Comments on the 2Q10 Results
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Good afternoon ladies and gentlemen.

It's a pleasure for me to share with you our comments on Banco de Chile's second quarter 2010 financial results. With me today is Pedro Samhan, Chief Financial Officer.

A link to the slide presentation is available on our webpage, www.bancochile.com, within the investor relations site.

To begin, on **slide number two,** you can see a list of the main topics which will be discussed in today's presentation.

I will begin with a review of the Chilean economy, followed by a brief overview of the highlights of each operating segment and will finish off with a discussion of our financial results for the quarter and key balance sheet figures.

Please move forward to the next slide, **number three.** Overall, the second quarter has been positive in terms of economic activity. The negative effect of the earthquake seems to have been overstated because GDP growth has rebounded quicker than was expected. General consensus estimates that GDP growth for the second quarter will reach approximately 5.5% and above 6.0% for the remainder of the year.

The consumer price index has also begun to rise, reaching 1.7% during the first semester. General consensus believes that the CPI rate will reach approximately 3 to 3.5% at year-end. The variation of the UF during the same period, which is the rate that affects inflation indexed revenues, reached 1.2%.

These factors, among others, have led the Chilean Central Bank to begin increasing the monetary policy interest rate from an all time low of 0.5% to 1.50% in July. General consensus anticipates a rate of about 3.5% at year-end and a rate of about 6.0% for December 2011.

In terms of unemployment, the three-month rolling-average rate reached 8.5% in June 2010, down from a year earlier of 11.5%. The reduction in unemployment during the semester is largely attributable to economic growth, boosted by the reconstruction efforts related to the earthquake.

The banking sector as a whole has also captured this economic growth, rising 7.5% in loans when compared to last year and the industry has grown 59.2% in net income with inflation back to normal levels, an improvement in asset quality, and loan growth.

The Chilean selective share price index has also shown important momentum, rising 7% during the second quarter and breaking historical records. The Chilean market has performed very well through out the European debt crisis and the downgrades of sovereign debt.

On the next slide, **number four,** is a brief overview of each of our operating segments. In Retail Banking, we've had a strong performance when compared on a year-on-year basis. Mortgage loans are growing at about 16%, consumer loans at 8% and commercial loans, which are related to SMEs, are growing at about 14%. Asset quality when compared to prior quarters has improved significantly with a reduction of 28% in provision expenses when compared to the second quarter of 2009. As for net income before taxes, this also rose above those figures posted in the second quarter of 2009 by approximately 26%.

Our wholesale divisions also grew strong with a loan growth of 6.1%. In the profit and loss statement, these divisions saw a firm increase in fee income of about 23.7%, improved asset quality figures with a reduction of provision charges of 67% and a noteworthy rise in net income of 266%.

Treasury also made important contributions during the quarter by placing two long-term subordinated bonds that totalled approximately $480 million US dollars. The first bond was placed at a spread of 67 basis points above the central bank long-term benchmark rate while the second one managed to achieve a remarkably low 33 basis point spread, clearly demonstrating the confidence that the market maintains with the bank.

Our subsidiaries have also had important accomplishments during the period. Stock brokerage transactions are up 11.7%, assets under management in our mutual fund business has also grown to $8.8 billion US dollars, up by 28%, insurance brokerage premiums were up 19% and Banchile Citi Global Markets, our investment bank, has placed the second “Huaso Bond”, which is an international bond placement in the local market. All this translates to a healthy increase in net income from our subsidiary operations of 6.2% when compared to the same quarter last year.

On the next slide**, number five,** is a closer discussion of our overall net income figure. We were able to finish the second quarter with an outstanding net income that rose 48% over the same period last year and reached Ch$108 billion pesos. This was a result of:

- Higher net interest income related to loan growth and inflation indexed revenues from our long position in UF Assets,

- Consistent fee revenue growth, and

- An improvement in asset quality.

- This allowed us to reach an excellent return on average capital of 30%.

On the following slide, **number six,** is a closer look at our operating revenues. The chart on the left clearly demonstrates our ability to continue growing in each line item.

1. Net interest revenues, including revenues from inflation indexed assets, grew by $20 billion pesos, equal to 11%.
2. Net fee revenue grew by $3 billion pesos, equal to 5%. This rise was due to higher volumes managed by our Securities Brokerage and Mutual Fund subsidiaries as well as higher loan origination fees, and
3. Net financial and foreign currency revenues grew by $5 billion pesos, or 26% as a result of higher net gains from available for sale securities.

   The chart on the right shows the composition of net interest revenues. The rise of $20 million pesos is principally due to an increase in revenues from our retail banking operations which grew by 11% when compared to the second quarter of 2009. This was in line with the loan growth experienced in this banking segment.

Treasury interest revenues also grew by 28% during the quarter as a result of the effect of the positive 1% inflation rate on our long position in inflation indexed assets.

As demonstrated on the next slide, number 7, during the second quarter we have observed an improvement in provision for loan losses which decreased by 42% when compared to the same quarter last year and by 33% when compared to the prior quarter. Delinquencies to total loans also improved moving from 0.77% in the 2Q09 to 0.68% in 2Q10.

The YoY decrease in provision expenses relates to a better outlook for the local economy and some specific sectors - such as fishing and retail - as compared to the the first half of 2009. The risk profiles of these industries have improved as the economic indicators are gradually returning to their mid-term values from which we significantly reduced the provisions in our Wholesale segment. To a lesser extent, our Retail segment has also recorded an upturn, due to a recovery in our customers' payment capacity fueled by a lower unemployment rate and a higher consumer confidence level.

It's important to mention that we are anticipating that the recent earthquake will not deteriorate the loan portfolio significantly for us and should be more than offset by the strong economic rebound in Chile.

However, even though we expect that overall credit risk charges should return to their mid-term levels, the chance of isolated credit risk volatilities, emerging from specific corporate customers, is still present.

Moving forward to slide **number 8**, we can observe that our total operating expenses increased slightly by 6% year-on-year when we remove $16 billion pesos in particular items. This increase was mainly due to a rise in staff expenses of 4% and administrative expenses, which rose by 7% due repairs related to the earthquake and IT expenses. However, it’s important to mention that our headcount decreased slightly by 3% year-on-year and that this rise is staff expenses.

Similar to our total operating revenue, operating expenses are mainly related to our retail banking areas. The higher amount of expenses assigned to the retail segment is due to higher demand which influences product processing costs as well as particular items.

Now, regarding our loan portfolio, we grew by about 10% year-on-year, **as described on slide number 9,**

Wholesale loans also grew strong during the 12 month period but at a slower pace of 6%. This rise is consistent with the more positive business sentiment that has encouraged large companies to gradually undertake projects that were postponed during the financial downturn in the Chilean economy.

Our overall strong growth during the 12 month period was driven by the Retail portfolio, as seen on the chart on the right, which grew 13% over last year and accounts for roughly 50% of our total loan book.

This robust growth was partly due to a rise in mortgage loans of 16% year-on-year and just over 5% quarter-on-quarter. Our growth in this product is due to our aggressive sales strategy and firm focus to deliver our products with excellent customer service. This has allowed us to capture approximately 70 basis points in market share over the last 12 months, ending the quarter with a participation of 14.8%.

Commercial loans to SMEs have also grown during the 12 month period with a substantial increase of 14% while consumer loans also picked up speed and grew just under 8%. This trend is in line with the recovery signals observed during the last quarters which showed positive consumer confidence on the economy's outlook, strong retail sales and unemployment levels.

As mentioned, the economy is expected to grow strong during the second semester and throughout 2011. In the mid-term, we also anticipate to see a more robust demand for both retail and commercial loans.

On the liability side, as described on **slide number 10**, our quarterly average current account balances have continued to increase with a 26% rise in balances held with individuals and a 23% rise in balances held with companies.

These increases are due to our successful cross-selling initiatives, our selective expansion in current account customers and the higher liquidity from our customers. Accordingly, we are the market leader in terms of balances held in our accounts and at June 2010 we had a market share of 24%.

This funding base is one of our major competitive advantages. Our sight deposits account for approximately 27% of our total funding structure. This is superior to that of the banking system which only account for about 17%.

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.**

At the end of quarter, we had a basic capital to total assets ratio of 6.5% and a total capital ratio of 13.5%, both well above the legal required limits of 3% and 10%. As mentioned, during the quarter, we issued long-term subordinated bonds in UF amounting to about $480 billion dollars at a rate of 67 basis points and 33 basis points above the Central Bank long-term rate, clearly showing the markets confidence in our solvency and raising our Effective Equity by 16%.

Finishing up on the following slide, **number 12**, shows our excellent share performance during the year.

As of yesterday, August 3rd, the IPSA showed a strong gain of 21.2%, Banco de Chile compared favourably with an increase of 57.8% during the year. Banco de Chile and the IPSA index's performance measured up against international markets particularly well, despite the volatile environment. This upward trend is also proof of the market's confidence on the Chilean economy, on our Bank's strength exiting the financial crisis and our ability to provide our shareholders with consistently high yields on their investments.

Thank you and if you have any questions we would be happy to answer them.