Ch$ 1,272,612 | 9.83% | 0.72% | Ch$ 15,220,390 | Ch$ 1,707,264 | 11.22% | 7.27 |

(1) Interest earned includes interest accrued on trading securities.

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| | Year Ended December 31, | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2006 | | | | 2007 | | | | 2008 | | | |
| | Average balance | Interest earned(1) | Average nominal rate | Average real rate | Average balance | Interest earned(1) | Average nominal rate | Average real rate | Average balance | Interest earned(1) | Average nominal rate | Average real rate |
| | (in millions of constant Ch$ as of December 31, 2008, except percentages) | | | | | | | | | | | |
| **Assets** | | | | | | | | | | | | |
| **Non interest earning assets** | | | | | | | | | | | | |
| **Transaction in the course of collection** | | | | | | | | | | | | |
| Ch$ | Ch$ 230,054 | | | | Ch$ 218,229 | | | | Ch$ 233,298 | | | |
| UF | | | | | | | | | | | | |
| Foreign currency | 135,080 | | | | 146,672 | | | | 223,668 | | | |
| Total | 365,134 | | | | 364,901 | | | | 456,966 | | | |
| **Allowances for loan losses** | | | | | | | | | | | | |
| Ch$ | (139,523) | | | | (141,388) | | | | (182,539) | | | |
| UF | | | | | | | | | | | | |
| Foreign currency | (232) | | | | (223) | | | | | | | |
| Total | (139,755) | | | | (141,611) | | | | (182,539) | | | |
| **Derivatives** | | | | | | | | | | | | |
| Ch$ | 19,470 | | | | 51,222 | | | | 698,945 | | | |
| UF | | | | | | | | | 4 | | | |
| Foreign currency | 134,327 | | | | 12,138 | | | | 62,310 | | | |
| Total | 153,797 | | | | 63,360 | | | | 761,259 | | | |
| **Investment in other companies** | | | | | | | | | | | | |
| Ch$ | 130,083 | | | | 151,611 | | | | 180,479 | | | |
| UF | | | | | | | | | | | | |
| Foreign currency | 2 | | | | 2 | | | | 2 | | | |
| Total | 130,085 | | | | 151,613 | | | | 180,481 | | | |
| **Intangible assets** | | | | | | | | | | | | |
| Ch$ | 18,174 | | | | 24,631 | | | | 31,709 | | | |
| UF | | | | | | | | | | | | |
| Foreign currency | | | | | | | | | | | | |
| Total | 18,174 | | | | 24,631 | | | | 31,709 | | | |
| **Fixed assets** | | | | | | | | | | | | |
| Ch$ | 169,485 | | | | 169,894 | | | | 199,239 | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| UF | | | | | | |
| Foreign currency | 2,690 | | 1,375 | | | |
| Total | 172,175 | | 171,269 | | 199,239 | |
| **Current tax assets** | | | | | | |
| Ch$ | 3,598 | | 4,877 | | 11,000 | |
| UF | | | | | | |
| Foreign currency | | | | | | |
| Total | 3,598 | | 4,877 | | 11,000 | |
| **Deferred tax assets** | | | | | | |
| Ch$ | 66,223 | | 55,565 | | 60,991 | |
| UF | | | | | | |
| Foreign currency | | | | | | |
| Total | 66,223 | | 55,565 | | 60,991 | |
| **Other assets** | | | | | | |
| Ch$ | 197,255 | | 158,578 | | 143,834 | |
| UF | 75,123 | | 2,802 | | 9,480 | |
| Foreign currency | 16,435 | | 12,699 | | 54,278 | |
| Total | 288,813 | | 174,079 | | 207,592 | |
| **Total non interest earning assets** | | | | | | |
| Ch$ | 694,819 | | 693,219 | | 1,376,956 | |
| UF | 75,123 | | 2,802 | | 9,484 | |
| Foreign currency | 288,302 | | 172,663 | | 340,258 | |
| Total | Ch$ 1,058,244 | | Ch$ 868,684 | | Ch$ 1,726,698 | |
| **Total assets** | | | | | | |
| Ch$ | 5,104,626 | 446,062 | 5,944,916 | 519,621 | 8,264,559 | 790,549 |
| UF | 5,252,139 | 372,465 | 5,597,574 | 661,270 | 6,092,276 | 828,681 |
| Foreign currency | 2,556,270 | 87,769 | 2,277,633 | 91,721 | 2,590,253 | 88,034 |
| Total | Ch$ 12,913,035 | Ch$ 906,296 | Ch$ 13,820,123 | Ch$ 1,272,612 | Ch$ 16,947,088 | Ch$ 1,707,264 |

(1) Interest earned includes interest accrued on trading securities.

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| | Year Ended December 31, | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2006 | | | | 2007 | | | | 2008 | | | |
| | Average balance | Interest paid | Average nominal rate | Average real rate | Average balance | Interest paid | Average nominal rate | Average real rate | Average balance | Interest paid | Average nominal rate | Average real rate |
| | (in millions of constant Ch$ as of December 31, 2008, except percentages) | | | | | | | | | | | |
| **abilities** | | | | | | | | | | | | |
| **erest aring pilities** | | | | | | | | | | | | |
| **vings counts** | | | | | | | | | | | | |
| $ | Ch$ 3,110,522 | Ch$ 204,801 | 6.58% | 3.91% | Ch$ 3,537,469 | Ch$ 255,501 | 7.22% | (0.55%) | Ch$ 4,101,279 | Ch$ 339,570 | 8.28% | 0.70 |
| | 2,066,653 | 53,235 | 2.58 | 0.01 | 2,325,128 | 172,556 | 7.42 | (0.37) | 2,316,179 | 219,726 | 9.49 | 1.82 |
| reign rency | 951,544 | 45,455 | 4.78 | 6.17 | 830,047 | 41,076 | 4.95 | (9.69) | 1,190,174 | 43,042 | 3.62 | 22.26 |
| tal | 6,128,719 | 303,491 | 4.95 | 2.95 | 6,692,644 | 469,133 | 7.01 | (1.62) | 7,607,632 | 602,338 | 7.92 | 4.41 |
| **purchase reements** | | | | | | | | | | | | |
| $ | 229,501 | 11,290 | 4.92 | 2.29 | 263,337 | 14,256 | 5.41 | (2.23) | 418,663 | 25,835 | 6.17 | (1.26 |
| | 265 | | | | 1,048 | | | | 6,492 | 234 | 3.60 | (3.65 |
| reign rency | 88,298 | 2,509 | 2.84 | 4.21 | 76,506 | 5,967 | 7.80 | (7.24) | 36,972 | 2,404 | 6.50 | 25.67 |
| tal | 318,064 | 13,799 | 4.34 | 2.82 | 340,891 | 20,223 | 5.93 | (3.35) | 462,127 | 28,473 | 6.16 | 0.86 |
| **rrowings m ancial titutions** | | | | | | | | | | | | |
| $ | 179,321 | 2,668 | 1.49 | (1.06) | 166,646 | 893 | 0.54 | (6.76) | 198,510 | 4,035 | 2.03 | (5.11 |
| | 17,353 | 462 | 2.66 | 0.09 | 16,763 | 30 | 0.18 | (7.09) | 11,672 | 43 | 0.37 | (6.66 |
| reign rency | 700,069 | 8,544 | 1.22 | 2.56 | 744,337 | 8,518 | 1.14 | (12.96) | 1,214,370 | 240 | 0.02 | 18.02 |
| tal | 896,743 | 11,674 | 1.30 | 1.79 | 927,746 | 9,441 | 1.02 | (11.74) | 1,424,552 | 4,318 | 0.30 | 14.59 |
| **bt issued** | | | | | | | | | | | | |
| $ | 43,290 | 7,166 | 16.55 | 13.63 | 40,158 | 5,907 | 14.71 | 6.39 | 36,734 | 3,045 | 8.29 | 0.71 |
| | 1,332,575 | 87,955 | 6.60 | 3.93 | 1,456,331 | 171,093 | 11.75 | 3.64 | 1,578,485 | 216,361 | 13.71 | 5.74 |
| reign rency | 69,871 | 4,268 | 6.11 | 7.52 | 117,844 | 7,128 | 6.05 | (8.74) | 116,589 | 6,617 | 5.68 | 24.69 |
| tal | 1,445,736 | 99,389 | 6.87 | 4.39 | 1,614,333 | 184,128 | 11.41 | 2.81 | 1,731,808 | 226,023 | 13.05 | 6.91 |
| **her ancial igations** | | | | | | | | | | | | |
| $ | 27,519 | 254 | 0.92 | (1.61) | 24,387 | 23 | 0.09 | (7.17) | 29,578 | 400 | 1.35 | (5.75 |
| | 2,325 | 248 | 10.67 | 7.89 | 4,162 | 1,059 | 25.44 | 16.35 | 5,477 | 1,239 | 22.62 | 14.04 |
| reign rency | 23,602 | 4,706 | 19.94 | 21.53 | 38,841 | 6,456 | 16.62 | 0.35 | 60,147 | 22,313 | 37.10 | 61.77 |
| tal | 53,446 | 5,208 | 9.74 | 9.02 | 67,390 | 7,538 | 11.19 | (1.38) | 95,202 | 23,952 | 25.16 | 38.05 |
| **tal erest aring pilities** | | | | | | | | | | | | |
| $ | 3,590,153 | 226,179 | 6.30 | 3.64 | 4,031,997 | 276,580 | 6.86 | (0.89) | 4,784,764 | 372,885 | 7.79 | 0.24 |

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 3,419,171 | 141,900 | 4.15 | 1.54 | 3,803,432 | 344,738 | 9.06 | 1.15 | 3,918,305 | 437,603 | 11.17 | 3.38 |
| reign<br>rency | 1,833,384 | 65,482 | 3.57 | 4.94 | 1,807,575 | 69,145 | 3.83 | (10.66) | 2,618,252 | 74,616 | 2.85 | 21.36 |
| tal | Ch$ 8,842,708 | Ch$ 433,561 | 4.90% | 3.10% | Ch$ 9,643,004 | Ch$ 690,463 | 7.16% | (1.92%) | Ch$ 11,321,321 | Ch$ 885,104 | 7.82% | 6.21 |

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| | Year Ended December 31, | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2006 | | | | 2007 | | | | 2008 | | | |
| | Average balance | Interest paid | Average nominal rate | Average real rate | Average balance | Interest paid | Average nominal rate | Average real rate | Average balance | Interest paid | Average nominal rate | Average real rate |
| | (in millions of constant Ch$ as of December 31, 2008, except percentages) | | | | | | | | | | | |
| **Liabilities** | | | | | | | | | | | | |
| **Non interest bearing liabilities** | | | | | | | | | | | | |
| **Current account and demand deposit** | | | | | | | | | | | | |
| Ch$ | Ch$ 1,876,732 | | | | Ch$ 2,039,175 | | | | Ch$ 2,374,997 | | | |
| UF | 8,722 | | | | 8,619 | | | | 11,416 | | | |
| Foreign currency | 480,916 | | | | 427,571 | | | | 343,620 | | | |
| Total | 2,366,370 | | | | 2,475,365 | | | | 2,730,033 | | | |
| **Transaction in the course of payment** | | | | | | | | | | | | |
| Ch$ | 117,116 | | | | 100,404 | | | | 110,476 | | | |
| UF | | | | | | | | | | | | |
| Foreign currency | 159,882 | | | | 165,564 | | | | 178,560 | | | |
| Total | 276,998 | | | | 265,968 | | | | 289,036 | | | |
| **Derivatives** | | | | | | | | | | | | |
| Ch$ | 175,257 | | | | 76,107 | | | | 698,032 | | | |
| UF | 16,881 | | | | | | | | 2,903 | | | |
| Foreign currency | 6,488 | | | | 9,088 | | | | 51,962 | | | |
| Total | 198,626 | | | | 85,195 | | | | 752,897 | | | |
| **Current liabilities** | | | | | | | | | | | | |
| Ch$ | 4,054 | | | | 7,537 | | | | 18,198 | | | |
| UF | | | | | | | | | | | | |
| Foreign currency | | | | | | | | | | | | |
| Total | 4,054 | | | | 7,537 | | | | 18,198 | | | |
| **Deferred tax liabilities** | | | | | | | | | | | | |
| Ch$ | 24,085 | | | | 20,748 | | | | 22,910 | | | |
| UF | | | | | | | | | | | | |
| Foreign currency | | | | | | | | | | | | |
| Total | 24,085 | | | | 20,748 | | | | 22,910 | | | |
| **Provisions** | | | | | | | | | | | | |
| Ch$ | 64,763 | | | | 64,508 | | | | 186,292 | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| UF | | | | | | |
| Foreign currency | 62 | | 15 | | 1,139 | |
| Total | 64,825 | | 64,523 | | 187,431 | |
| **Other liabilities** | | | | | | |
| Ch$ | 97,595 | | 150,011 | | 152,937 | |
| UF | 11,377 | | 12,792 | | 13,185 | |
| Foreign currency | 17,484 | | 11,356 | | 24,719 | |
| Total | 126,456 | | 174,159 | | 190,841 | |
| **Equity** | | | | | | |
| Ch$ | 989,004 | | 1,065,096 | | 1,378,920 | |
| UF | | | | | | |
| Foreign currency | 19,909 | | 18,528 | | 55,501 | |
| Total | 1,008,913 | | 1,083,624 | | 1,434,421 | |
| **Total non-interst bearing liabilities and equity** | | | | | | |
| Ch$ | 3,348,606 | | 3,523,586 | | 4,942,762 | |
| UF | 36,980 | | 21,411 | | 27,504 | |
| Foreign currency | 684,741 | | 632,122 | | 655,501 | |
| Total | Ch$ 4,070,327 | | Ch$ 4,177,119 | | Ch$ 5,625,767 | |
| **Total liabilities and equity** | | | | | | |
| Ch$ | 6,938,759 | 226,179 | 7,555,583 | 276,580 | 9,727,526 | 372,885 |
| UF | 3,456,151 | 141,900 | 3,824,843 | 344,738 | 3,945,809 | 437,603 |
| Foreign currency | 2,518,125 | 65,482 | 2,439,697 | 69,145 | 3,273,753 | 74,616 |
| Total | Ch$ 12,913,035 | Ch$ 433,561 | Ch$ 13,820,123 | Ch$ 690,463 | Ch$ 16,947,088 | Ch$ 885,104 |

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**Interest Earning Assets and Net Interest Margin**

The following table analyzes, by currency of denomination, the levels of our average interest earning assets and net interest, and illustrates the comparative margins obtained, for each of the periods indicated.

| | Year Ended December 31, 2006 | 2007 | 2008 |
|---|---|---|---|
| | (in millions of constant Ch$ as of December 31, 2008, except for percentages) | | |
| **Total average interest earning assets** | | | |
| Ch$ | Ch$ 4,409,807 | Ch$ 5,251,697 | Ch$ 6,887,603 |
| UF | 5,177,016 | 5,594,772 | 6,082,792 |
| Foreign currency | 2,267,968 | 2,104,970 | 2,249,995 |
| Total | 11,854,791 | 12,951,439 | 15,220,390 |
| **Net interest earned**(1) | | | |
| Ch$ | 219,883 | 243,041 | 417,664 |
| UF | 230,565 | 316,532 | 391,078 |
| Foreign currency | 22,287 | 22,576 | 13,418 |
| Total | Ch$ 472,735 | Ch$ 582,149 | Ch$ 822,160 |
| **Net interest margin, nominal basis**(2) | | | |
| Ch$ | 4.99% | 4.63% | 6.06% |
| UF | 4.45 | 5.66 | 6.43 |
| Foreign currency | 0.98 | 1.07 | 0.60 |
| Total | 3.99% | 4.49% | 5.40% |

(1) Net interest earned is defined as interest revenue earned less interest expense incurred.

(2) Net interest margin, nominal basis is defined as net interest earned divided by average interest earning assets.

**Changes in Net Interest Revenue Volume and Rate Analysis**

The following tables compare, by currency of denomination, changes in our net interest revenue between 2007 and 2008 and between 2006 and 2007 caused by (i) changes in the average volume of interest earning assets and interest bearing liabilities and (ii) changes in their respective nominal interest rates. Volume and rate variances have been calculated based on movements in average balances over the period and changes in nominal interest rate, average interest earning assets and average interest bearing liabilities. The net change attributable to changes in both volume and rate has been allocated proportionately to the change in volume and the change in rate.

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| | Increase (Decrease) from 2006 to 2007 due to changes in Volume | Increase (Decrease) from 2006 to 2007 due to changes in Rate | Net change from 2006 to 2007 | Increase (Decrease) from 2007 to 2008 due to changes in Volume | Increase (Decrease) from 2007 to 2008 due to changes in Rate | Net change from 2007 to 2008 |
|---|---|---|---|---|---|---|
| | (in millions of constant Ch$ as of December 31, 2008) | | | | | |
| **Assets** | | | | | | |
| **Interest earning assets** | | | | | | |
| **Cash and due from banks** | | | | | | |
| Ch$ | Ch$ 107 | Ch$ 480 | Ch$ 587 | Ch$ 363 | Ch$ (1,118) | Ch$ (755) |
| UF | | | | | | |
| Foreign currency | (2,412) | 4,139 | 1,727 | (1,841) | (3,732) | (5,573) |
| Total | (2,305) | 4,619 | 2,314 | (1,478) | (4,850) | (6,328) |
| **Financial investments** | | | | | | |
| Ch$ | 10,994 | 736 | 11,730 | (2,251) | 13,623 | 11,372 |
| UF | 2,561 | 7,378 | 9,939 | 11,468 | 4,596 | 16,064 |
| Foreign currency | (5,094) | (3,308) | (8,402) | (7,259) | (4,106) | (11,365) |
| Total | 8,461 | 4,806 | 13,267 | 1,958 | 14,113 | 16,071 |
| **Loans in advance to banks** | | | | | | |
| Ch$ | 4,862 | 256 | 5,118 | 4,727 | 1,946 | 6,673 |
| UF | | | | | | |
| Foreign currency | | | | | | |
| Total | 4,862 | 256 | 5,118 | 4,727 | 1,946 | 6,673 |
| **Commercial loans** | | | | | | |
| Ch$ | 34,873 | 1,493 | 36,366 | 89,131 | 30,905 | 120,036 |
| UF | 7,437 | 162,251 | 169,688 | 22,150 | 63,396 | 85,546 |
| Foreign currency | 9,830 | 327 | 10,157 | 26,610 | (12,905) | 13,705 |
| Total | 52,140 | 164,071 | 216,211 | 137,891 | 81,396 | 219,287 |
| **Consumer loans** | | | | | | |
| Ch$ | 26,204 | (5,800) | 20,404 | 95,075 | | |