

**Comments on results for the third quarter of 2008**  
**presented by**  
**Pedro Samhan, Chief Financial Officer.**  
**October 30<sup>th</sup>, 2008**

Good day to all of you and thanks for participating in today's call. We appreciate your time and interest in the discussion of Banco de Chile's recently published results.

As the operator has already mentioned, a slide presentation, that may allow you to more easily follow some of my comments, can be viewed at our web page, [bancochile.cl](http://bancochile.cl).

Let us now move on to our presentation of today.

As shown on **slide number 2**, first, I intend to briefly go through the outcome and details of Banco de Chile's outstanding quarterly results focusing on the main drivers behind this performance. Then, we may discuss on how the Chilean financial system and, particularly Banco de Chile, have fared during the recent financial turmoil, providing more detail on liquidity, funding structure, credit quality and client impact.

Within a rapidly deteriorating economic scenario, both locally and internationally, our very strong third quarter net profit speaks of Banco de Chile's solid fundamentals enhanced by the advantages brought forth by the merger with Citibank Chile.

As can be seen in **slide number 3**, and following an also quite strong second quarter, the reported three month period posted a record 93.2 billion pesos net income, a 33% year-on-year increase over the stand-alone situation and more than 45% growth when compared to the previous quarter.

This final result contributes by 34% to the system's bottom line reflecting, as has been a constant for quite some time, a stronger profit share than that of our current 19.5% market share of total loans.

As a consequence of this outstanding result, and as shown in **slide number 4**, Banco de Chile has been able to maintain a superior position in terms of profitability. With a 31% Return on Capital and Reserves for the three month period, our Bank stands as the most profitable bank in the Chilean system, well above the system's average, while also exceeding, by 640 basis points, the average profitability shown by our main peers.

An important source of bottom line income was originated, during this third quarter, at the Operating Income level showing, as seen in **slide number 5**, a year-on-year increase of more than 11% on top of the combined Banco de Chile plus Citibank Chile figure. When comparing to the previous twelve-month stand alone figure, the increase jumps to an almost 41%, visibly showing the powerful impact of the merger.

An improved asset mix, in the context of an almost 10% yearly growth over inflation in the Bank's loan portfolio; the positive impact on our enhanced UF position of the treasury's accurate forecast on inflation; plus, increased nominal interest rates, all contributed to explain the more than 21% quarterly growth in Net Financial Income. This component made up for 80% of the quarter's total Operating Income and was able to amply compensate the slight decreases experienced by fee income and other operating income.

As a result, and as shown in **slide number 6**, the Bank's Net Financial Margin climbed importantly to 6.6%, involving a quarter-on-quarter impressive increase of 113 basis points on top of the already very positive figure posted on the previous quarter.

Crucial to this performance was the successful strategy implemented on the funding side which allowed us to importantly benefit from rising inflation given the positive gap management between inflation-linked assets and liabilities not-adjusted by inflation.

As regards to Operating Expenses, and as pictured on **slide number 7**, a quite significant quarter-on-quarter reduction of more than 8% was achieved thus speaking of an ongoing reduction of merger costs. Additionally, on a twelve month period, expenses also diminished on a combined pro-forma basis. As a consequence, efficiency ratio for the reported period posted a well improved 43.5%, a 612 basis point reduction over a twelve month tenor, a quite remarkable reduction as it considers improvement over the combined cost platform.

In addition, this efficiency figure for the third quarter includes some non-recurring effects of the period, which, on the expense side, mostly relate to additional indemnities associated to the merger process of the Atlas-Credichile platforms while, on the income side, mainly reflect a remnant earning of the Visa transaction, already discussed on the previous quarterly release. For comparison purposes, should we clean both operating income and expenses from extraordinary effects, the third quarter efficiency ratio would show a still further improved figure of less than 43%, speaking of important achievements regarding operating revenues and merger synergies.

The Bank's business strategy has also vigorously collaborated to foster customer income, both as a consequence of increased volumes and also as a result of maintaining high credit standards which have allowed low levels of delinquency and consequently lower provisions in relation to our peers.

As may be appreciated in **slide number 8**, Banco de Chile has shown, along the year, a cautious approach to portfolio expansion by fostering those lower risk business segments. On a pro forma basis, foreign trade loans have increased the most by almost 33% in real terms capturing market share against a system growing 29%. A less aggressive approach was implemented in our retail segment which grew 4.3%, a lower figure than the one posted by the system as an average, thus anticipating a tougher environment. Equally, loans on the corporate side, excluding foreign trade, were increased by 7.4%, slightly below the rest of the competitors' average, again as a consequence of a more bearish market stance.

As a result, the evolution of the Bank's portfolio breakdown shows a reduction in the importance of retail loans with a 70 basis point lower participation in total loans along the first nine months of the year. Comparatively, and, as an average, our main peers have maintained a more bullish performance in this sector with an increased participation in their average portfolio.

As far as commercial loans are related, on a year-to-date landscape, and in average terms, participation in commercial credits has decreased for the benefit of foreign trade loans, being Banco de Chile the most determined in enhancing the share of the latter.

This conservative policy has certainly paid out in terms of credit quality. For quite some time Banco de Chile has posted the best risk ratios among its peers with high coverage levels. On this respect, **slide number 9** shows how our Bank has been able to maintain a reduced and very stable level of past due loans standing at 0.57% of total loans, 42 and 44 basis points below the average ratio of our peers and of the system, respectively.

With a very strong asset quality during the quarter, the charge on results for provisions fell to a level of 0.95% of average loans, from the previous quarter figure of 1.14%. In spite of this reduction and because of the resilience shown by our portfolio, allowances to past due loans increased to almost 267%, thus standing 1.6 times above the average ratio of our main peers and posting the system's highest provision coverage as regards to past due loans .

As we are all aware, the implications of the financial crisis have spread out around the world and, within this context, both the Chilean financial system as a whole, and particularly Banco de Chile, enjoy a very advantageous position as a consequence of a long record of prudential financial behavior on a macro and sector perspective, as well as on a very conservative track record on the part of Banco de Chile.

Therefore, though not isolated from the global slowdown, our country and the financial industry may well be considered fairly insulated and are now enjoying a thorough and timely shaped up defensive position.

However, due to the severity of the global financial crisis, local regulators, as well as Chilean government, have taken measures to facilitate, and closely monitor, the functioning of the financial system. In consequence, and so as to avoid any serious liquidity issues in the market, at the end of September, the Central Bank announced that it would suspend its ongoing market intervention in the form of US dollar acquisitions. It then decided to provide local financial institutions with an option to access additional dollar funding by making available up to 1.5 billion dollars from reserves through weekly auctions of 500 million dollars in SWAPS.

In our view, this was a precautionary measure and the results of the first 3 auctions carried out after the announcement supports this perception. Indeed, local financial institutions showed limited interest in participating in the auctions thus proving the point that foreign currency liquidity in the Chilean system is not importantly at stress. The first auction on September 30 placed 78% of the amount offered while the second one was almost deserted with 6% and, finally, last week's auction showed only a 40% demand.

Despite the limited demand, the Central Bank succeeded in posting the signal that enough dollar liquidity would be provided, if needed. It is also worth remembering that the vast majority of the Chilean financial system transactions are conducted in local currency where liquidity is deep, however, Central Bank has also taken measures to further reinforce it.

As far as Banco de Chile is concerned, and consistent with the strong market perception that the bank enjoys, an expected fly-to-quality process was verified. As may be seen on **slide number 10**, a 10% increase in the total time deposit balance was registered along the rough September period from August 31<sup>st</sup> to October 2<sup>nd</sup>. You may also appreciate the evolution of net deposits along those same weeks, with important net capture of funds especially during the harsher last days.

On a twelve month basis as of September 30<sup>th</sup>, **slide number 11** shows how time deposits increased by 12% in nominal terms while non-interest bearing liabilities grew by 21% year-on-year. This stands as an important achievement when considering that these growths are all on a pro-forma basis, meaning that customer funding coming from Citi Chile not only was retained, but also marginally increased in real terms.

Actually, in terms of checking accounts and, again, on a pro-forma basis, the number of holders has increased by 4.9% on top of the added numbers of checking account holders existing on September 2007 in both institutions.

On its part, borrowings from foreign banks expanded by 104% as a consequence of both organic growth and the incorporation of the dollar asset book coming from Citibank Chile and which required the respective funding. It is important to note that due to Citibank's already high cross border exposure in Chile, as a result of its investment in the country, funding for those foreign currency operations coming from Citi Chile should not be expected from the part of Citi NA. Consequently, an important support from Banco de Chile's correspondent banks was required and was amply obtained in very good terms as regards to financial conditions and tenor. Mention ought to be made to very relevant medium term loans from major European and Asian financial institutions for the purpose of financing the Bank's increased foreign trade portfolio.

Additionally, Banco de Chile also benefited from the increase in customers and cross selling consequence of the incorporation of Citibank Chile deposit base, and enjoys an improvement in its funding structure as may be seen in **slide number 12**. Non-interest bearing liabilities, involving, as of last September, 24.7% of the total liability structure, have increased their contribution along the last twelve months by 250 basis points. Accordingly, this improved composition has partially counterbalanced the general trend of higher funding costs.

Moreover, and on a peer group comparison, the portion of total liabilities represented by these no-cost funding sources stands above the average of our main competitors and of the system as a whole. Therefore, Banco de Chile's funding structure shows lower exposure to higher liability costs than the average of our peers.

As shown in the chart, while more than 27% of the Bank's total liabilities are not charged with interest, our main peers and the system as an average enjoy a less favourable ratio by 160 and 190 basis points, respectively.

Along with the strength in our funding structure, and as pictured in **slide number 13**, it is important to highlight Banco de Chile's solid capital base with Capital and Reserves reaching 2.2 billion dollars after an increase of more than 38% year-on-year. As of last September, the Total Capital ratio stood at 11.3% with a high proportion of Basic Capital involving 6.7% of Total Assets, thus eventually allowing an important increase of total capital through the potential issue of subordinated bonds, should it be required.

**PLEASE NOW OPEN THE LINES FOR QUESTIONS**



# Banco de Chile



**Results for the  
Third Quarter of 2008**



hosted by

**Pedro Samhan  
Chief Financial Officer**



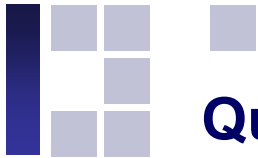
**October 30, 2008**



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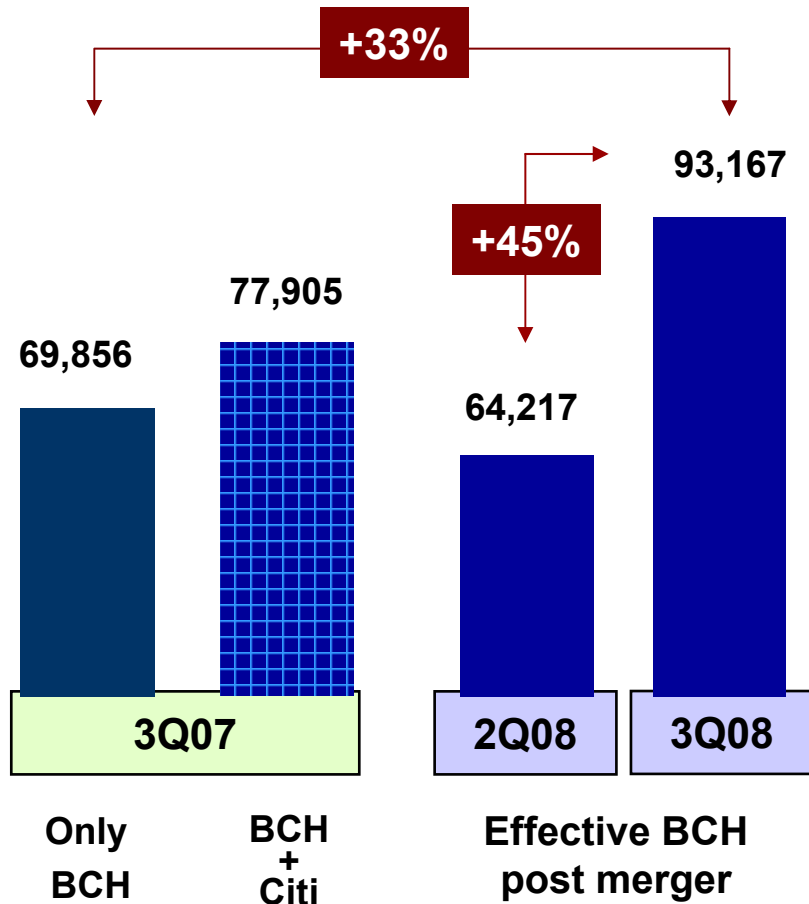
# Banco de Chile

- Results for 3Q08: highest net income ever
- Extraordinary operational performance
- Commercial performance for the quarter: a conservative approach
- Funding structure: the advantage of a privileged position

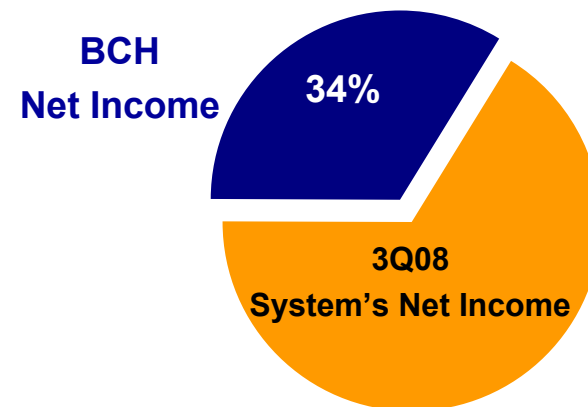


## Quarterly Net Income

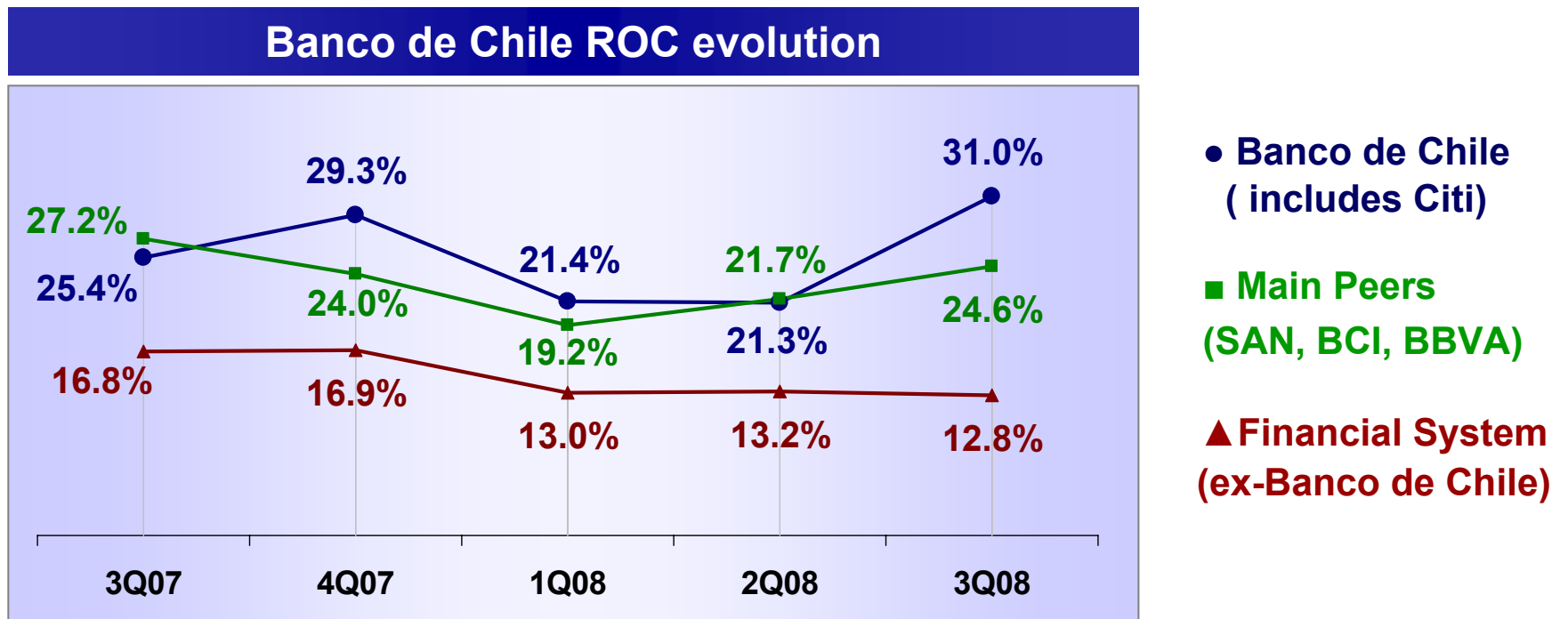
(Millions of Ch\$ as of September 2008)



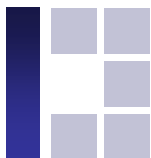
- On a YoY basis, Banco de Chile's 3Q08 Net Income grew by a real 33% compared to BCH stand-alone basis,
- contributing by 34% to the system's bottom line.



## The banking system's highest profitability

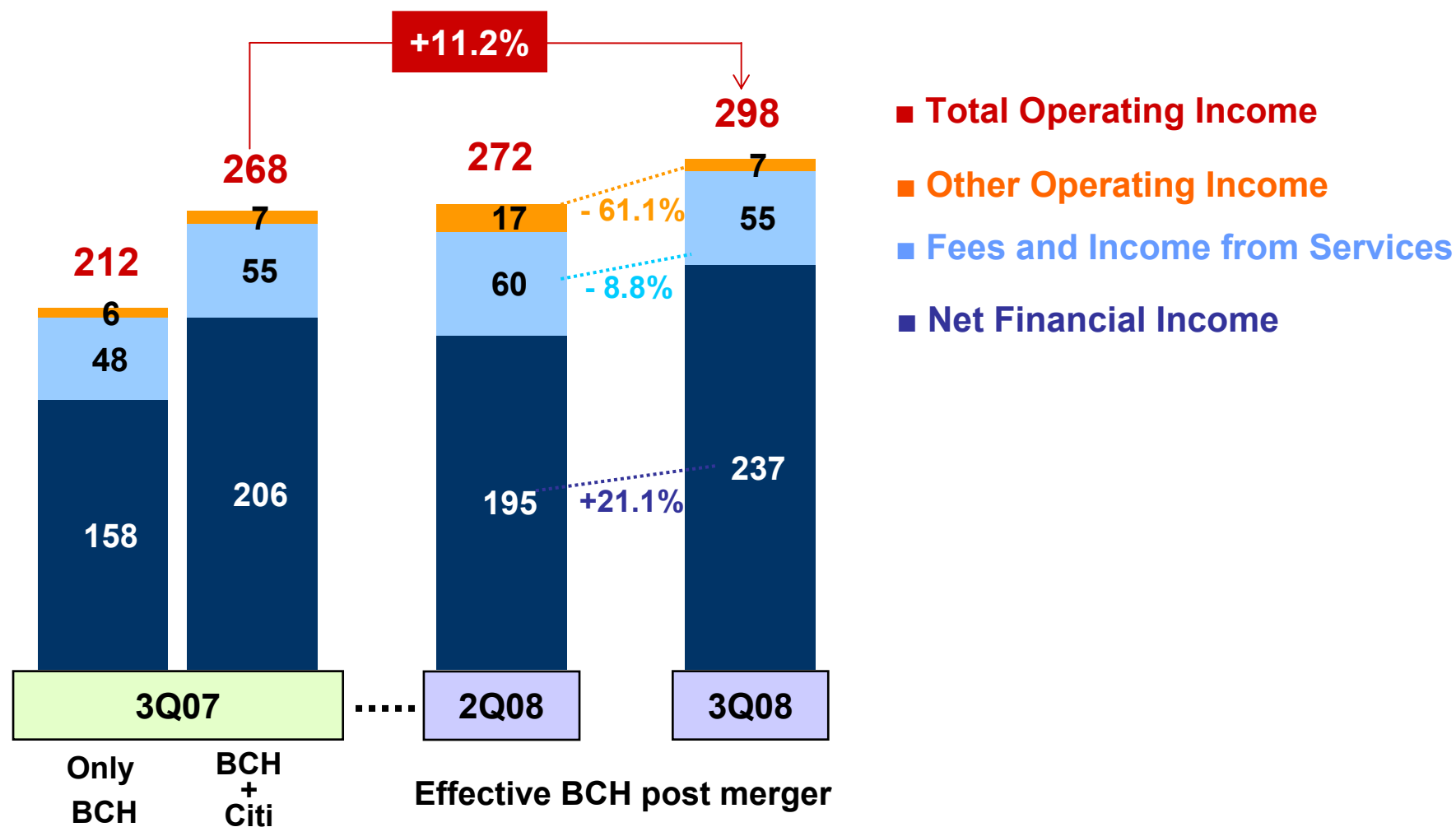


Source: Superintendency of Banks and Financial Institutions



## Quarterly Operating Income

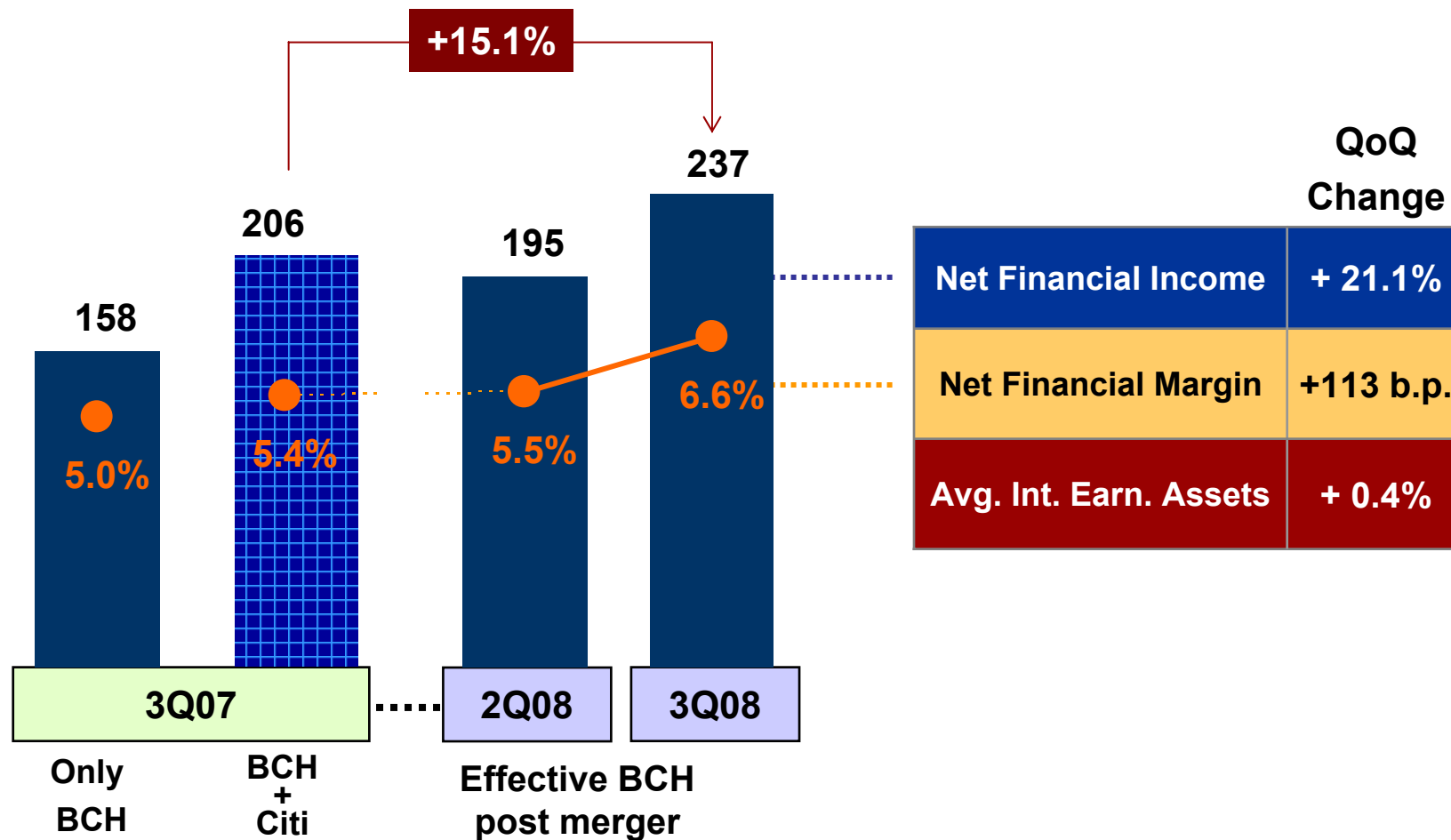
(Billions of Ch\$ as of September 2008)





## Strong Financial Income for the quarter

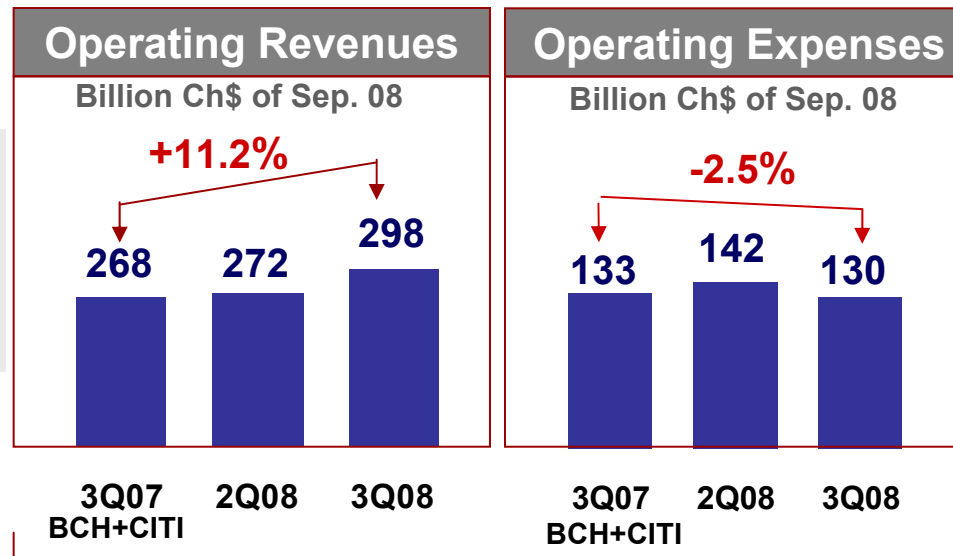
(Billions of Ch\$ as of September 2008)



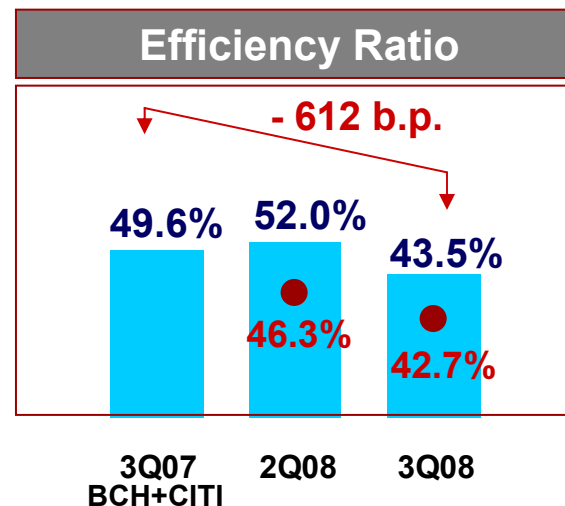
# Improved efficiency performance

(Millions of Ch\$ as of September 2008)

Non-recurring income for 3Q08 stands to Ch\$ 1,948 million, mainly related to the Visa transaction.



Non-recurring expenses for 3Q08 stand to Ch\$ 3,260 million, being 36% of it related to the merger indemnities in the period.



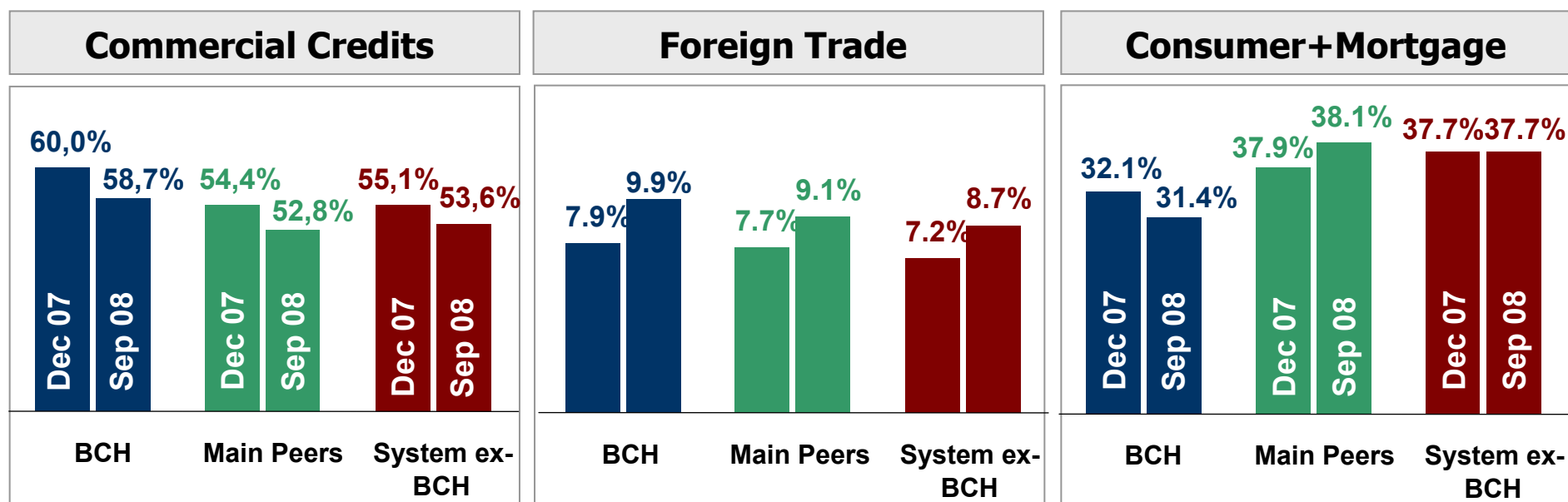
● Efficiency ratio excluding non-recurring events

## More cautious on the retail segment

- BCH's portfolio is less exposed to the higher risk consumer and mortgage segments,
- consequence of a more cautious stance.

YTD real change	BCH	System ex-BCH
Commercial credits	+7.4%	+7.9%
Foreign Trade loans	+32.6%	+29.2%
Retail loans	+4.3%	+7.8%

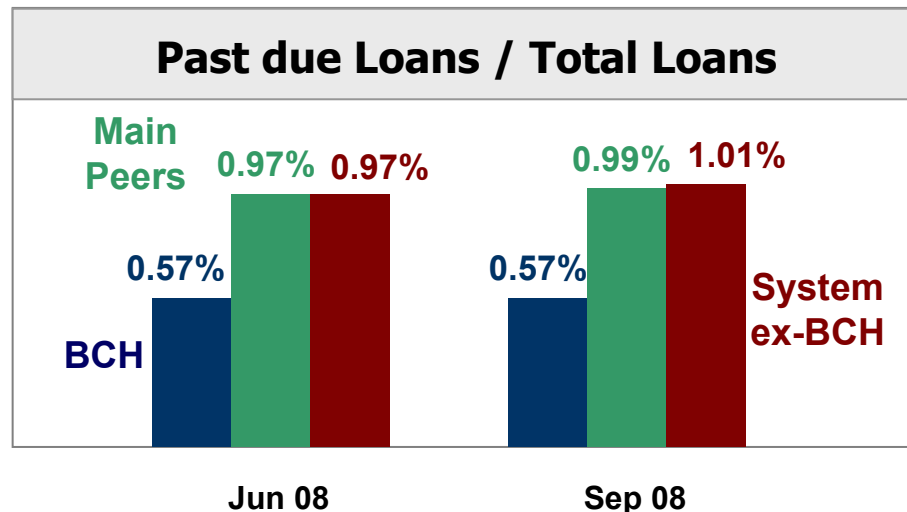
### Share in Loan Portfolio



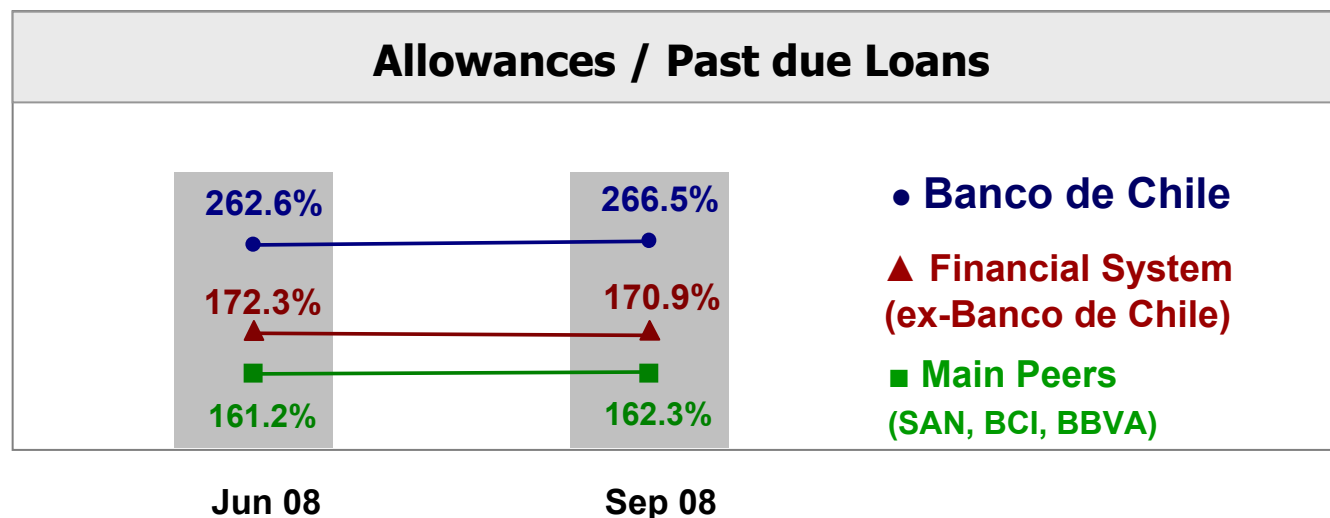
Figures previous to 2008 involve BCH+Citi



## A consistently conservative credit policy



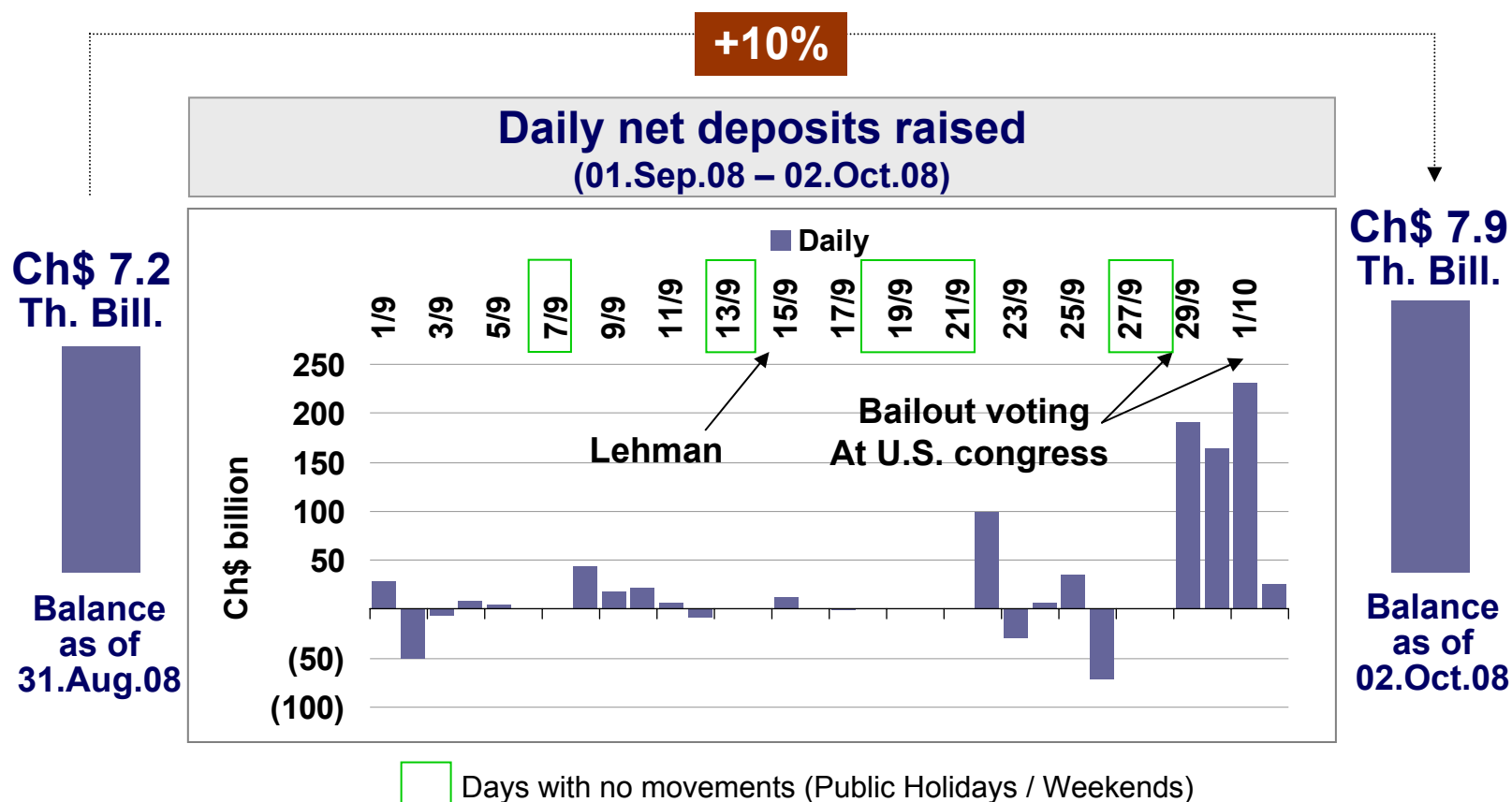
- BCH's has long maintained lower levels of non-performing loans compared to our peers and the system,
- while showing the highest coverage ratio among the largest banks in Chile and within the Industry.

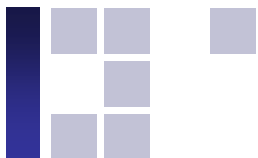


- Banco de Chile
- ▲ Financial System (ex-Banco de Chile)
- Main Peers (SAN, BCI, BBVA)

## BCH deposit funding during the latest turmoil

- Our bank has been able to increase its funding sources during the most critical moments of the recent events.
- Balance in total deposits has increased by 9.8% since the end of August.

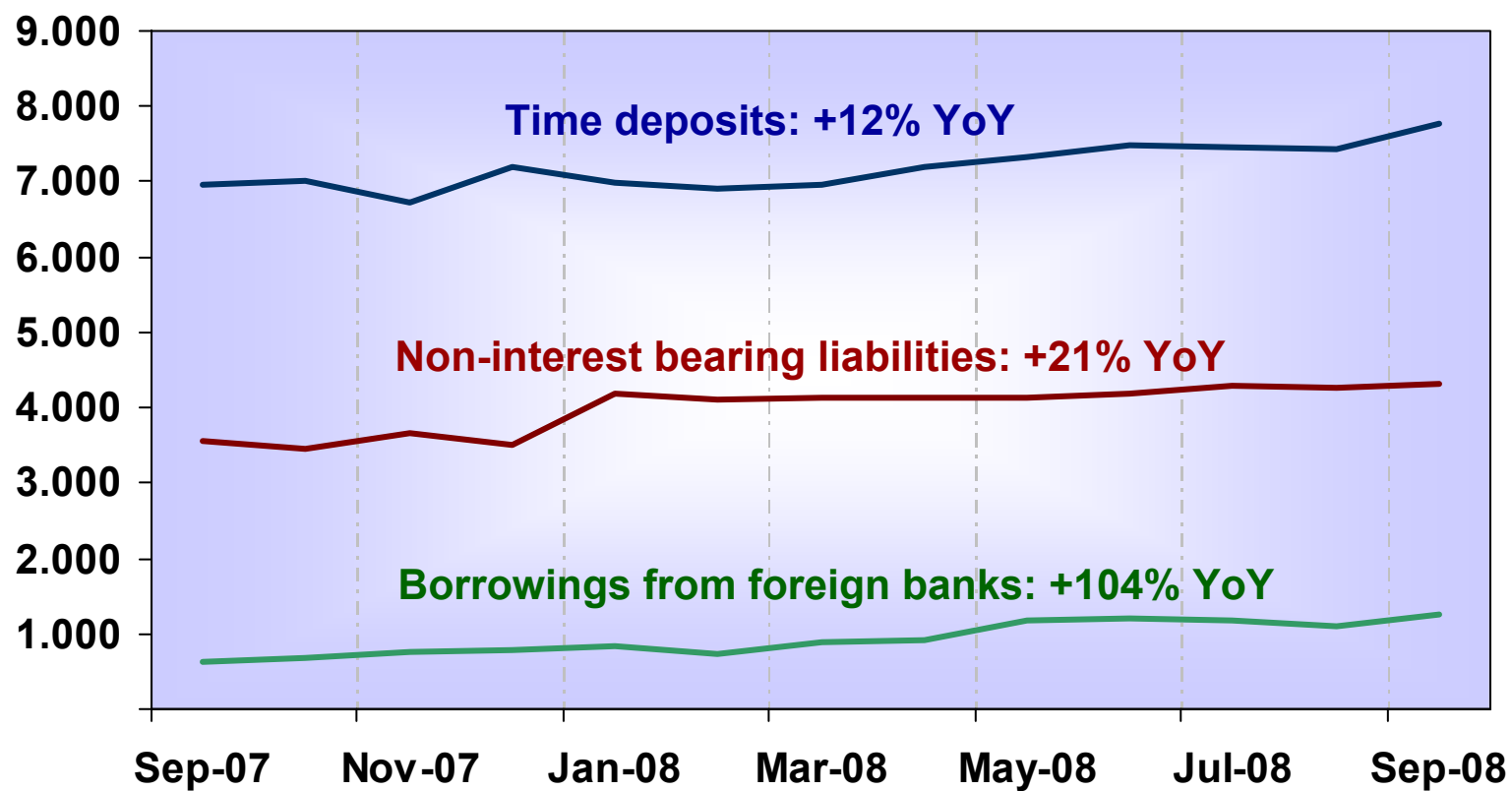




## Diversified and Stable Funding Structure



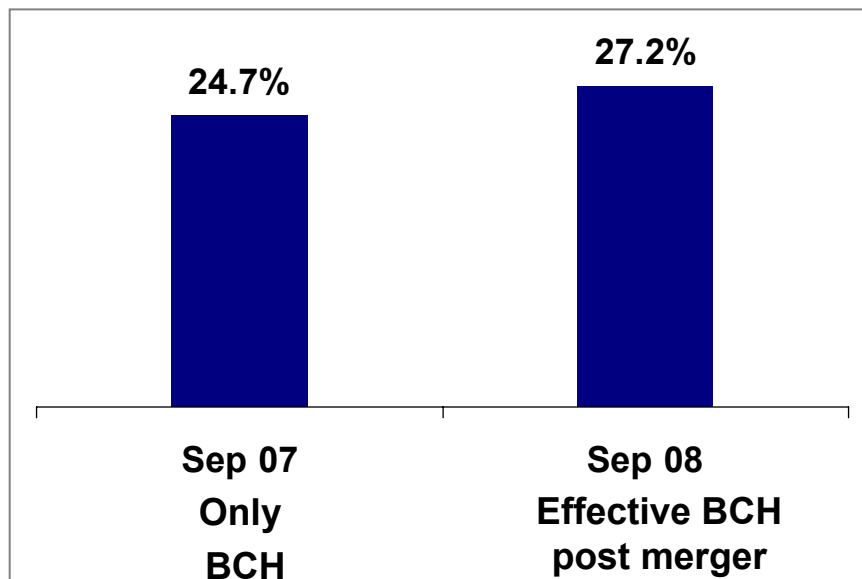
Billion nominal Ch\$



## Consistent strength in non-interest bearing deposits

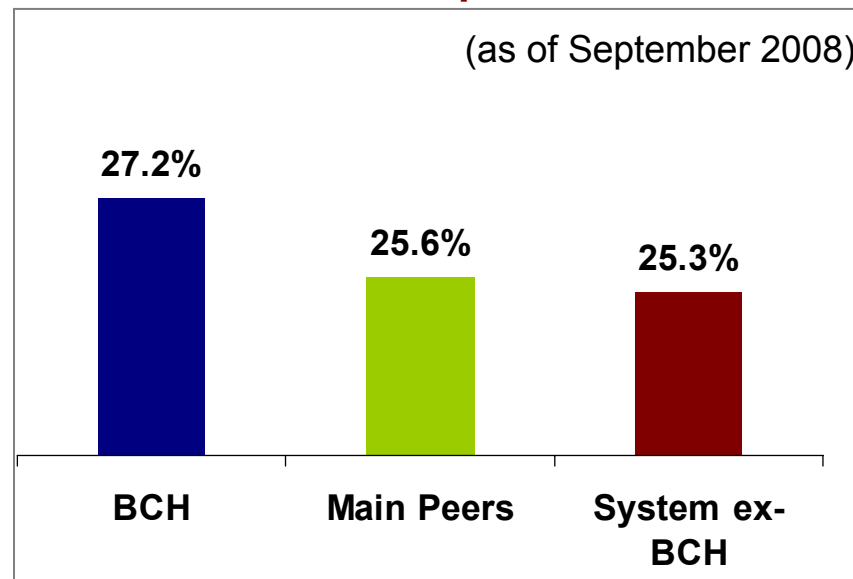
### Non-interest bearing liabilities / Total Liabilities

#### Evolution



- The increase in Banco de Chile's non-interest paying liabilities has counterbalanced the rising funding costs trend.

#### Peer Comparison



- BCH funding structure shows lower exposure to higher liability costs.

## A strong Capital Base with high growth potential

- Banco de Chile's capital base increased 38% YoY, ensuring future growth capacities.
- The high proportion of basic capital gives enough space to additional issues of subordinated debt, should it be necessary.

### Capital + Reserves

(Million Ch\$ of September 2008)

859,865

Sep 07

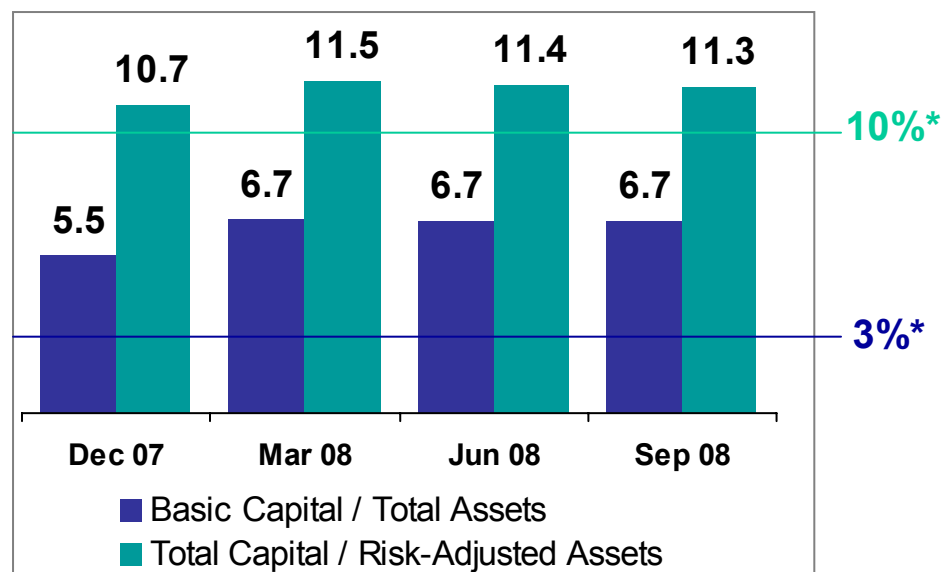
Only  
BCH

1,203,240

Sep 08

Effective BCH  
post merger

### Capital Adequacy Ratios (%)



## FORWARD-LOOKING INFORMATION

*The information contained herein incorporates by reference statements which constitute “forward-looking statements,” in that they include statements regarding the intent, belief or current expectations of our directors and officers with respect to our future operating performance. Such statements include any forecasts, projections and descriptions of anticipated cost savings or other synergies. You should be aware that any such forward-looking statements are not guarantees of future performance and may involve risks and uncertainties, and that actual results may differ from those set forth in the forward-looking statements as a result of various factors (including, without limitations, the actions of competitors, future global economic conditions, market conditions, foreign exchange rates, and operating and financial risks related to managing growth and integrating acquired businesses), 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 or 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 toward lending to Chile or Chilean companies;*
- unexpected developments in certain existing litigation;*
- increased costs; and*
- unanticipated increases in financing and other costs or the inability to obtain additional debt or equity financing on attractive terms.*

*You should not place undue reliance on such statements, which speak only as of the date that they were made. Our independent public accountants have not examined or compiled the forward-looking statements and, accordingly, do not provide any assurance with respect to such statements. These cautionary statements 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 release public, any revisions to such forward-looking statements after completion of this offering to reflect late events or circumstances or to reflect the occurrence of unanticipated events.*