

[01] LETTER OF THE CHAIRMAN

To our shareholders:

Before referring to the performance of Bci in 2008, I deem necessary to explain the international financial developments occurred last year which brought about an unpredictable impact on the main economies of the world. As you may recall, in my letter of 2007, I stated that the worldwide economic scenario had been complex, due mostly to the so-called subprime mortgage crisis that in the United States unleashed a credit crunch, banking liquidity constraints and economic uncertainty.

The situation worsened in 2008 despite the fact that, up to some extent, the oversight authorities of the American stock market had already warned a year before about the real estate bubble and the excessive mortgage financing. The level of real estate transactions in the main economies of the world, widely extended through the placement of derivatives, was so vast that, once the problem unfolded, it created a massive financial crisis, mainly produced by the lack of liquidity that affected the main banks worldwide.

After the financial collapse, the United States and the main developed economies applied several and costly bailout measures, particularly through their central banks; however, the economic damage was already evident resulting in a slower economic growth, plummeting stock indexes, a weaker economic activity, a rising unemployment, and a tremendous worldwide economic uncertainty which has led the United States, Japan and Europe to face clear signs of economic recession.

Emerging or developing economies, started to rapidly feel the effects of the international crisis. Even though the crisis is also affecting growth and economic activities across the board, Chile has a strong economic stability and a fiscal discipline which fortunately allows the country to better face the shocks, coupled with the economic measures adopted by the Central Bank of Chile and the Treasury Department.

For quite some time now, the banking industry has been showing a strong solvency level and financial capacity which is reflected in its high capitalization index, together with effective credit risk and investment controls allowing for a smooth handling of the situation.

Now, I will specifically refer to the performance of Bci in 2008.

First of all, I must highlight that Bci posted a net income of Ch\$152,057 million at the close of the year, a period characterized by strong fluctuations experienced by the leading economic indicators. The results amounted to 19.2% over Bci's basic capital vis-à-vis the 13.2% of profitability shown in the banking industry as a whole. Bci's net income has increased 12.3% compared to that of 2007, although I must point out that the Bank allocated additional allowances for Ch\$17,543 million to cover different types of risks, a much higher provision than the Ch\$1,950 million allocated against net income of 2007. If we compare the results of 2007 and 2008, including the aforementioned additional allowances, the effective net income increase of 2008 was 21.7%. I must also mention that additional allowances are allocated to cover unexpected risks or variations in the economic conditions of the country. Voluntary in nature, additional allowances are part of the tangible net worth of Bci which at the close of 2008 amounted to Ch\$30,467 million. The General Banking Law states that for a bank to be ranked first in terms of solvency rating, the minimum ratio between tangible net worth and total risk weighted assets must be 10%. Bci permanently holds this ratio above 10% in compliance with the agreement adopted by the Board of Directors as of November 17, 1998.

A decorative graphic consisting of a grid of grey dots of varying sizes, with a large yellow bracket on the right side. The text is positioned to the left of the bracket.

WE HAVE MAINTAINED A
BUSINESS STRATEGY BASED
**ON A PROFITABLE GROWTH,
DELIMITED RISK EXPOSURE,
CLOSENESS TO OUR
CUSTOMERS AND**
A GOOD WORKPLACE ENVIRONMENT

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The results obtained are due particularly to the sound position Bci shows in its core businesses amidst a fairly uncertain and volatile financial environment as well as to the prudent and well guided policies established by the Bank. Thus, it is worth mentioning that in 2008, total consolidated assets rose 26.3% compared to the 15.3% shown by the banking system. The most important item on the assets side are loans which in Bci amount to Ch\$9.3 trillion. Both in Bci and in the industry as a whole, these assets represent 90% of the risk weighted assets. In 2008, Bci increased its consolidated loans by 19.1% with a market share of 13.3%, whereas the banking industry in its entirety showed an increase in its portfolio of only 10.9%.

This level of loans has been reached bearing in mind the application of efficient credit risk models and the individual evaluation of the debtors, a policy that has resulted in an allowance index of 1.4% over total loans compared favorably to the 1.8% of the whole banking industry. Bci's commercial portfolio which concentrates 71.2% of total loans recorded an allowance index of 1.1%. Bci's non-performing loans account for 0.8% of total loans compared to the 1.0% shown by the banking industry as a whole. Bci also finances foreign debtors, whose portfolio, when necessary, allocates lesser allowances than the commercial portfolio.

The borrowings with which Bci has financed its assets at the close of 2008 are as follows: Ch\$6.1 trillion (63%) in time deposits, Ch\$2.0 trillion (21%) in non-interest bearing deposits and Ch\$1.5 trillion (16%) in loans of the Central Bank of Chile and foreign financial institutions.

It is particularly worthwhile mentioning the outstanding performance of our subsidiaries in the results of Bci, since they contributed Ch\$29,881 million to the net income accounting for 19.7%, while their current assets amounted to Ch\$1.1 trillion, that is to say, 8.5% of the total assets of the Bank.

Now, with respect to the guiding principles of the Bank, I consider this a great opportunity to reiterate that Bci has maintained a business strategy mainly based on a profitable growth, the closeness to our customers and a great workplace environment.

To this end, 44 new commercial service points were opened in 2008, which provide different types of commercial services and make up a network of 326 operating facilities in Santiago and regions. At the same time, a great deal of offices were refurbished inside and outside, displaying more appealing and comfortable designs for our customers and the public in general.

Likewise, we have considerably expanded our attention allowing our customers to serve themselves by means of self-sufficient electronic devices. In fact, in addition to the exclusively automated branch inaugurated in 2007, in 2008, 92 new branches were opened with specialized adjacent premises that have modern electronic facilities and that permit our customers to make numerous transactions, even the cashing of Bci checks during an extended period of time than the usual mandatory service tellers are to provide, and soon the Bank will provide this service 24/7. We have dubbed these facilities "Bci Full" as part of the transformation project of operational procedures initiated back in 2007, which is expected to attain defined objectives by the year 2010.





On the other hand, Bci started an effective bancarization program through Bci Nova, targeted to lower-income sectors which commonly do not have access to banking services; this segment accounts for nearly 40% of the population. To this end, Bci is designing flexible products that will uncover the specific needs of the sector.

We have also made advancements in delivering a specialized service to a defined sector of customers, which is a complement to the project started in 1996 developed to provide the upper socioeconomic sector of the country with an exclusive and private operational and transactional service, so far known as Preferential Banking, recently renamed Premier Banking. In 2008, we have also created Private Banking, an integral advisory investment service or wealth management service offered to high net worth individuals. Unlike Preferential Banking, Private Banking does not offer trading services since it is exclusively targeted towards orienting customers on the existing investment alternatives in both the domestic and international markets, and then based upon the customers' mandate, investing the funds they have allocated in the specific instruments of their choice. Private bankers do a permanent and reserved examination of our customers' investment portfolio.

As regard training and the integral development of our team members, I would like to emphasize the creation of the Bci Academy, a means to educate them in several aspects, starting with top management levels in order to reassert their condition as true leaders within the organization and the continuous improvement of the individuals, providing them with the best practices that stimulate their internal career development and mobility among several functions.

The prizes Bci has been awarded in 2008 are numerous as usual. It is worth mentioning that we have been ranked the fourth most admired company in Chile according to the survey carried out by PriceWaterhouseCoopers and Diario Financiero. Bci has received this award for ten years straight and it recognizes the job and commitment of our team members in regards to financial solvency, business strategy, innovation capabilities, corporate governance and social responsibility, quality of service and other attributes that Bci has maintained over time.

I must also mention the significant gesture that Diario Estrategia made when it celebrated its thirtieth anniversary by posthumously recognizing Mr. Jorge Yarur Banna who chaired Bci for nearly forty years as the best entrepreneur of the last thirty years.

Dear Shareholders, having said this, I must anticipate that 2009 will be a difficult year for the country owing to the international crisis which will surely affect the banking activity, as well as to the application of the International Financial Reporting Standards and the new criteria set by the Basle Committee which includes the measurement of operational risk and greater capital demands.

On behalf of the Board I chair, we would like to express our satisfaction for the performance results and market share achieved. Allow me to warmly greet you and express our thanks for the support you have given us. We would also like to thank our customers, suppliers of goods and services, foreign financial institutions for their unconditional support, and of course, and our team members for their constant and productive contribution to the performance of Bci.

[LUIS ENRIQUE YARUR REY
CHAIRMAN BCI]

