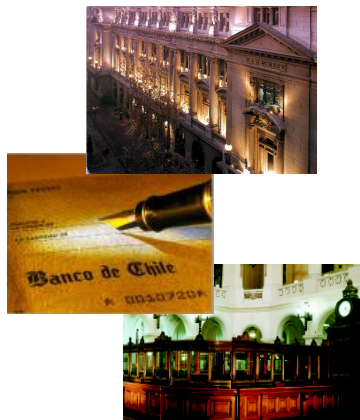


# Banco de Chile



**Results for the  
Third Quarter of 2009**

hosted by

**Pedro Samhan  
Chief Financial Officer**

**November 12, 2009**



**BCH  
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It's a pleasure for me to share with you our comments on Banco de Chile's third quarter 2009 financial results.

As the operator mentioned, a powerpoint presentation is available to download at our webpage, [www.bancochile.com](http://www.bancochile.com)

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## **Agenda**

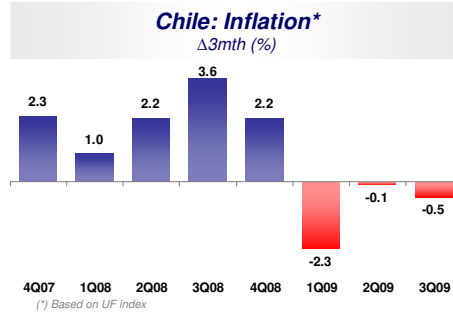
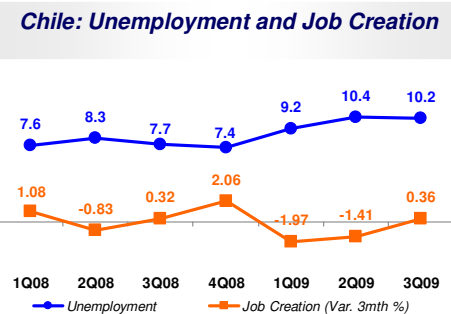
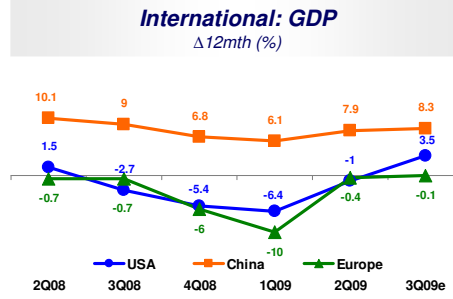
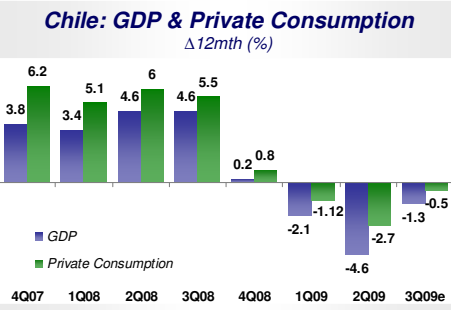
- *Chilean Economy*
- *Results for 3Q 2009*
- *Credit Quality*
- *Loan portfolio*
- *Funding and liquidity*

To begin, **slide number two** lists the main topics which will be covered.

I will begin with an overview of the Chilean economy in an environment where other major nations have begun to demonstrate certain positive signals and a rise in investor confidence.

We will then discuss the evolution of the Chilean financial system and in particular, the results of Banco de Chile during the third quarter, summing up with a few final remarks.

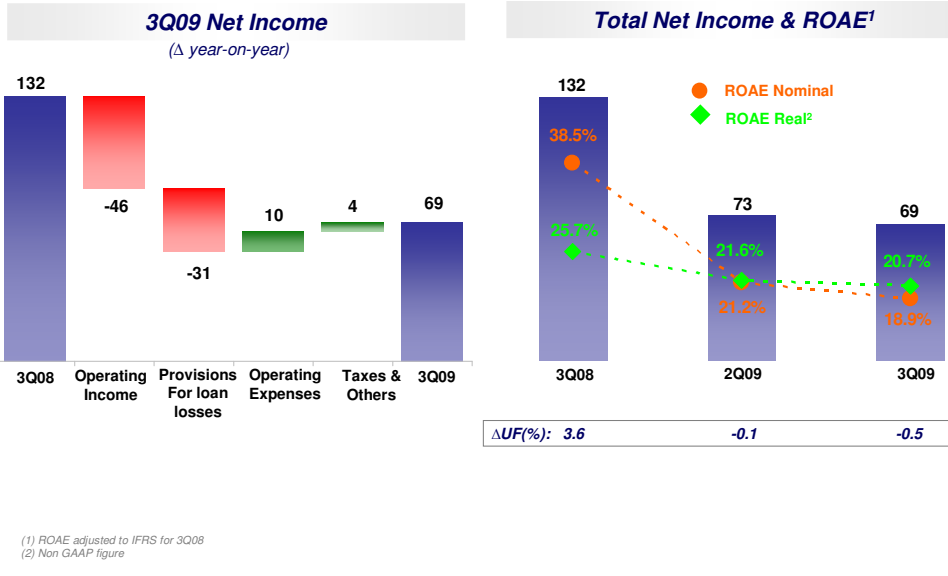
## Chilean Economy



On the next slide, **number three**, we can see that the Chilean economy has begun to recover from the world financial crisis. In fact, Chile, thanks to its economic policies, is projected to have a strong GDP growth during the fourth quarter of 2009 and especially during 2010. Furthermore, unemployment, job creation and private consumption in Chile have begun to stabilize and they are showing positive trends. With respect to inflation, the last three quarters have been deflationary and thus reducing our revenues and that of financial system as a whole because banks in Chile, in general, have a long structural position in inflation indexed assets.

## Net Income

(Billions of Ch\$)

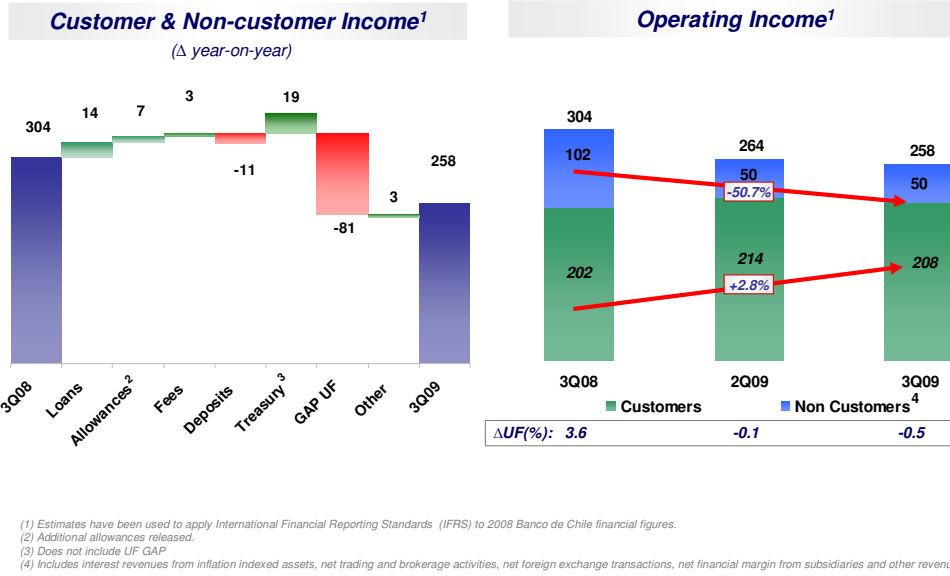


Taking a look at our third quarter income, we were in line with our prior quarter results, as shown on **slide number four**, in spite of the higher deflation experienced during this quarter. Even though we have a relatively higher long position in inflation indexed assets when compared to the Chilean financial system, we acquired 21% of the Chilean banking system's total net income; exceeding our market share in total loans and thus demonstrating our capacity to generate recurring income.

The year-on-year change is mainly due to a reduction of \$46 billion pesos in operating income which is more than explained by the result of the effect of inflation on our interest bearing assets and a higher charge of \$31 billion pesos for provisions related to loan losses. Improvements in efficiency during this period partly offset these decreases with a gain of \$10 billion pesos.

Overall, our 3Q09 net income reached \$69 billion pesos with a nominal return-on-average-equity of 18.9% versus a return-on-average-equity of 38.5% during the 3Q08. This decrease, as mentioned, is due to the favourable effect of the high inflation rate experienced during the 3Q08 on our results. When adjusting return-on-average-equity to real terms, the difference between the 3Q09 and the 3Q08 is reduced to 5%. In fact, the impact from deflation on our revenues during the 3Q09 when compared to the same period last year, represents \$81 billion pesos which was partially offset by higher customer and treasury revenues as described on **slide number five**.

## Operating Income (Billions of Ch\$)

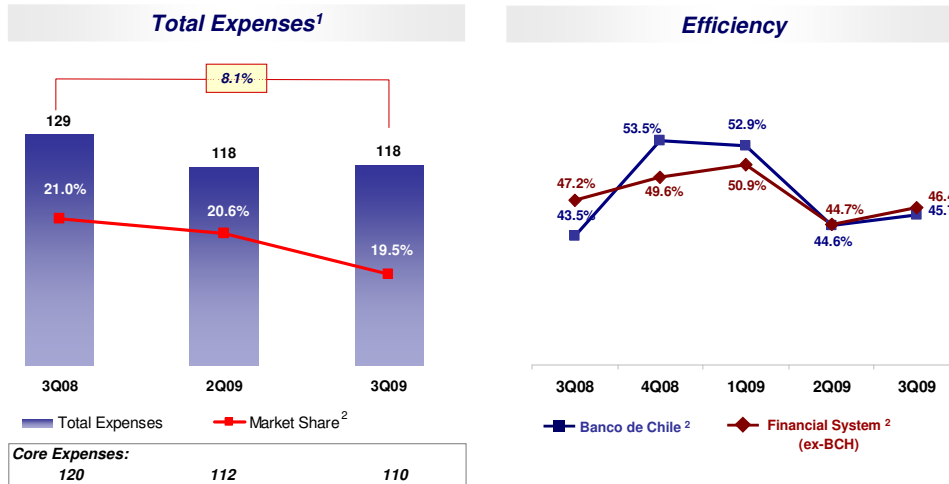


On a year-on-year basis, we significantly improved our core revenues from loans and fees by \$17 billion, in addition to non UF gap treasury income by \$19 billion. This translates to a rise in recurring customer revenues of almost 3% year-on-year, in spite of the lower contribution from non interest bearing liabilities as a result of the decrease in the interest rate. The 4.4% year-on-year increase in fees mainly from credit lines, sight accounts and ATMs more than offset the impact of regulatory changes that prohibit charges for non-agreed in advance overdrafts fees.

With regards to our subsidiaries, the securities brokerage and mutual fund companies were the highlight for the quarter with fees from the former which almost doubled that of the prior year's quarter with an increase of 60% in trading volumes and the latter with a 28% increase in assets under management which led to an 8% rise in fee revenues and a total market share of 24.3%.

Our goal is to continue to reinforce our fee based income through an enhanced customer base, together with strengthened lines of business and improved products and services.

## Operating Expenses (Billions of Ch\$)

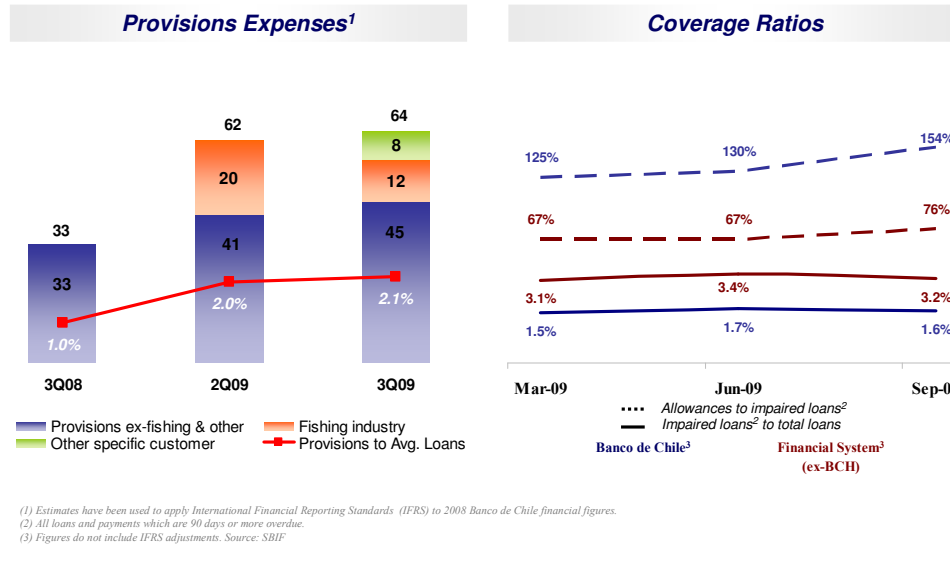


(1) Estimates have been used to apply International Financial Reporting Standards (IFRS) to 2008 Banco de Chile financial figures.  
(2) Does not include IFRS adjustments. Source: SBIIF

Moving forward to slide **number 6**, expenses have continued a downward trend, decreasing just over 8% when compared to the same period last year. This noteworthy decline is a result of our strategy to lower expenses through cost controls focused on centralizing processes and renegotiating contracts with suppliers. On a year-on-year basis, we decreased staff expenses significantly by a decrease in the number of employees by 3.6% and lowered administration expenses by 10% which was largely due to a reduction in marketing, supplies, and technology expenses. This trend is even more apparent when analyzing core expenses [excluding other operating expenses] which show important decreases each quarter. [\$120 billion 3Q08, \$112 billion 2Q09, \$110 billion 3Q09]

Consequently, we have consistently, on a quarter-on-quarter basis, reduced our participation in expenses by 152 basis points, reaching 19.5% market share during the period. This focus has translated to improvements in our efficiency ratios, which during the last two quarters have been slightly below the average in the Chilean financial system.

## Provision for loan losses (Billions of Ch\$)

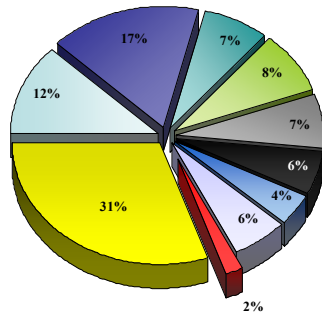


During the third quarter, we continued to increase certain allowances in loans granted to the salmon industry and credit conditions related to one other specific customer. This resulted in a slight quarter-on-quarter increase of 4% in total provision expenses, as can be seen on **slide number 7**. Excluding these two events, total provision expenses increased by only 36% year-on-year as a result of the current economic conditions. Nevertheless, we've maintained a healthy impaired loan coverage ratio of 154%, in line with the bank's conservative credit risk standards and well above the 76% average posted by the Chilean banking system. This positive comparison in risk with our competitors is reinforced when comparing our impaired loan portfolio to total loans which is half the size of the average posted by the financial system. As mentioned in prior conference calls, we strive to build and maintain a strong and focused coverage ratio for potential impaired loans.

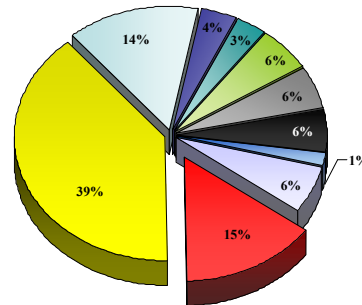
In response to the better economic environment, we had positive decreases in provision expenses during the months of August and September when compared to the second quarter. This drop was mainly due to an increase in collections, a proactive renegotiation of impaired loans, and a better payment behavior observed from our clients, especially from non commercial customers. However, aggregate demand and unemployment rates are still weaker than those figures recorded a year ago, which obviously require higher provision levels. As the economy continues to improve, lower provision expenses might be expected.

**Loan portfolio**  
(Billions of Ch\$)

**Loans by Economic Sector**



**Allowances by Sector**



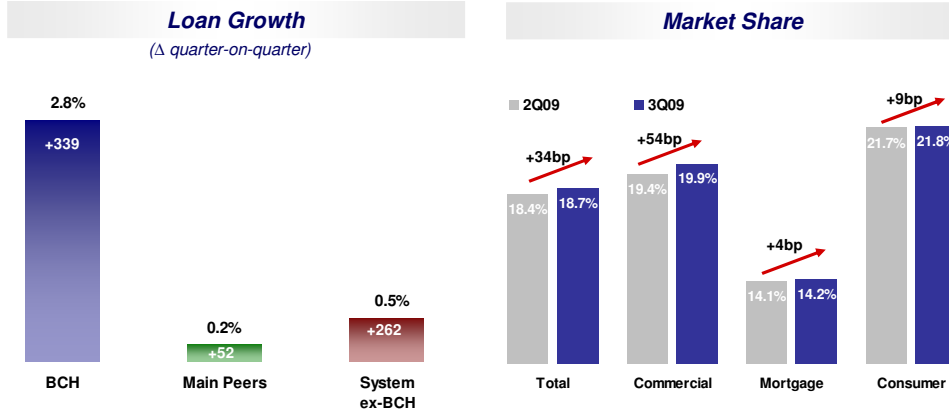
- Retail
- Transport & Com.
- Industrial
- Utilities, Mining, & Other
- Fishing
- Financial Services
- Construction
- Forestry
- Social & Personal
- Individual Portfolio

*As of September 2009*

Regarding our mix of allowances for loan losses, **as described on slide number 8**, the largest change has mainly been the result of the Chilean fishing segment, specifically the salmon industry and to a lesser degree, to the current economic conditions. The salmon companies and related industries represent almost 2% of our total loan book and approximately 15% of total allowances. As you may be aware, an agreement was reached between the main companies in the sector and their banking counterparts. This agreement allowed companies to restructure their obligations in order to ensure business continuity. In addition to these agreements, there is a law in congress which is pending modifications that will further aid this industry as it is key to Chilean trade and to the economies in those regions of the country.

## Loan portfolio

(Billions of Ch\$)

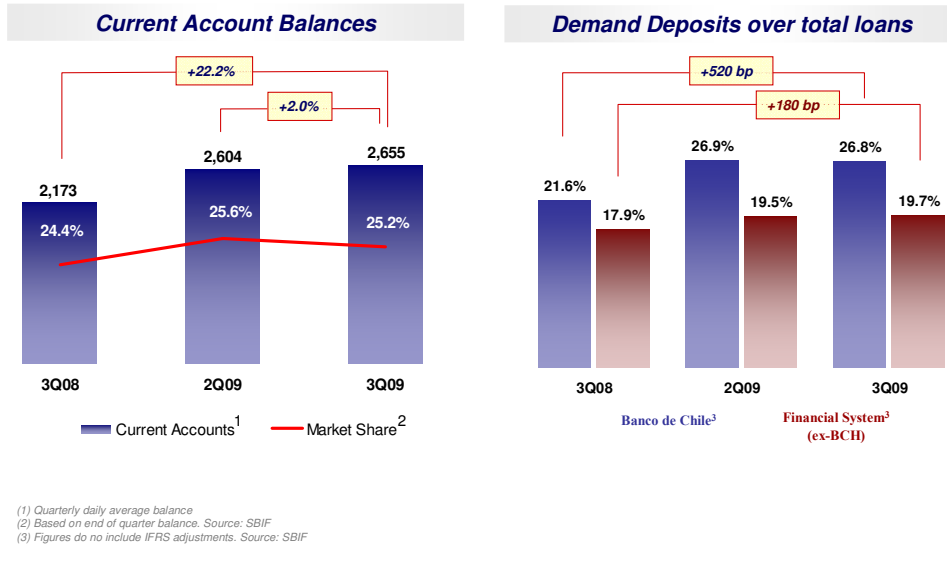


As of September 2009

Regarding our loan portfolio, we grew significantly, **as described in slide number 9**, during the third quarter. The industry, including Banco de Chile, grew by \$601 billion pesos and we acquired over 56% of this growth. Our strong growth translated to a rise of 34 basis points in total market share, led by an increase of 39 basis points in commercial loans. We continue to be the second largest bank in terms of total loans and the financial leader in commercial loans with a participation of 19.9%.

## Evolution of Demand Deposits

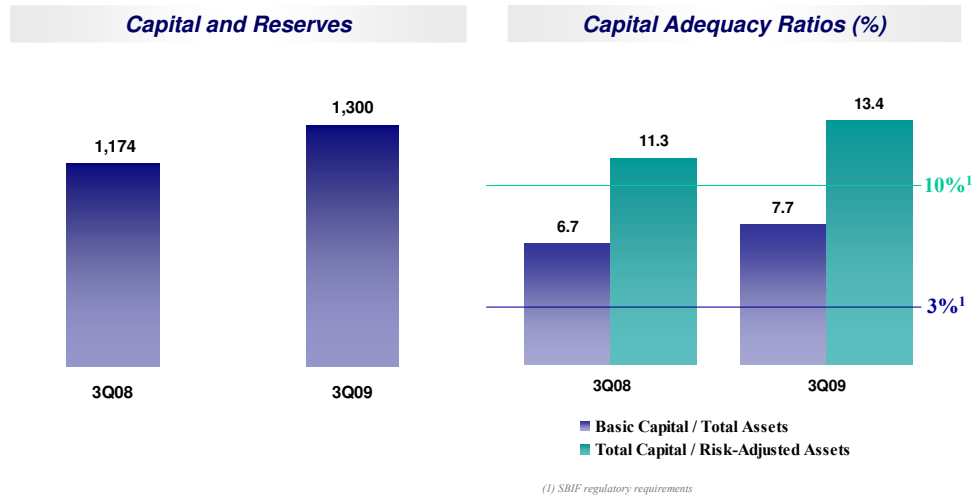
(Billions of Ch\$)



On the liability side, as described on **slide number 10**, current account balances have increased by 22% year-on-year and 2% quarter-on-quarter. In addition to the lower interest rates, these increases are due to our successful cross-selling initiatives and our selective expansion in current account customers. This has resulted, as published in May 2009 by the Superintendency of Banks, in an average balance per account in non commercial customers of 1.7 million pesos, a year-on-year increase of 11% and in commercial customers of 18.8 million pesos, an increase of 14%. These increases produce an even better deposit-to-loans ratio of almost 27%, the highest in the Chilean Banking industry and thus significantly reducing our funding costs. We remain the market leader in current accounts balances with a market share of 25.2%.

## Strong Capital Base

(Billions of Ch\$)



In response to the improved market conditions in Chile, our capital adequacy ratios provide us with ample room for growth as presented on **slide number 11**. We currently have a tier one capital ratio of 7.7% and a total capital ratio of 13.4%, both well above the legal required limits of 10% and 3%, respectively. This provides us with room to grow and to take advantage of the improved economic conditions, without the need of new capital or subordinated bond issuances in the near term. Should a capital increase be necessary, we have about \$240 billion pesos to grow in subordinated bonds.

Overall, our results have been quite positive during the year, despite the economic environment, the salmon fishing crisis, a larger UF long position in a scenario of negative inflation, and our higher relative participation of non-interest bearing liabilities in a low short-term interest rate environment. However, our performance in terms of customer revenue growth, improvements in efficiency in terms of core expenses, diversified and efficient management of our source of funds and improvements in our impaired loans coverage ratios have allowed us to partially offset the prior mentioned impacts. We are quite satisfied with our performance during this quarter.

## 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 publicly any revisions to such forward-looking statements after completion of this offering to reflect later events or circumstances or to reflect the occurrence of unanticipated events.

***End of Presentation***