

Comments on results for the third quarter of 2007
presented by
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October 31, 2007

Good day to all of you and thanks for participating in today's call. We appreciate your time and interest in the discussion of our recent results and developments.

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.

Moving to **slide number 2**, I intend to concentrate in two main subjects: in the first place, I will go through Banco de Chile's third quarter outcome focusing on the successful loan and client base expansion, as well as to the excellent profitability ratios the Bank has been able to achieve.

Secondly, I will give a general overview on the status of our potential merger with Citibank Chile and comment some general decisions that have already been made on the commercial and operational areas.

As far as net income for the last third quarter is concerned, and as can be seen in **slide number 3**, Banco de Chile showed an outstanding result during this period. The figure of almost 64 billion pesos, stands as the largest quarterly net income the Bank has ever obtained, involving a year-on-year increase of 16.4% and an 18.3% growth over the previous period.

This result contributed by almost 25% to the total net profit of the banking system, the largest contribution the Bank has made to the system's bottom line, while also surpassing the 18% portion of the market, represented by our loans net of interbank credits.

This superior performance has allowed the Bank to stand out among the rest of the systems' participants as a leader in terms of profitability. As seen on [slide number 4](#), Banco de Chile obtained the highest return on average capital and reserves for the quarter, exceeding its main peers not only as an average, but also individually, posting a 33.7% ratio. This figure more than doubles the average for the rest of the system and beats our main peers' average by 600 basis points.

It also seems interesting to note, as shown in [slide number 5](#), that Banco de Chile's strategy of progressing towards a portfolio mix that assures a higher return and a growing business base, has allowed us to further increase our market share yield thus capturing more than 3.5 billion pesos of quarterly net income per each 1% share of the loans market.

This figure shows a year-on-year real increase of 16.5% for Banco de Chile, which favorably compares to the less than 9% expansion shown, as average, by our main three peers. It is worth noting that the remaining financial system players show, as an average, a year-on-year reduction of almost 20% in the net quarterly yield of each market share point. These figures speak of Banco de Chile's business synergy and of the advantages of a broad and diversified client base.

During this third quarter, and in line with the performance of the previous ones, an important source of bottom line income was originated at the Operating Revenue level which shows, as seen in [slide number 6](#), an increase of 19.3% on a year-on-year basis.

An improved asset mix, added to a 12-month 15.4% growth in Average interest-earning assets, the positive impact of a higher inflation rate on our UF position, plus, higher nominal interest rates, all contributed to explain the 22.9% increase in net financial income, or equivalently, the 30 basis points expansion of net financial margin.

In **slide number 7**, and explaining the main year-to-year changes in results, the previously mentioned increase in Operating Revenues is illustrated in terms of pesos, as well as its key position as the dominant driver for the quarter's 12-month growth. On top of a 27.9 billion peso expansion in net financial income, a more than 9 billion peso increase in net fee income must be added, though partly counterbalanced by a trading result reduction of 6.7 billion pesos.

Provisions, increasing by 1.9 billion pesos, mostly consequence of the expansion of interesting earning assets with a focus on higher yield, add to the 4.4 billion pesos reduction in other income, plus an equal 4.4 billion pesos in additional operating expenses. An increase in price level restatement and a slight rise in the income tax deduction, consequence of enhanced gross income, complete the final balance of 9 billion pesos in favour of this year's third quarter net income, as compared to the previous year-ago quarter; in other words, a 16.4% year-on-year growth.

As far as total fee income is concerned, and as pictured in **slide number 8**, a year-on-year increase of 27.5% confirms the important boost of loans and the strong activity of our subsidiaries. Indeed, a similar figure of 26.5% growth coming from our core business speaks of client base increase and enhancement of our number of checking accounts and debtors.

On its part, fees coming from our subsidiaries show a still stronger quarterly growth of 29.7% along the 12 month period, largely compensating the reduction of fees shown by our international business. The latter can be mostly explained by advisory and systems fees supporting our improved compliance process.

As a consequence, total fee income for the quarter, on a non-consolidated basis, covers 36% of total operating expenses, well above the 27% average for the rest of our competitors. Moreover, Banco de Chile's fee to expense ratio has shown an important improvement of 210 basis points along the last four quarters. It seems worth noting that, on a consolidated standing, Total Net Fees already compensate for more than 50% of Total Operating Expenses.

In **slide number 9**, the relative evolution of Operating Revenues and Expenses is shown. The year-on-year 19.3% increase in Operating Revenues amply covers the 5.4% growth in Operating Expenses, mostly explained by the reclassification of salaries and personnel expense consequence of the new labour law which regulated outsourcing. The expansion in branches involving additional personnel and some extra expenses in communications and technology also contributed to the cost increase.

Nevertheless, the relative income-cost relation has shown a very positive evolution responding to increased business volumes as well as to technology and systems improvements. For the third quarter, the Bank posted an interesting 45% efficiency ratio, involving a 590 basis point reduction on a year-to-year basis.

Let us now turn to Banco de Chile's commercial performance. **Slide number 10** pictures how our loan portfolio has increased, in overall terms, above the system's and its main competitors' average. On a six-month basis, our real 6.9% total loan expansion exceeded the 4.3% growth shown by the system, excluding Banco de Chile.

This behaviour also proved true along all the different markets. Banco de Chile's consumer loans increased by 3.4% during the last two quarters against 1.4% of the rest of the system as an average, while housing loans increased by 10.2% compared to 7.5%, respectively.

Corporate loans also showed a positive evolution with 6.7% growth in the last six months, standing 290 basis points above the remaining institutions as an average.

When focusing on the third quarter, it is interesting to note that our total loan portfolio was increased by the capture of more than 28% of the additional loans generated by the system during the period. Being it the largest share captured by any of our main competitors, it speaks well of our Bank's empowered capacities.

In line with the increase in loan volume and as a core feature within our strategy, emphasis has been given to enhancing our customer base. An overall performance of our main sales activities has been pictured in **slide number 11**.

Strong incentives have been placed in the acquisition of new clients, the increase in the usage of products and services by our current customers and, on a very relevant note, the prevention of client desertion. As a result, we can show an increase of more than 14% in the number of debtors along the last 12 months, going hand in hand with the expansion of almost 11% in the number of checking accounts for equal period.

As for the lower-end consumer sales, the loan volume of 157 million pesos, incorporated along the course of the year, represents an increase of almost 16% when compared to the volume added in equal period of 2006. An also important effort has been carried out in credit card sales involving a quarterly 11.7% expansion of our credit card stock, on a year-on-year comparison. These figures clearly speak of a strong drive towards cross-selling and penetration.

It now seems important to underscore that this ongoing increase in loan volume, favouring higher-yield segments and naturally involving higher risks, has been achieved without jeopardizing asset quality and maintaining the Bank's prudent risk policy.

As may be seen in **slide number 12**, and in spite of the relevant growth experienced in the consumer segment and middle-sized companies, the amount of past due loans has experienced a significant reduction of 9% and 24%, in 12 and 24 months, respectively. As a consequence, the ratio of Past Due Loans to Total Loans has also decreased reaching a low level of 0.57% on a consolidated basis, a 15 basis point reduction in 12 months.

Turning to **slide number 13**, this risk performance seems even more outstanding when placed in context to the rest of our competitors, revealing a past due ratio 29 basis points below the average of our main peers and 28 basis points below the system's average excluding Banco de Chile.

In spite of this additional improvement in our past due ratio and prominent relative quality, total allowances as compared to past due loans, show the highest level among our peers and involve some 52 hundred basis points in excess of the system's average ratio, excluding Banco de Chile.

Consistent with these high allowances and low past due ratio, the required provision expenses for the Bank, in net terms, equalled 0.4% of average net loans in the third quarter. As in previous occasions, we may forecast some increase in these provision requirements for the coming periods, as a consequence of our focus on higher-risk segments, added to a somehow subdued sentiment as regards to the global economic performance.

Let me now update you with what is new about the expected merger process between Banco de Chile and Citibank Chile. As you may recall, during the month of July, it was informed that an agreement had been reached among our controlling shareholder Quiñenco and Citigroup. In **slide number 14**, the main tenets have been stated.

As I commented during our previous call, both companies have decided to merge their financial businesses in Chile, subject to authorizations to be granted by the respective regulators and to our shareholders' approval. The requests to the Chilean regulator were filed in early October and are waiting for response.

On approval, both franchises in Chile will be merged involving the consolidation of 2.1% and 18% stakes in the local loan market, contributed by Citigroup and Banco de Chile, respectively.

As far as relative weighing, Banco de Chile was valued in approximately 6 thousand and 15 million dollars, while Citibank Chile was worth 701 million dollars. Therefore, each will represent 89.56% and 10.44% of the merged bank, respectively.

LQ Inversiones Financieras, fully owned by Quiñenco, is currently the controlling shareholder of Banco de Chile with 52.7% of its voting rights. Through the contribution of its local banking business, plus other assets for 192 million dollars, Citigroup will acquire a 32.96% stake of LQIF, the mentioned controlling company. This participation could be increased up to 50% over the next 28 months. Under the terms of the agreement, LQIF should, at all times, control at least 56% of Banco de Chile's voting rights.

Also as a part of the agreement, and following the merger, Citigroup will acquire Banco de Chile's US branches for 130 million dollars.

The Board has stated its intention for the effective merger date to be January 1st 2008. If so, an extraordinary Shareholder Meeting should be summoned during the month of December for the purpose of approval.

It is worth mentioning that on last July, Citibank's Markets and Banking Executive Director for Latin America, was appointed member of Banco de Chile's Board of Directors.

Internally, and in parallel, both companies have initiated a process of business evaluation and resources appraisal. I can now comment some general decisions that have already been made, subject, in any case, to eventual changes as additional information is incorporated and examined.

- As for operational systems and processes concerning the main commercial areas, it has been agreed that those of Banco de Chile will be maintained. This will involve the migration of Citibank's retail and corporate clients to Banco de Chile's operational and risk management systems.
- The exception to this procedure will concern the lower-end consumer businesses of Atlas and CrediChile, in which cases, the systems of both of these divisions will keep on running in parallel during the first half of 2008, managed under one Division Head.
- It has been decided that all retail branches will remain and that all Citibank branches will only be devoted to serve retail customers.
- Supporting areas such as Legal, Risk Control, Accounting, Compliance, Administration and Human Resources will rely upon Banco de Chile's current systems.

This agreement stands in line with our goal of providing financial services of excellence, strengthening our international and treasury products as well as enhancing our retail platforms. We are confident that this venture will further strengthen value creation for our shareholders.

Banco de Chile



Results for the
Third Quarter of 2007



hosted by
Arturo Tagle
CFO



October 31, 2007



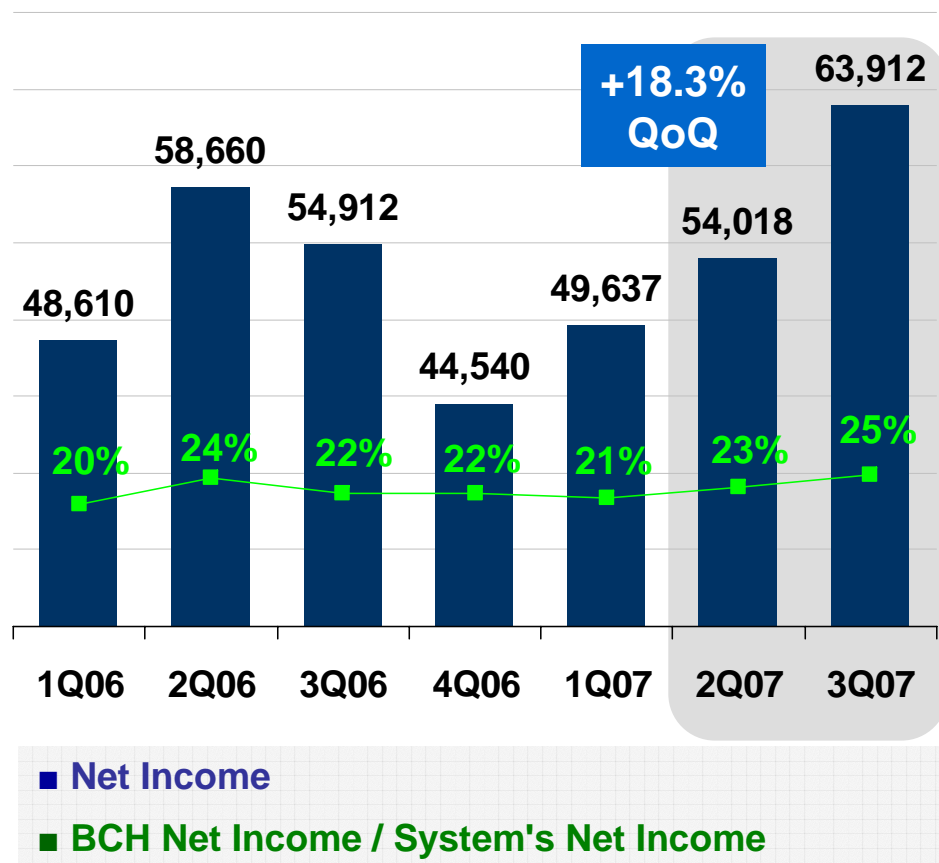
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- ▶ **Recent developments**

Banco de Chile

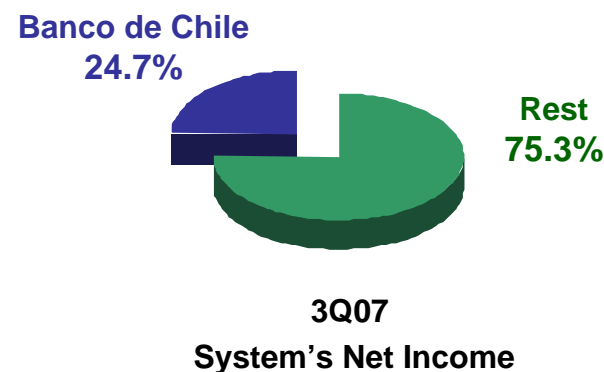
Net Income Trend

(Millions of Ch\$ as of September 2007)



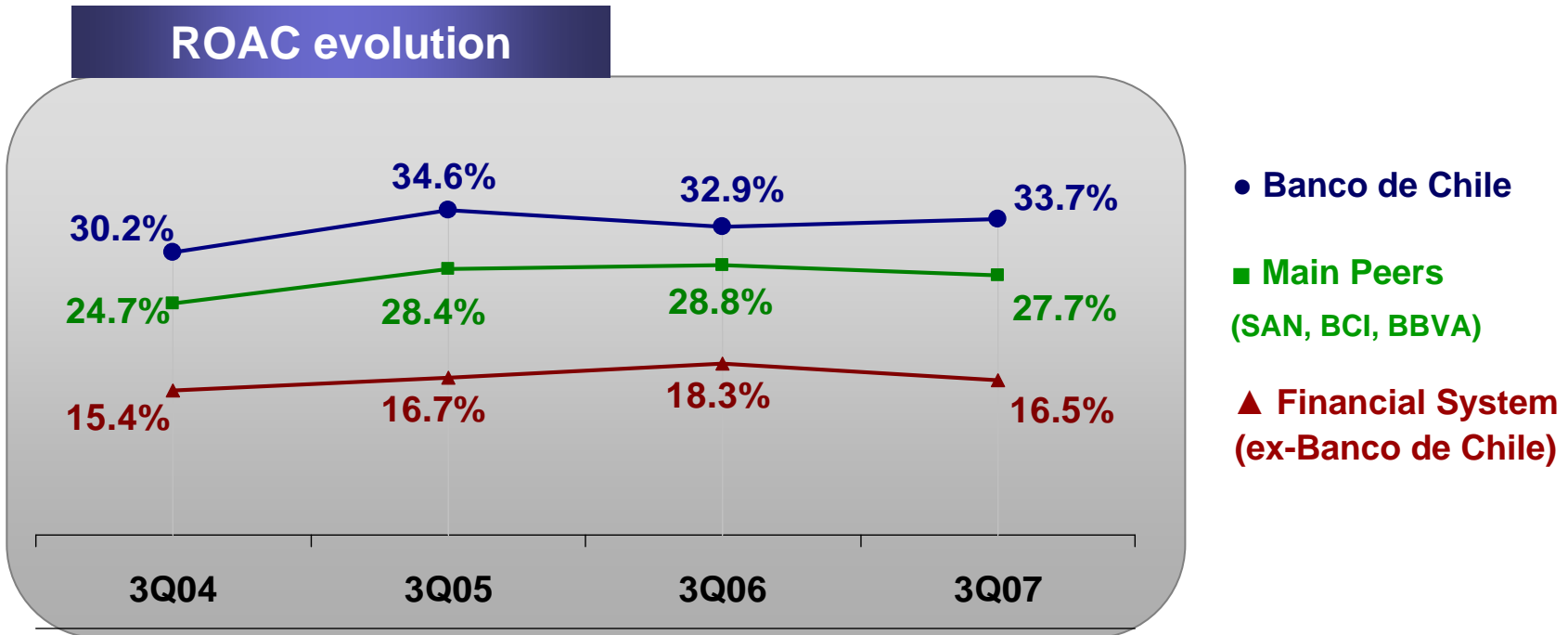
■ With a quarter on quarter 18.3% increase in the Bank's 3Q07 net income,

■ Banco de Chile contributed by almost 25% to the system's bottom line.



► Industry-leading profitability

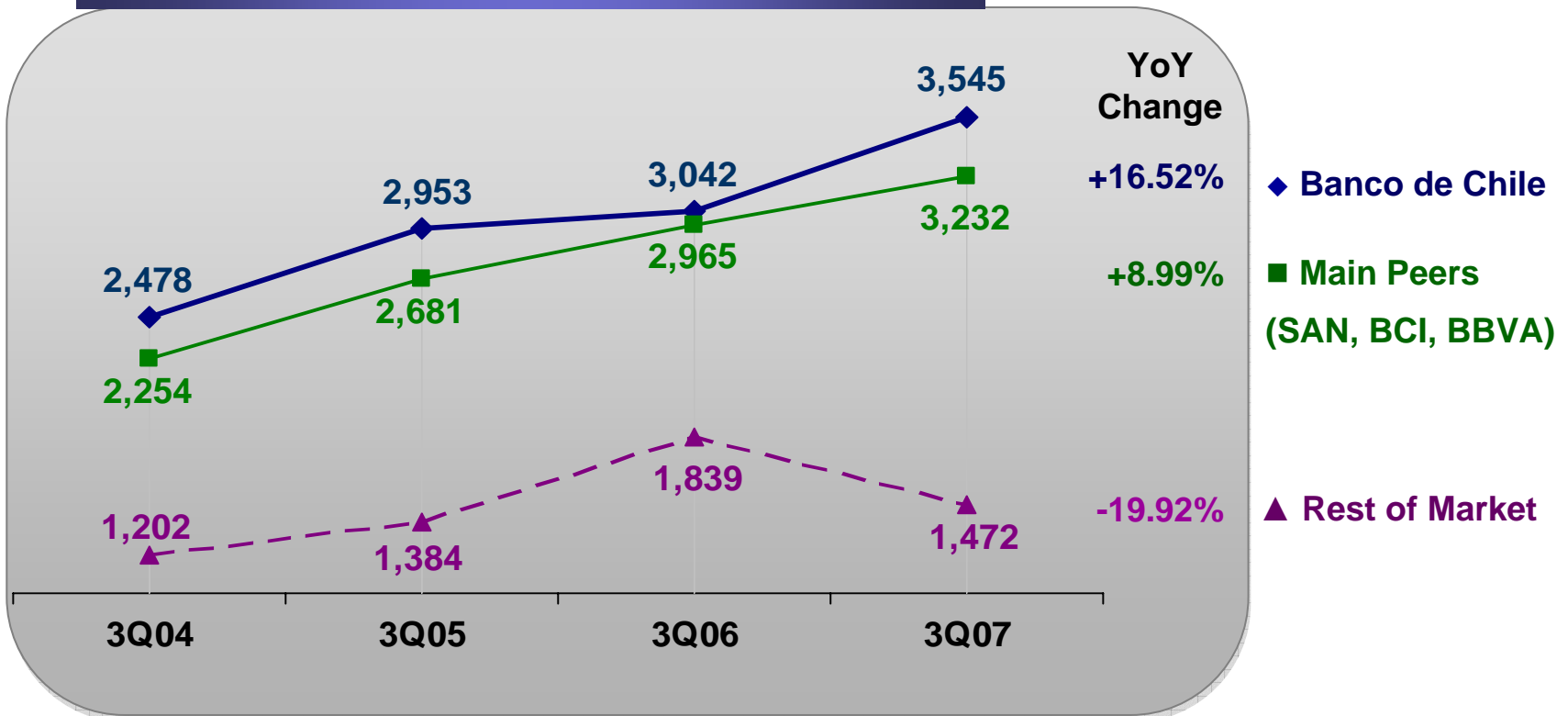
ROAC evolution



■ Banco de Chile shows the highest quarterly return on capital in the banking system.

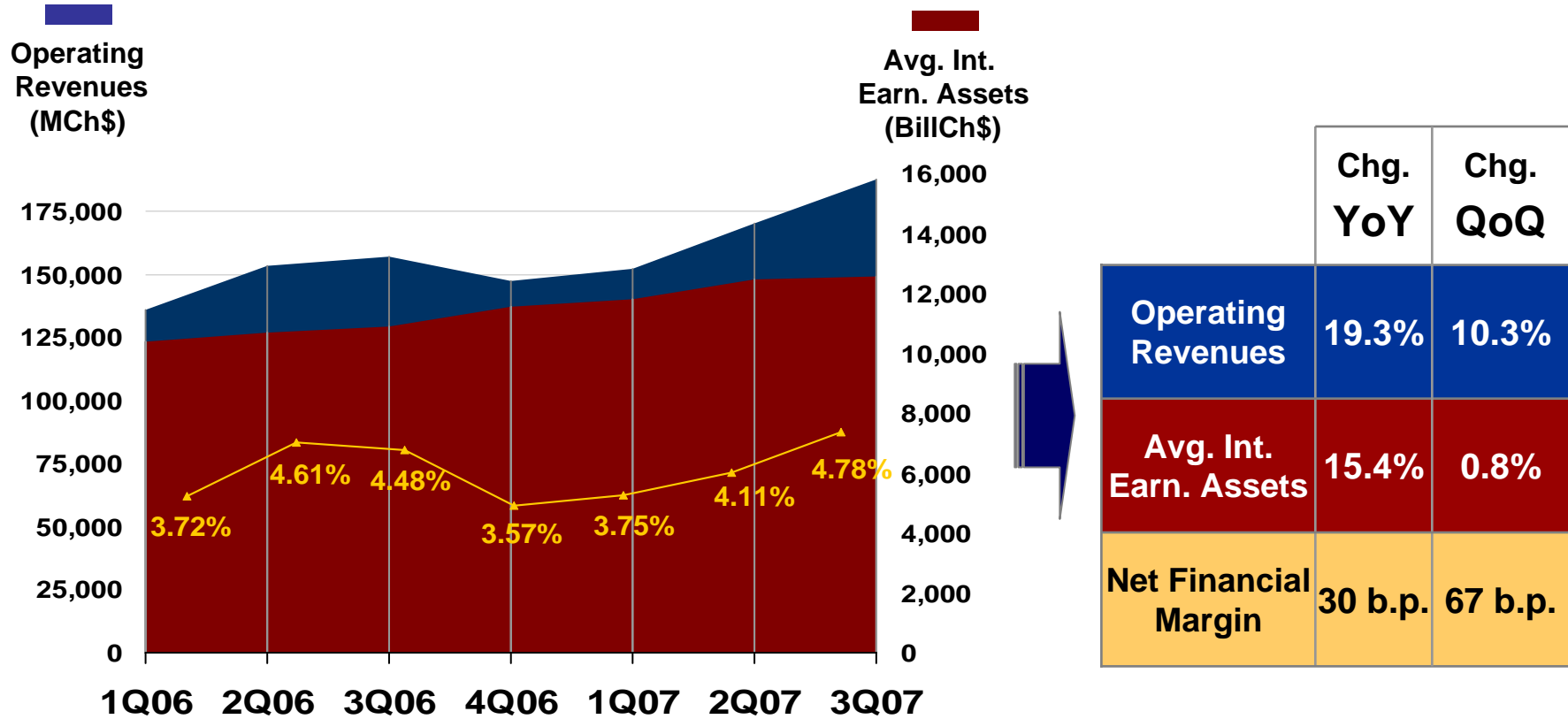
► Higher return on market share

Quarterly Net income from 1% Mkt Share



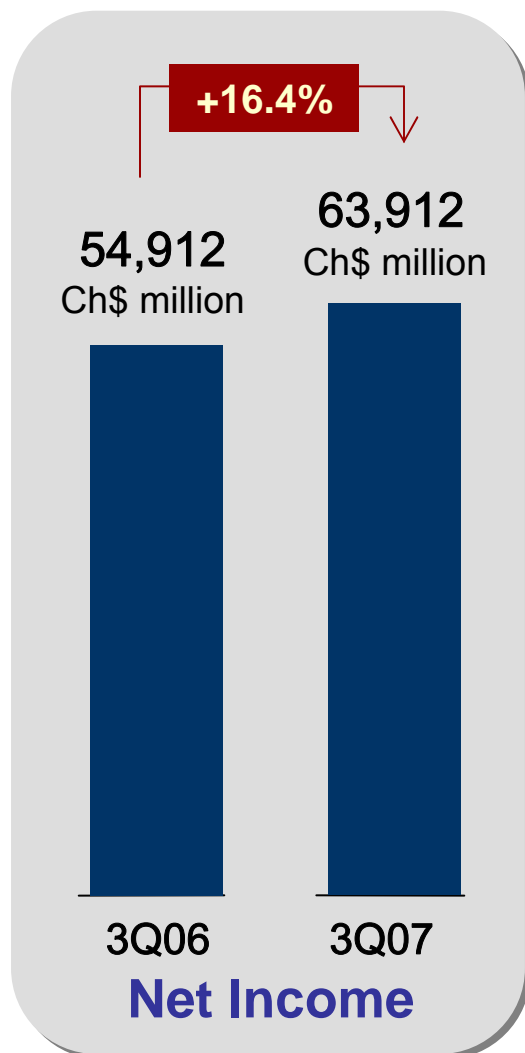
(Millions of Ch\$ as of September 2007)

Operating Revenue & Average Interest Earning Assets

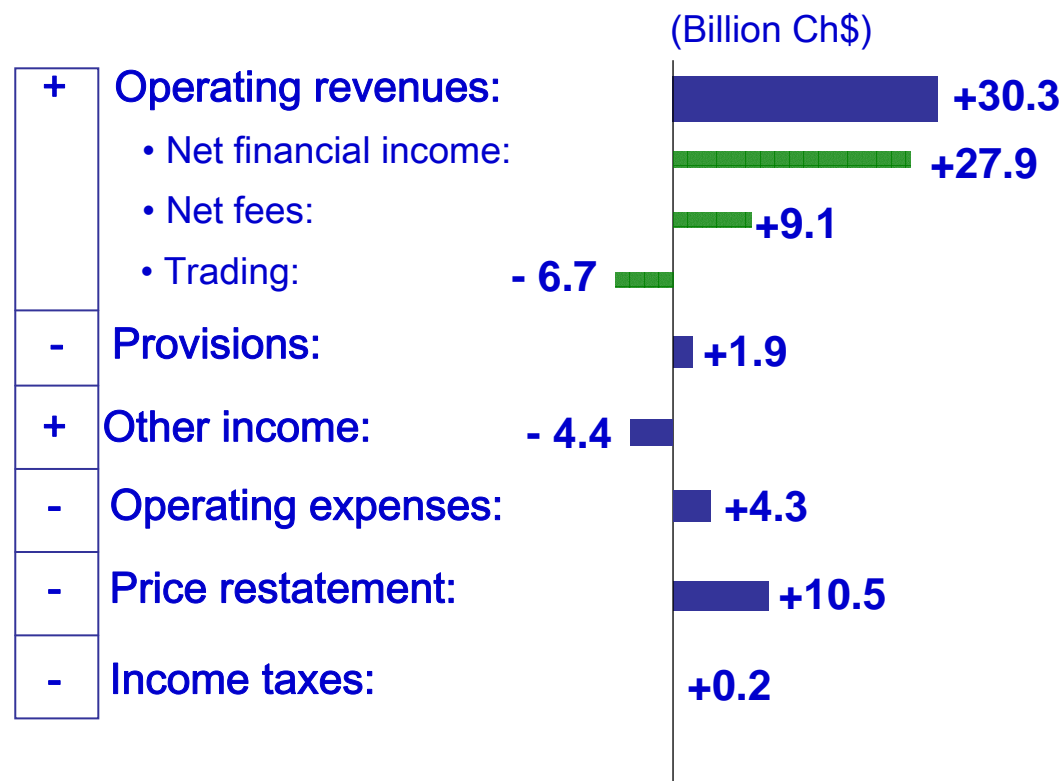


(Figures as of September 2007)

▶ **Results driven by increased financial income**

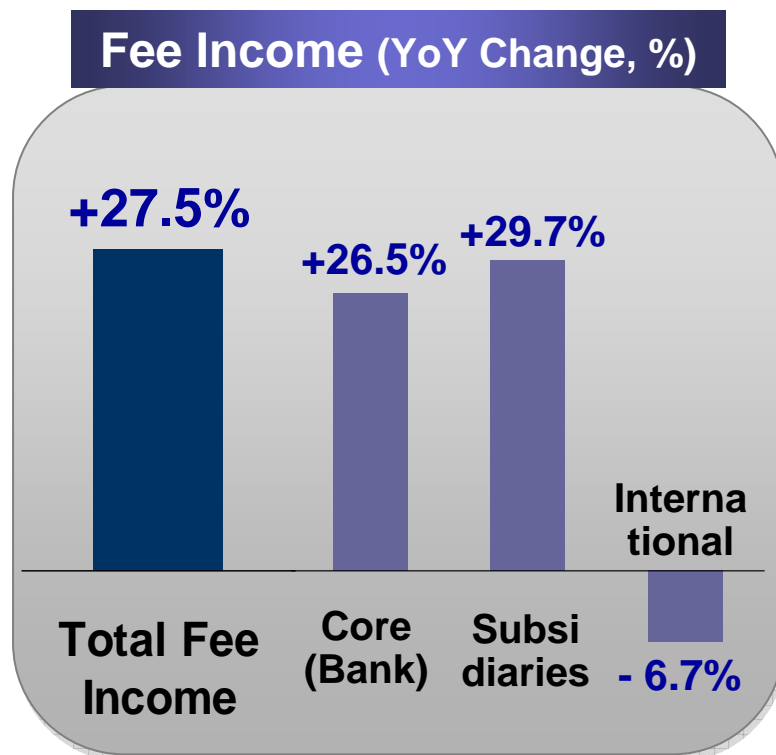


Main Changes from 3Q06 to 3Q07

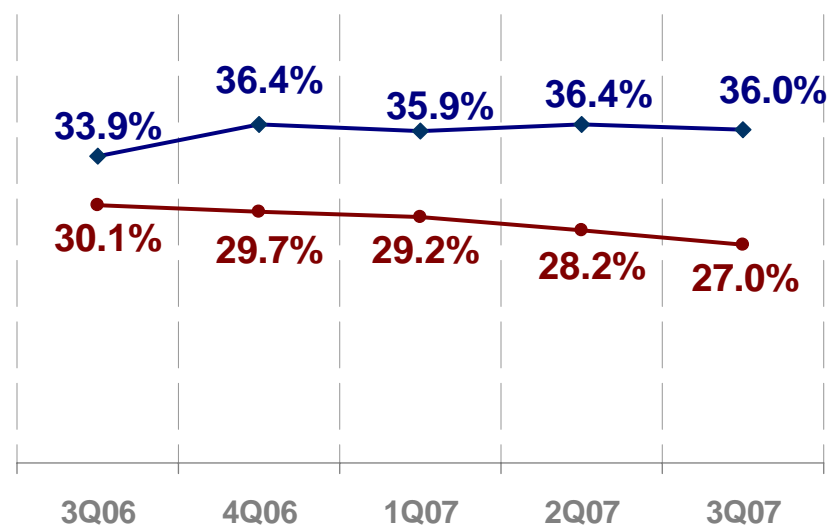


YoY Change in Net Income = +9.0 Billion Ch\$

▶ Enhancing Fee Income



Fees / Operating Expenses

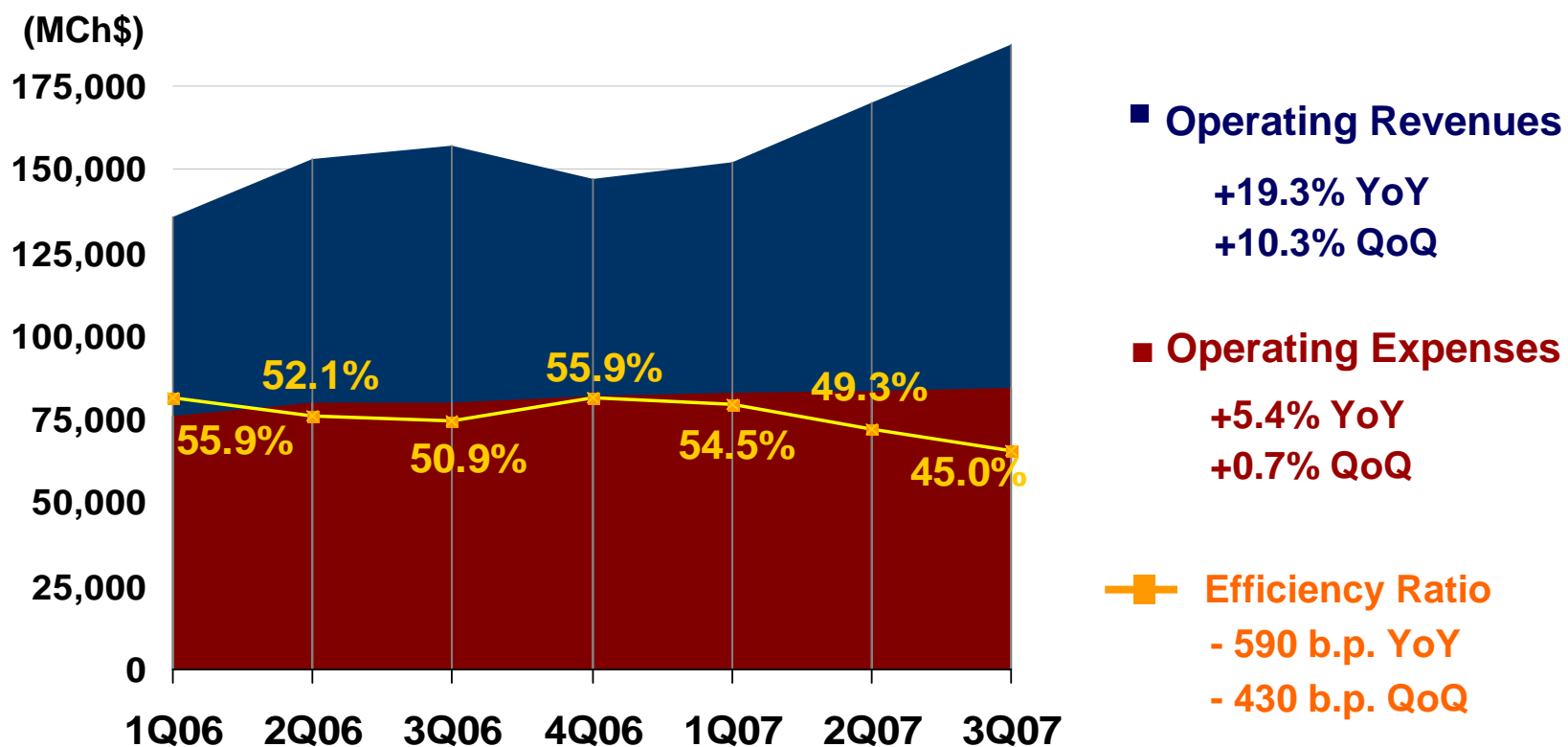


Source: SBIF (Unconsolidated figures)

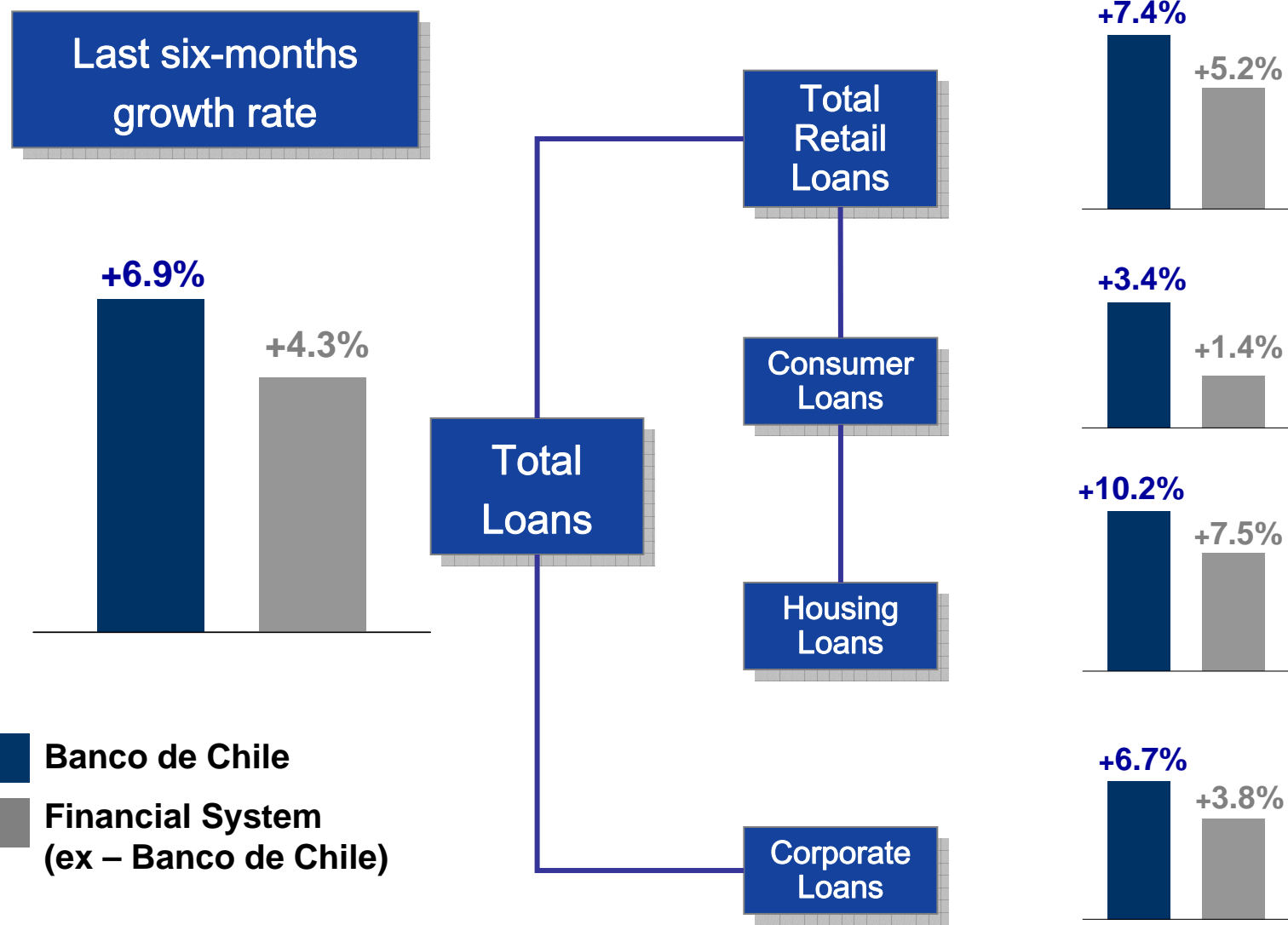
- ◆ Banco de Chile
- Financial System (ex-Banco de Chile)

Positive Efficiency Evolution

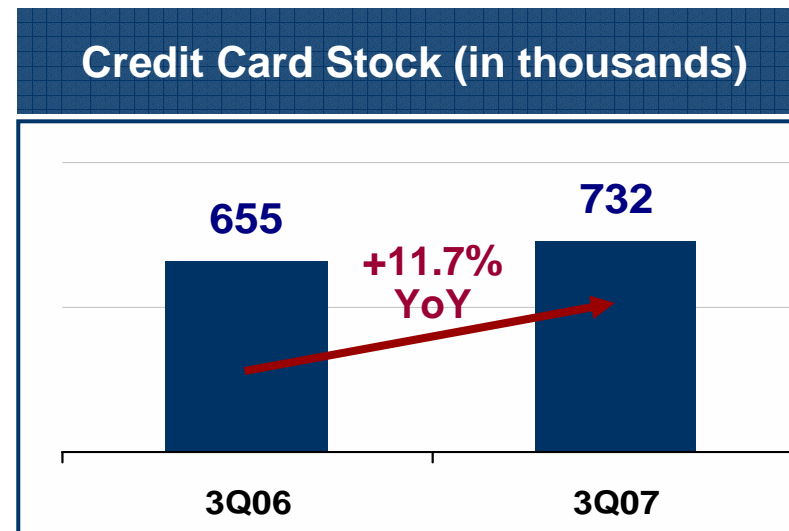
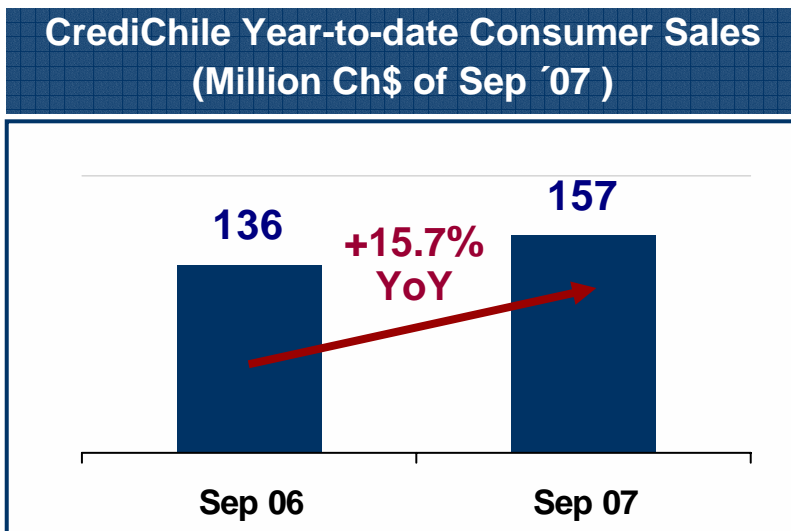
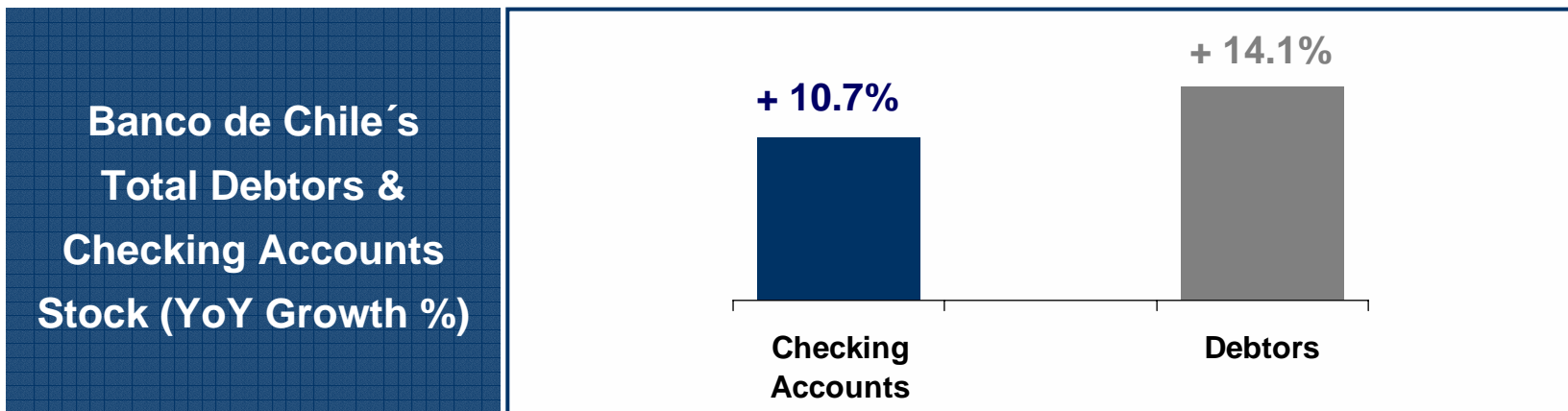
Operating Revenues, Expenses & Efficiency



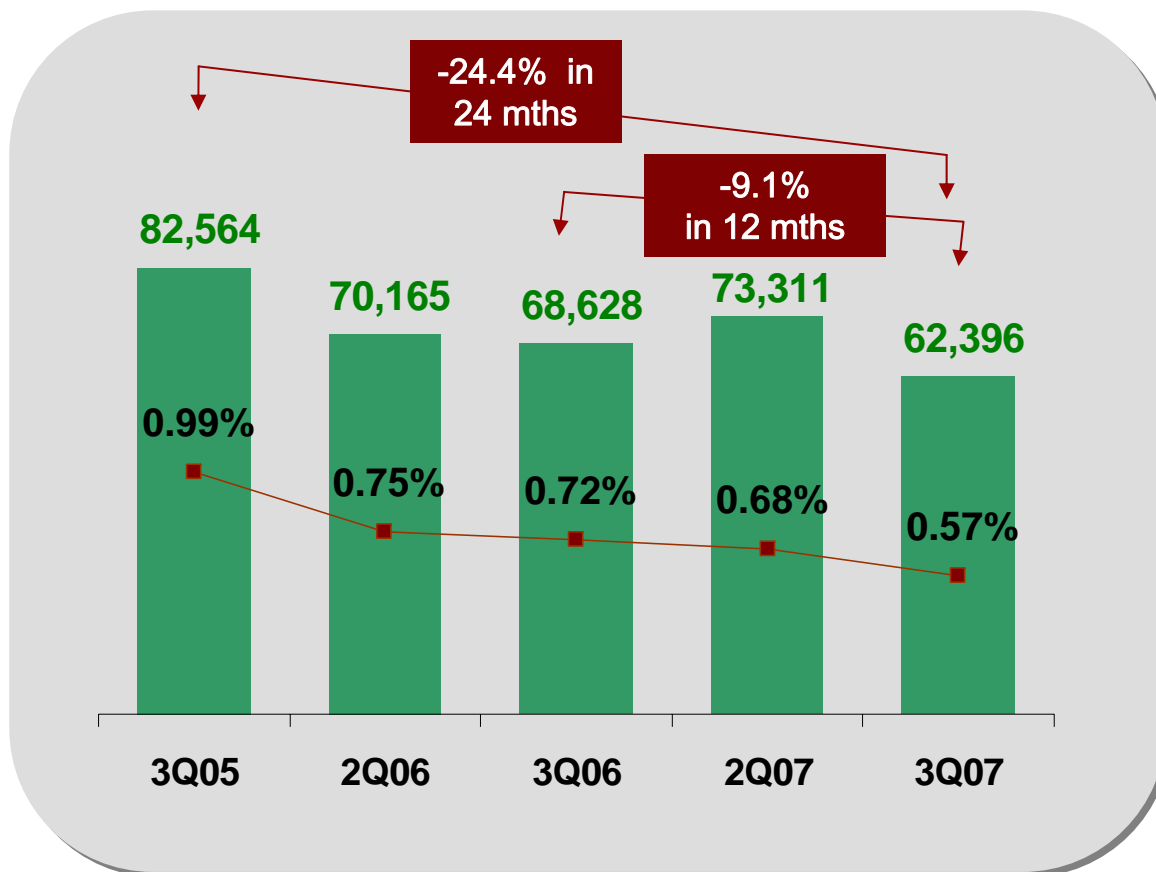
▶ Loan Growth: strengthened market synergies



Sustained Sales Momentum



Reduction in Past Due Loans



■ Past Due Loans
(Million Ch\$ of Sep '07)

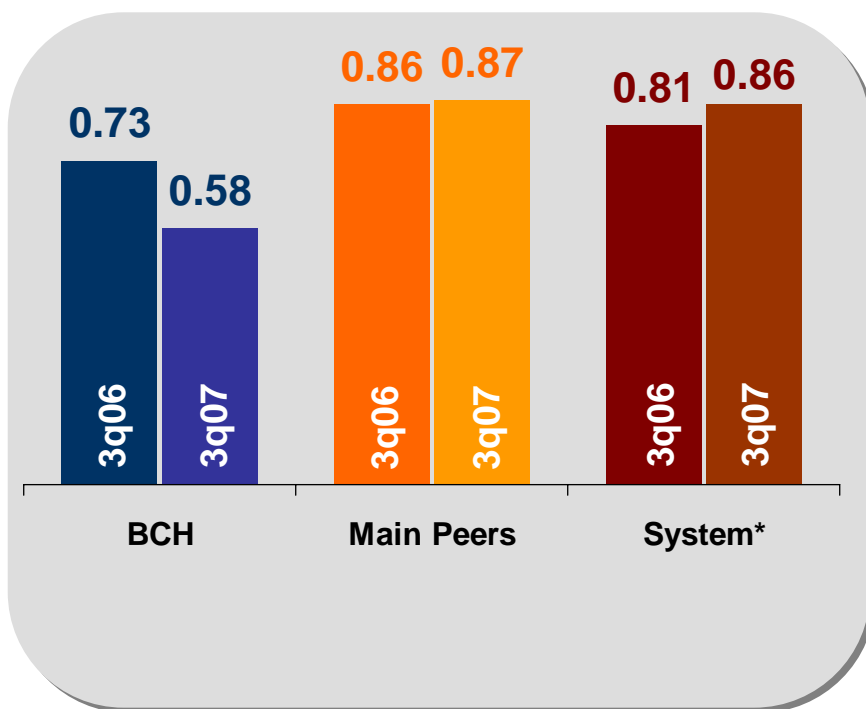
■ $\frac{\text{Past Due Loans}}{\text{Total Loans}}$

■ Further improvement in the past due loan ratio in spite of an increase in higher risk exposure.

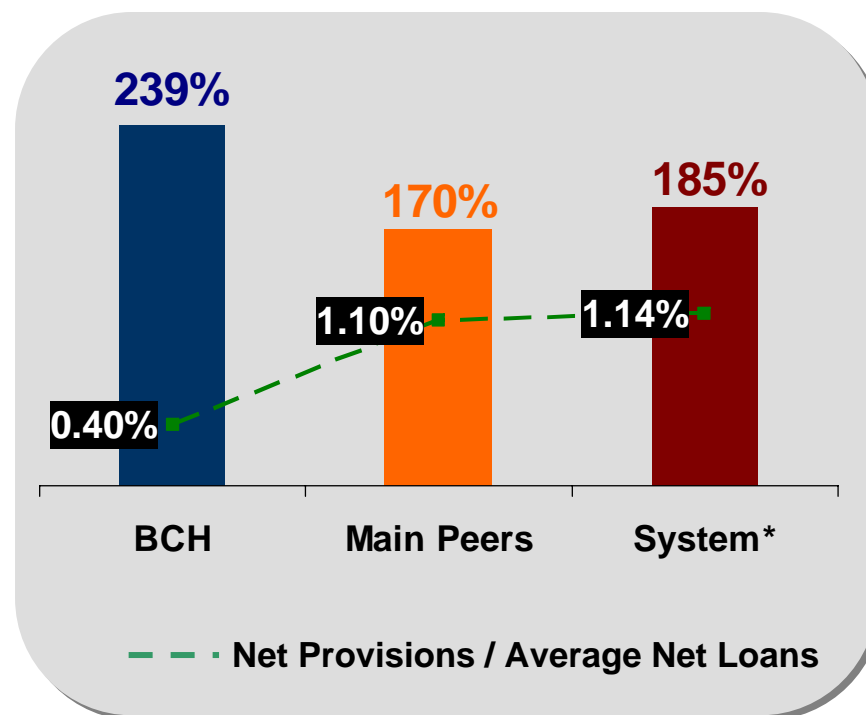
(Consolidated figures)

▶ Outstanding credit quality

Past Due Loans / Total Loans (%)



Allowances / Past Due Loans (3Q07)



Unconsolidated figures.

* System ex – Banco de Chile

Recent Developments

- *Quiñenco* and *Citigroup Inc* have agreed to merge their financial businesses and services in Chile, (18% and 2.1% loan market share, respectively) subject to authorities' and shareholders' consent.
- The merged Bank was valued at US\$ 6,716 millions (89.56% Banco de Chile and 10.44% Citibank). The value assessment was carried out by *J.P. Morgan Securities Inc.* and *J.P. Morgan Chile Limitada* and was informed to Banco de Chile's Board of Directors on September 27.
- In addition to its banking business in Chile, *Citigroup* will contribute other assets for an approximate value of US\$ 192 millions and acquire US branches of Banco de Chile for US\$ 130 million. Thus *Citigroup* will concentrate a 32.96% stake of LQ Inversiones Financieras (LQIF).
- *Citigroup* has the right to gradually increase its stake up to 50% of LQIF over the next 28 months, following the date of closure of the operation.
- LQIF will maintain at least 56% of total voting rights of Banco de Chile. *Quiñenco* will remain as the controlling party of LQIF and of the corporations the latter controls, directly and indirectly.
- Banco de Chile and Citibank Chile have already requested Superintendency's approval to merge.
- A *Citigroup* representative has been named member of the Board of Banco de Chile.
- It is the intention of the Board for the merger to become effective on January 1st, 2008.

 **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.