

CONSOLIDATED FINANCIAL STATEMENTS

as of December 31, 2005 and 2004

(Translation of Financial Statements originally issued in Spanish)

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Ch\$ = Chilean pesos

MCh\$ = Millions of Chilean pesos

US\$ = U.S. dollars

ThUS\$ = Thousands of U.S. dollars

U.F. = Unidad de fomento

(The unidad de fomento is an inflation-indexed, Chilean pesos denominated monetary unit set daily in advance on the basis of the previous month's inflation rate).

El Chile que tú quieres

Chile

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CONSOLIDATED BALANCE SHEETS

BANCO DE CHILE AND SUBSIDIARIES

as of December 31, 2005 and 2004

(Translation of Financial Statements originally issued in Spanish)

(Expressed in million of Chilean pesos)

ASSETS	2005	2004
	MCh\$	MCh\$
CASH AND DUE FROM BANKS	659,308.1	922,677.9
LOANS:		
Commercial loans	3,510,901.7	2,970,510.5
Foreign trade loans	550,769.8	620,616.9
Consumer loans	864,144.1	716,757.7
Mortgage loans	670,346.7	849,397.3
Leasing contracts	454,805.0	356,231.4
Contingent loans	723,574.6	550,013.7
Other outstanding loans	1,335,020.9	969,946.8
Past due loans	71,348.7	87,734.0
Total loans	8,180,911.5	7,121,208.3
Allowance for loan losses	(141,304.8)	(159,317.8)
Total loans, net	8,039,606.7	6,961,890.5
OTHER LOANS:		
Interbank loans	25,012.0	15,744.4
Investments purchased under agreements to resell	46,695.4	27,257.1
Total other loans	71,707.4	43,001.5
INVESTMENTS:		
Government securities	611,538.1	946,547.6
Other financial investments	547,555.8	331,649.9
Investment collateral under agreements to repurchase	244,219.7	359,680.8
Assets held for leasing	22,103.6	27,809.2
Assets received in lieu of payment	10,449.5	16,710.5
Other non-financial investments	1.7	2.3
Total investments	1,435,868.4	1,682,400.3
OTHER ASSETS	336,660.5	243,550.9
FIXED ASSETS:		
Bank premises and equipment, net	142,449.6	137,446.3
Investments in other companies	7,160.3	5,606.5
Total fixed assets	149,609.9	143,052.8
TOTAL ASSETS	10,692,761.0	9,996,573.9

The accompanying notes 1 to 26 are an integral part of these consolidated financial statements

LIABILITIES AND SHAREHOLDERS' EQUITY	2005 MCh\$	2004 MCh\$
DEPOSITS AND OTHER LIABILITIES:		
Current accounts	1,516,219.0	1,475,853.4
Time deposits	4,771,305.5	3,995,728.5
Other demand and time deposits	411,206.2	652,479.2
Securities sold under agreements to repurchase	270,749.6	361,653.1
Mortgage finance bonds	556,504.3	817,288.4
Contingent liabilities	723,907.0	551,330.2
Total deposits and other liabilities	8,249,891.6	7,854,332.8
BONDS ISSUED:		
Bonds	324,703.6	188,049.5
Subordinated bonds	305,284.5	275,890.6
Total bonds issued	629,988.1	463,940.1
BORROWINGS FROM FINANCIAL INSTITUTIONS AND CENTRAL BANK:		
Central Bank credit lines for renegotiation of loans	1,406.7	1,999.6
Other Central Bank borrowings	—	111,517.9
Borrowings from domestic financial institutions	90,160.2	27,349.4
Foreign borrowings	661,492.8	616,988.1
Other liabilities	33,743.2	46,461.0
Total borrowings from financial institutions and Central Bank	786,802.9	804,316.0
OTHER LIABILITIES	250,971.1	175,168.0
Total liabilities	9,917,653.7	9,297,756.9
MINORITY INTEREST	1.0	1.2
SHAREHOLDERS' EQUITY:		
Capital and reserves	596,254.4	539,210.6
Other equity accounts	(1,871.8)	1,482.8
Net income for the year	180,723.7	158,122.4
Total shareholders' equity	775,106.3	698,815.8
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	10,692,761.0	9,996,573.9

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CONSOLIDATED STATEMENTS OF INCOME

BANCO DE CHILE AND SUBSIDIARIES

for the years ended December 31, 2005 and 2004
(Translation of Financial Statements originally issued in Spanish)
(Expressed in million of Chilean pesos)

	2005 MCh\$	2004 MCh\$
OPERATING RESULTS:		
Interest revenue	680,148.1	562,933.6
Gains from trading activities	14,212.8	21,010.5
Income from fees and other services	173,340.8	151,041.4
Gains from foreign exchange transactions	7,570.7	18,295.6
Other operating income	14,266.4	21,663.6
Total operating revenues	889,538.8	774,944.7
Less:		
Interest expense	(310,350.7)	(222,636.7)
Losses from trading activities	(10,924.3)	(24,274.2)
Expenses from fees and other services	(32,735.8)	(28,467.4)
Other operating expenses	(17,078.0)	(12,829.4)
Gross margin	518,450.0	486,737.0
Personnel salaries and expenses	(150,615.9)	(140,917.3)
Administrative and other expenses	(108,926.1)	(92,154.3)
Depreciation and amortization	(18,205.1)	(18,011.0)
Net margin	240,702.9	235,654.4
Provision for loan losses	(23,663.7)	(43,636.0)
Total operating income	217,039.2	192,018.4
NON OPERATING RESULTS:		
Non operating income	7,858.8	4,994.3
Non operating expenses	(12,014.5)	(12,596.9)
Equity participation in net income in investments in other companies	681.3	451.3
Net loss from price-level restatement	(11,449.8)	(7,734.5)
Income before income taxes	202,115.0	177,132.6
Income taxes	(21,390.9)	(19,009.1)
Income after income taxes	180,724.1	158,123.5
Minority interest	(0.4)	(1.1)
NET INCOME FOR THE YEAR	180,723.7	158,122.4

The accompanying notes 1 to 26 are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

for the years ended December 31, 2005 and 2004

(Translation of Financial Statements originally issued in Spanish)

(Expressed in million of Chilean pesos)

	2005	2004
	MCh\$	MCh\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income for the year	180,723.7	158,122.4
Charges (credits) to net income which do not represent cash flows:		
Depreciation and amortization	18,205.1	18,011.0
Provision for loan losses	56,649.7	78,586.3
Unrealized loss on financial investments recorded at market value	3,250.9	742.4
Equity participation in net income in investments in other companies	(681.3)	(451.3)
Gain on sales of assets received in lieu of payment	(5,071.8)	(5,689.0)
Gain on sales of bank premises and equipment	(98.4)	(224.7)
Write-offs of assets received in lieu of payment	10,252.4	7,593.5
Net loss from price-level restatement	11,449.8	7,734.5
Minority interest	0.4	1.1
Other credits which do not represent cash flows	(2,044.4)	(978.1)
Net changes in interest accruals	(61,745.6)	3,389.5
Total cash flows from operating activities	210,890.5	266,837.6
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net increase in loans	(914,393.9)	(517,541.1)
Net (increase) decrease in other loans	(30,211.1)	1,448.1
Net decrease in investments	7,248.5	156,425.3
Purchases of bank premises and equipment	(18,271.5)	(12,752.8)
Proceeds from sales of bank premises and equipment	291.5	1,394.6
Investments in other companies	(1,665.2)	(302.0)
Proceeds from sales of investments in other companies	19.8	12.1
Dividends received from investments in other companies	560.0	759.7
Proceeds from sale of assets received in lieu of payment	14,863.1	17,313.7
Net increase in other assets and liabilities	(22,261.5)	(9,389.3)
Total cash flows from investing activities	(963,820.3)	(362,631.7)

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CONSOLIDATED STATEMENTS OF CASH FLOWS

BANCO DE CHILE AND SUBSIDIARIES

for the years ended December 31, 2005 and 2004

(Translation of Financial Statements originally issued in Spanish)

(Expressed in million of Chilean pesos)

	2005	2004
	MCh\$	MCh\$
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase in current accounts	91,649.8	203,775.2
Net increase in time deposits	869,345.6	267,984.6
Net increase (decrease) in other demand or time liabilities	(218,462.4)	29,592.2
Net decrease in investments sold under agreements to repurchase	(78,399.0)	(80,333.9)
Net increase (decrease) in short-term foreign borrowings	(325,578.6)	75,512.0
Issuance of mortgage finance bonds	510,989.1	138,874.8
Repayment of mortgage finance bonds	(716,634.9)	(330,103.0)
Net increase (decrease) in other short-term borrowings	(45,399.3)	44,921.7
Borrowings from Central Bank (long-term)	554.5	2,128.7
Payment of borrowings from Central Bank (long-term)	(1,100.9)	(3,152.4)
Issuance of bonds	169,285.6	180,597.0
Payment of bonds	(14,233.7)	(10,321.5)
Long-term foreign borrowings	706,620.3	239,094.7
Payment of long-term foreign borrowings	(316,862.5)	(441,862.9)
Payment of borrowings from financial institutions (long-term)	—	(106.6)
Other long-term borrowings	1,478.1	1,880.2
Payment of other long-term borrowings	(10,605.6)	(886.6)
Common stock repurchased	—	(54,661.2)
Sale of shares acquired in the Bank shares repurchase program	57,636.9	—
Dividends paid	(152,622.5)	(135,249.7)
Total cash flows from financing activities	527,660.5	127,683.3
TOTAL NET POSITIVE (NEGATIVE) CASH FLOWS FOR THE YEAR	(225,269.3)	31,889.2
Effect of price-level restatement on cash and due from banks	(38,100.5)	(19,083.5)
Net increase (decrease) in cash and due from banks	(263,369.8)	12,805.7
Cash and due from banks at beginning of year	922,677.9	909,872.2
Cash and due from banks at end of year	659,308.1	922,677.9

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of December 31, 2005 and 2004

1. COMPANY INFORMATION:

Banco de Chile ("Banco de Chile or the "Bank") is a corporation organized under the laws of the Republic of Chile, regulated by the Chilean Superintendencia de Bancos e Instituciones Financieras (the "Superintendency of Banks and Financial Institutions"). Starting in 2001 Banco de Chile is regulated by the United States Securities and Exchange Commission ("SEC"), as the Bank is listed on the New York Stock Exchange ("NYSE") through its American Depository Receipt (ADR) program, which are also registered in the London Stock Exchange. Banco de Chile's shares are also listed on the Madrid Stock Exchange to be traded on the Latinamerican securities market ("LATIBEX").

Banco de Chile offers a broad range of banking services to customers ranging from individuals to large corporations. The services are managed in the following segment areas for internal reporting purposes: large corporate banking, middle market corporate banking, retail and personal banking services, international banking services and treasury banking services. The Bank's subsidiaries provide other services including securities brokerage, mutual fund management, factoring, insurance brokerage and financial advisory.

2. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES:

(a) Basis of consolidation:

The consolidated financial statements of Banco de Chile as of December 31, 2005 and 2004 have been consolidated with those of its Chilean subsidiaries, foreign subsidiary and its branches in New York and Miami.

All prior year amounts have been price-level restated to reflect the changes in the Consumer Price Index (CPI) (3.6%).

The ownership percentages of subscribed and paid-in capital are as follows:

	Interest Owned	
	2005	2004
	%	%
Banco de Chile New York Branch	100.00	100.00
Banco de Chile Miami Branch	100.00	100.00
Banchile Trade Services Limited (Hong Kong)	100.00	100.00
Banchile Administradora General de Fondos S.A.	99.98	99.98
Banchile Asesoría Financiera S.A.	99.94	99.94
Banchile Corredores de Seguros Ltda.	99.75	99.75
Banchile Corredores de Bolsa S.A.	99.68	99.68
Banchile Factoring S.A.	99.52	99.52
Banchile Securitizadora S.A.	99.00	99.00
Socofin S.A.	99.00	99.00
Promarket S.A.	99.00	99.00

The subsidiaries' assets and operating income represent 9.0% and 13.0% (11.1% and 13.0% in 2004) of total consolidated assets and operating income, respectively.

Significant intercompany balances and transactions originated by operations between the bank and its subsidiaries have been eliminated. Minority interest is shown as a separate item in the Consolidated Balance Sheet and Consolidated Statement of Income.

For the purposes of the consolidation, the financial statements of the New York and Miami branches and foreign subsidiary have been translated into Chilean pesos at the closing exchange rate of 514.21 Chilean pesos to US\$ 1 (559.83 Chilean pesos to US\$ 1 in 2004), in accordance with the accounting rules related to foreign investments in countries in a stable economic environment as set out in Technical Bulletin N° 64 (issued by the Chilean Association of Accountants A.G.).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

BANCO DE CHILE AND SUBSIDIARIES

As of December 31, 2005 and 2004

(b) Accounting principles applied:

The Bank, its subsidiaries, its foreign subsidiary and branches abroad, prepare their financial statements according to Generally Accepted Accounting Principles in Chile and specific accounting regulations from the different regulatory bodies in each field of business which are the Superintendency of Banks and Financial Institutions, the Superintendency of Securities and Insurance, and the regulations of the United States banking entities.

The use of different regulations creates certain differences in the consolidated financial statements, mainly in the areas of accounting for financial investments and in the use of price-level restatement. Such differences are not considered to be significant.

(c) Interest and readjustments:

Loans, investments and liabilities are stated including their corresponding interest and readjustments accrued as of the Consolidated Balance Sheet date. However, a conservative criteria has been applied to suspending interest accruals and readjustments of past due loans, and to outstanding current loans of doubtful recovery.

The Bank suspends the accrual of interest and readjustments on loans when there is a high risk of unrecoverability or from the first day in which they become overdue. Accrued interest up to the suspension date remains on the Bank's assets and is considered a part of the loan balance when determining the allowance for loan losses.

(d) Use of estimations in the preparation of financial statements:

The preparation of consolidated financial statements in conformity with Generally Accepted Accounting Principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from such estimates.

(e) Price-level restatement:

Shareholders' equity, fixed assets, and other non-monetary assets and liabilities have been restated according to the variation in the CPI. The application of this method resulted in a net charge to income of MCh\$11,449.8 (MCh\$7,734.5 in 2004). The detail of the price-level restatement charge is as follows:

	2005	2004
	MCh\$	MCh\$
Shareholders' equity	(18,327.0)	(12,418.6)
Bank premises and equipment	4,673.6	3,128.1
Investments in other companies	2,187.7	1,073.5
Other	15.9	482.5
Net loss from price-level restatement	(11,449.8)	(7,734.5)

(f) Foreign currencies:

The Bank and its subsidiaries carry out forward operations (i.e. contracts to purchase currencies at future dates). Forward contracts between US dollars and Chilean pesos or Unidades de Fomento (a Chilean peso-denominated, inflation indexed monetary unit) and foreign exchange forward contracts are valued at the exchange rate prevailing as of each year-end. In addition to the aforementioned forward contracts, the Bank and its subsidiaries purchase and sell foreign exchange forward contracts, which are valued at the daily observed exchange rate.

Likewise, the Bank and its subsidiaries grant loans, make investments, receive deposits and assume obligations both denominated in and indexed to foreign currencies. These assets and liabilities, which are principally denominated in US dollars, are recorded at their equivalent in Chilean pesos, calculated at the exchange rate prevailing as of the balance sheet date.

Foreign currency assets and liabilities have been translated into Chilean pesos at the closing exchange rate of 514.21 Chilean pesos to US\$1 (559.83 Chilean pesos US\$ 1 in 2004).

The balance of MCh\$7,570.7 corresponding to the net gains from foreign exchange transactions (MCh\$18,295.6 in 2004), shown in the Consolidated Statement of Income, includes both the results of foreign exchange transactions as well as the recognition of the effects that fluctuations in the exchange rates had on assets and liabilities stated in foreign currencies.

(g) Financial investments:

Financial investments traded on a secondary market are shown adjusted to market value, following specific instructions from the Superintendency of Banks and Financial Institutions. These instructions require that such adjustments be recognized against income, except in the case of the investment portfolio classified as permanent which should be recorded directly in the equity account, "Change in unrealized gains (losses) on permanent financial investments".

The application of this adjustment generated a net charge to income for the year amounting to MCh\$3,250.9 (MCh\$742.4 in 2004), which was included in operating income under "Gains from trading activities". The adjustment of the permanent investment portfolio, generated a net charge to equity in the amount of MCh\$88.9 (MCh\$243.7 in 2004), which was generated entirely from permanent investment portfolios of foreign branches.

Other investments in securities are shown at purchase cost plus adjustments and accrued interest.

(h) Transactions with repurchase and resale agreements:

The Bank and its subsidiaries enter into security repurchase agreements as a form of borrowing. The Bank's investments that are sold subject to a repurchase obligation and that serve as collateral for borrowings are reclassified as "Investment collateral under agreements to repurchase". The liability to repurchase the investment is classified as "Securities sold under agreements to repurchase", which is valued in accordance with the agreed-upon interest rate.

The Bank and its subsidiaries also enter into resale agreements as a form of investment. Under these agreements the Bank and its subsidiaries purchases securities, which are included as assets under the caption "Investments purchased under agreements to resell", which are valued in accordance with the agreed-upon interest rate.

(i) Assets received in lieu of payment:

Assets received in lieu of payment are recorded at restated cost less regulatory charge-offs and presented net of a global valuation allowance. Regulatory charge-offs are required by the Superintendency of Banks and Financial Institutions if the asset is not sold within one year of foreclosure.

(j) Bank premises and equipment, net:

Bank premises and equipment are stated at acquisition cost plus price-level restatement (except Branches in New York and Miami) and net of accumulated depreciation. Depreciation is calculated using a straight-line method over the estimated useful lives of the related assets.

Real estate held for sale amounted to MCh\$353.3 as of December 31, 2005 (MCh\$511.6 in 2004). In order to reflect the realization value of these assets, a provision amounting to MCh\$285.2 has been charged to income (MCh\$304.4 in 2004).

(k) Leasing contracts:

Accounts receivable for leasing contracts, included under the caption loans, correspond to the periodic rent installments of contracts which meet the requisites to be classified as financial leases and are presented at their nominal value net of unaccrued interest and taxes as of each year-end.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

BANCO DE CHILE AND SUBSIDIARIES

As of December 31, 2005 and 2004

(l) Factoring transactions:

The Bank and its subsidiary Banchile Factoring S.A. carry out factoring transactions with their customers, by means of which they receive invoices and other commercial instruments representative of credit, with or without responsibility, and they advance to the assigner a percentage of the total amounts to be collected from the original debtor.

The caption "Other outstanding loans" includes MCh\$310,478.7 (MCh\$204,469.9 in 2004), corresponding to the amount advanced to the assigner plus accrued interest net of payments received.

(m) Investments in other companies:

Shares or rights in other companies, with 10% or more of equity participation or where the Bank has the right to elect one member to the Board of Directors or management of such companies, are accounted for using the equity method, recognizing income on an accrual basis. Other investments are stated at cost plus price-level restatement.

(n) Translation of financial statements of the Bank's foreign branches and subsidiaries:

The Bank translates the accounting records of its branches in New York and Miami, USA and its subsidiary Banchile Trade Services Limited, Hong Kong to Chilean pesos from US dollars in accordance with guidelines established by the Superintendency of Banks and Financial Institutions which are consistent with Technical Bulletin No. 64, "Accounting for investments Abroad", issued by the Chilean Association of Accountants. All income Statement and Balance Sheet amounts are translated into Chilean pesos as of the exchange rate in effect as of the applicable balance sheet date. Under this standard the foreign investment recorded in the parent company's books is price-level restated, the effects of which are reflected in income, while any foreign exchange gains or losses between the Chilean peso and the US dollar, net of the effects of Chilean inflation, is recorded in shareholders' equity in the account "Other equity accounts".

(ñ) Derivatives:

The Bank and its subsidiaries protects itself against variations in the foreign exchange market by using forward contracts, currency forward contracts, currency swaps and interest rates swaps. These activities include hedging and treasury operations and help the Bank and its subsidiaries provide capital markets products to its clients.

Forward contracts are valued at the exchange rate prevailing as of the close of each month and, in accordance with regulations of the Superintendency of Banks and Financial Institutions, the initial differences produced by this type of operation are recognized as deferred assets or liabilities and are amortized over the duration of the respective contract. In addition to the aforementioned forward contracts, the Bank and its subsidiaries have currency futures contracts. These contracts are valued based on international futures quotes at the daily observed exchange rate and resulting gains or losses are charged to income on an accrual basis.

The interest rate swap contracts are valued at the close of each month in accordance with the agreed-upon interest rates, recording the differences as a credit or charge to income. Additionally, the Bank and its subsidiaries charge to income the adjustment to market value of the swap contract portfolio which is used to hedge interest rate and foreign currency risks.

The assets and liabilities related to the derivative contracts are netted and recorded in "Other Liabilities" (See Note 18).

(o) Loans, allowances, charge-offs and recoveries of loans:

The loans granted and acquired by the Bank and its subsidiaries are initially recorded at cost (i.e. the original amount loaned). After this initial recording, the loans are valued at their amortized cost and disclosed net of allowances for loan losses.

In accordance with regulations of the Superintendency of Banks and Financial Institutions, the Bank, its subsidiaries and foreign branches utilize models or methods, based on an individual and group analysis of the debtors, to constitute the allowances for loan losses.

- Allowances for individual evaluations

An individual analysis of debtors is applied to individuals or companies with whom, due to size, complexity or level of exposure with the entity, the Bank must be completely familiar. Likewise, it requires assigning a risk category to each debtor and its respective loans. This risk category should contemplate the following factors: industry or sector, partners and administration, financial situation, behavior and payment capacity.

One of the following categories must be assigned to each debtor and its loans after the analysis has been finalized:

- Categories A1, A2 and A3 correspond to debtors without significant risks, whose payment capacity will continue to be positive even if unfavorable business, economic or financial situations should arise.
- Category B corresponds to debtors that present some risk, but that do not show any sign of impairment. However, these debtors might stop paying some of its obligations in the fact of foreseeable, adverse business, economic or financial situations.
- Categories C1, C2, C3, C4, D1 and D2 correspond to debtors with insufficient payment capacity.

In order to determine allowances for loan losses classified as A1, A2, A3 and B, the Bank uses percentages approved by its Board of Directors. Allowance for debtors classified as C1, C2, C3, C4, D1 and D2 were determined, in conformity with new regulations, as follows:

Category	Range of estimated loss	Allowance
C1	Up to 3%	2%
C2	More than 3% up to 19%	10%
C3	More than 19% up to 29%	25%
C4	More than 29% up to 49%	40%
D1	More than 49% up to 79%	65%
D2	More than 79%	90%

- Allowances for group evaluations

The group analysis is used to analyze a large number of operations whose individual amounts are not significant. For this analysis, the Bank uses models based on attributes of the debtors and their loans, and on the behavior of a group of loans. In the group evaluations, the allowances are always constituted in accordance with the estimated loss using the aforementioned models.

- Additional allowances

In conformity with regulations of the Superintendency of Banks and Financial Institutions, the Bank has constituted additional allowances for its individually evaluated loan portfolio, taking into consideration the expected impairment of this portfolio. The calculation of this allowance is performed based on the Bank's historical experience and considering possible future adverse macroeconomic conditions or circumstances that could affect a certain sector, industry, groups of debtors or projects.

- Charge-offs

Loans are written-off when the collection efforts have been exhausted but not later than the maximum periods prescribed by the Superintendency of Banks and Financial Institutions, which are as follows:

- 24 months past due (6 months past due for consumer loans) for loans without collateral.
- 36 months past due for loans with collateral.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

BANCO DE CHILE AND SUBSIDIARIES

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- Loan loss recoveries

Cash recoveries on written-off loans including loans which were reacquired from the Central Bank of Chile, recorded in memorandum accounts, are recorded directly to income, in the Consolidated Income Statement, within "Provision for loan losses".

As of December 31, 2005, recoveries on written-off loans amounted to MCh\$32,986.0 (MCh\$34,950.3 in 2004).

(p) Deferred taxes and income taxes:

The effects of deferred taxes arising from temporary differences between the tax basis and financial basis of accounting are recorded on an accrual basis in accordance with Generally Accepted Accounting Principles in Chile.

Income taxes are recognized in accordance with the Chilean tax legislation.

(q) Staff vacations:

The annual cost of vacations and staff benefits are recognized on an accruals basis.

(r) Expenses related to loans:

Expenses incurred for commissions paid to the Bank's sales staff are capitalized in "Other Assets" (See Note 18) and amortized in income using the straight-line method over the duration of the respective loans.

(s) Intangibles:

In accordance with instructions from the Superintendency of Banks and Financial Institutions, intangible assets are classified in "Other Assets". As of December 31, 2005, intangible assets amount to MCh\$14,291.6 (MCh\$11,484.5 in 2004), corresponding to investments in software and MCh\$5.1 (MCh\$2.3 in 2004) corresponding to payments for licenses to use trademarks. Both investments in software and licenses to use trademarks are valued at price-level restated cost and amortized using the straight-line method over their useful lives. The amortization period of the investments in software cannot exceed six years.

(t) Staff severance indemnities:

The Bank has agreed to compensate certain employees who retire after 30 years of service. This liability includes the accrued proportion in respect of those employees entitled to the compensation, but have not yet received such payments as of December 31, 2005 and 2004.

As of December 31, 2005 and 2004, this liability has been calculated using the present value method, discounting at a rate of 6% and 7% per annum respectively.

(u) Cash and cash equivalents:

In conformity with specific provisions applicable to financial institutions, the Bank has considered as cash and cash equivalents only the "Cash and due from banks" balance in the Consolidated Balance Sheet. The Consolidated Statement of Cash Flows has been prepared using the indirect method.

(v) Reclassifications:

For comparison purposes, certain reclassifications have been made to the consolidated financial statements of 2004.

3. ACCOUNTING CHANGES:

During 2005, there have not been accounting changes that may significantly affect these consolidated financial statements.

4. RELEVANT EVENTS:

- (a) Agreement between Banco de Chile and U.S. regulators regarding the New York and Miami branches.

Banco de Chile agreed with the Office of the Comptroller of the Currency (OCC), and separately with the Board of Governors of the Federal Reserve System (FED), that as part of their targeted examinations being conducted on the Bank's New York and Miami Branches respectively, enforcement actions called "Consent Order" and "Cease and Desist Order Upon Consent" be issued, both effective on February 1st, 2005, by virtue of which the Bank and its respective branches have committed to take various steps set forth therein, principally in the areas of compliance with provisions regarding Bank Secrecy Act and Anti – Money Laundering.

In the opinion of the Banco de Chile's management, as of December 31, 2005, the New York and Miami Branches are in compliance with the OCC and FED Consent Orders.

- (b) The Ordinary Shareholders Meeting of Banco de Chile held on March 17, 2005, renewed the whole Board of Directors due to expiry of the legal and statutory term of the Board (three years) which ceased its functions. Additionally Alternate Directors were designated.

After the corresponding vote held at the above mentioned Meeting, the following persons were elected as Bank Directors for a new three-year term:

Directors:

- Jorge Awad Mehech
- Fernando Cañas Berkowitz
- Jacob Ergas Ergas
- Thomas Fürst Freiwirth
- Andrónico Luksic Craig
- Guillermo Luksic Craig
- Rodrigo Manubens Moltedo
- Gonzalo Menéndez Duque
- Máximo Pacheco Matte
- Francisco Pérez Mackenna
- Segismundo Schulín-Zeuthen Serrano

Deputy Directors:

- Edmundo Eluchans Urenda
- Jorge Ergas Heymann

At Extraordinary Board of Directors Meeting held on March 17, 2005, after the Ordinary General Shareholders' Meeting mentioned above, the following designations were agreed:

Chairman of the Board: Fernando Cañas Berkowitz

Vice-president of the Board: Andrónico Luksic Craig

Board Advisors:

- Jorge Díaz Vial
- Francisco Garcés Garrido
- Máximo Silva Bafalluy

- (c) Board of Directors Meeting No. 2,596 held on March 24, 2005, agreed to begin the process of selling 1,701,994,590 shares of Banco de Chile acquired through the Share Repurchase Program issued by the bank during April 2004, as stated in articles 27 to 27 D of Law 18,046 on Corporations, in accordance with what was agreed upon at the Extraordinary Shareholders' Meeting held on March 20, 2003 and the approval of the Superintendency of Banks and Financial Institutions in letter No. 6,650 dated June 5, 2003.

In accordance with the above, at meeting No. 2,599, held on May 12, 2005, the Board agreed to offer 100% of the shares purchased as per the aforementioned Repurchase Program, in two preferential offer periods. These preferential offers were in force from May 24 until July 22, 2005, period in which the shareholders acquired 2,773,842 shares, leaving 1,699,220,748 shares to be sold.

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Likewise, in accordance with Article 27 C of the Corporations Law, Article 25 of Law No. 19,396 and Agreement No. 1194-01-050505 issued by the Chilean Central Bank, the remaining shares equivalent to 2.4959% of shares issued by Banco de Chile were registered for sale to third parties in the Santiago Stock Exchange (“Bolsa de Comercio de Santiago”), Securities Exchange (“Bolsa de Valores”). That process began on July 25 and ended on August 2, 2005 with the total liquidation of the 1,699,220,748 shares at a price of Ch\$34.5 per share.

The complete transaction involving the sale of shares issued by Banco de Chile, implied a credit to shareholders’ equity “Reserves” in the amount of MCh\$57,636.9 (in historical pesos).

- (d) On October 12, 2005, Banco de Chile entered into agreements with the Office of the Comptroller of the Currency (OCC), and separately with the Financial Crimes Enforcement Network (FinCEN) requiring its New York and Miami branches (“the U.S. Branches”) a total payment of a three million dollars civil money penalty to resolve allegations related to Bank Secrecy Act, in particular its U.S. anti – money laundering compliance program and suspicious activity reporting obligations.

Likewise and with the same date, the Financial Crimes Enforcement Network issued an Assessment of Civil Money Penalty, and the Office of the Comptroller of the Currency issued a Consent Order for Civil Money Penalty.

- (e) On December 29, 2005, Banco de Chile informed that on December 28, it had signed a Mortgage life Insurance Agreement with Banchile Seguros de Vida S.A., a company related to Banco de Chile, which states the particular terms of the mortgage insurance purchased by Banco de Chile for its portfolio of debtors with the mentioned entity, in accordance with Article 44 of the Corporations Law. The Bank’s Board deemed that the price and other terms of the transactions are in accordance with the conditions normally prevailing in the market.

5. RELATED PARTY TRANSACTIONS:

In accordance with the General Banking Law and Superintendency’s instructions, related party transactions are defined as those persons or entities, related directly or indirectly to the owners or management of the Bank and its subsidiaries.

(a) Loans granted to related parties:

As of December 31, 2005 and 2004 loans granted to related parties are as follows:

	Loans		Past due loans		Total		Collateral (*)	
	2005	2004	2005	2004	2005	2004	2005	2004
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Productive companies	111,003.3	114,795.4	—	—	111,003.3	114,795.4	48,372.6	46,634.2
Investment companies	8,252.4	17,636.0	—	—	8,252.4	17,636.0	124.4	2,426.9
Individuals (**)	3,669.0	3,035.8	—	—	3,669.0	3,035.8	3,101.2	2,723.5
Total	122,924.7	135,467.2	—	—	122,924.7	135,467.2	51,598.2	51,784.6

(*) Includes only those amounts of collateral computable towards individual credit limits as established in Article No. 84 of the General Banking Law, valued in accordance with instructions of the Superintendency of Banks and Financial Institutions.

(**) Includes only those obligations of individuals whose debts are equal to or greater than U.F. 3,000 (MCh\$53.9).

(b) Other related party transactions:

The Bank and its subsidiaries have undertaken related party transactions greater than U.F. 5,000 (MCh\$89.9) during 2005 and 2004, as follows:

	Expenses		Income	
	2005	2004	2005	2004
	MCh\$	MCh\$	MCh\$	MCh\$
Redbanc S.A.:				
Expenses for electronic funds transfers of the automated teller machines	3,464.7	2,908.4	—	—
Operadora de Tarjetas de Crédito Nexus S.A.:				
Service expenses	2,571.2	2,140.6	—	—
Empresa Nacional de Telecomunicaciones S.A.:				
Telephone expenses	2,242.0	2,372.2	—	—
Entel Telefonía Local S.A.:				
Telephone expenses	782.3	290.0	—	—
Sonda S.A.:				
Service expenses	597.9	—	—	—
Depósito Central de Valores, Depósito de Valores S.A.:				
Service expenses	408.5	269.0	—	—
Banchile Cía. de Seguros de Vida S.A.:				
Service expenses	258.3	250.7	—	—
Plaza Oeste S.A.:				
Rental expenses	241.1	—	—	—
Entel PCS Telecomunicaciones S.A.:				
Telephone expenses	219.9	226.2	—	—
Bolsa de Comercio de Santiago Bolsa de Valores:				
Service expenses	206.9	88.3	—	—
Artikos S.A.:				
Service expenses	119.2	14.1	—	—
Asociación de Bancos e Instituciones Financieras:				
Service expenses	105.9	109.4	—	—
Cía. Nac. de Teléfonos Telefónica del Sur S.A.:				
Advisory expenses	—	151.6	—	—
Telephone expenses	57.8	108.5	—	—
Línea Aérea Nacional Chile S.A.:				
Rental income	—	—	111.5	111.7
Subtotal	11,275.7	8,929.0	111.5	111.7
Transactions between 1,000 and 5,000 U.F.:				
Service expenses	181.9	190.7	—	—
Rental expenses	179.1	—	—	—
Total	11,636.7	9,119.7	111.5	111.7

In the opinion of Bank's management the related party transactions were carried out at normal market prices prevailing at the date on which they were made.

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6. CASH AND DUE FROM BANKS:

Included in "Cash and due from banks" are amounts maintained by the Bank with various foreign and local banks, including the Chilean Central Bank ("Central Bank").

In accordance with guidelines established by the Superintendency of Banks and Financial Institutions, the Bank must maintain certain non-interest bearing balances in its account with the Central Bank. The required balances are based upon specified financial criteria, including the level of the Bank's deposits, the amounts of its foreign borrowings and its average liabilities. These restricted cash amounts totaled MCh\$203,455.9 and MCh\$189,258.3 as of December 31, 2005 and 2004, respectively.

7. LOANS:

The loans included in the accompanying consolidated balance sheets are segregated into subcategories as described below:

- Commercial loans are short-term and long-term loans granted to companies or businesses, at variable or fixed interest rates in order to finance working capital or investments.
- Foreign trade loans are variable or fixed rate, short-term loans granted in foreign currencies (principally U.S. dollars) to finance imports and exports.
- Consumer loans are loans to individuals granted principally in Chilean pesos or UF, generally on a fixed rate basis, to finance the purchase of consumer goods or to pay for services. Credit card balances subject to interest charges are also included in this category.
- Mortgage loans are inflation indexed, fixed rate, long-term loans with monthly payments of principal and interest collateralized by a real state mortgage. These loans are financed through the issuance of mortgage finance bonds. At the time of its issuance the amount of a mortgage loan cannot be more than 75% of the value of the property.
- Leasing contracts are agreements for financing leases of capital equipment and other property.
- Contingent loans consist of open and unused letters of credit together with guarantees granted by the Bank in Ch\$, UF and foreign currencies (principally U.S. dollars).
- Other outstanding loans principally include bills of exchange, other mortgage loans, which are financed by the Bank's general borrowings and factoring.
- Past due loans represent loans or shares of loans that are overdue as to any payment of principal or interest by 90 days or more.

8. LEASING CONTRACTS:

The Bank's scheduled cash flows to be received from leasing contracts have the following maturities:

Maturity	Total receivable		Unearned income		Net lease receivable	
	2005	2004	2005	2004	2005	2004
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Due within one year	147,792.7	112,351.1	(21,446.0)	(17,769.3)	126,346.7	94,581.8
Due after 1 year but within 2 years	111,951.0	80,750.9	(15,843.4)	(13,504.3)	96,107.6	67,246.6
Due after 2 years but within 3 years	79,853.9	61,093.5	(11,439.2)	(10,079.9)	68,414.7	51,013.6
Due after 3 years but within 4 years	58,085.5	44,423.4	(8,293.0)	(7,600.6)	49,792.5	36,822.8
Due after 4 years but within 5 years	36,540.0	36,811.9	(6,033.2)	(5,607.8)	30,506.8	31,204.1
Due after 5 years	97,244.8	88,566.6	(13,608.1)	(13,204.1)	83,636.7	75,362.5
Total	531,467.9	423,997.4	(76,662.9)	(67,766.0)	454,805.0	356,231.4

The rented assets principally consist of real estate, industrial machinery, vehicles and computer equipment. The accumulated allowance for minimum payments of uncollectible leases amounts to MCh\$5,856.3 (MCh\$6,071.7 in 2004). This provision forms part of the allowance for loan losses.

9. BANK PREMISES AND EQUIPMENT, NET:

The major categories of Bank premises and equipment net of accumulated depreciation, in accordance with guidelines established by the Superintendent of Banks and Financial Institutions are as follows:

	2005	2004
	MCh\$	MCh\$
Land and buildings	95,611.1	95,458.5
Machinery and equipment	38,559.1	33,094.7
Furniture and fixtures	5,185.9	5,539.0
Vehicles	834.6	840.9
Other	2,258.9	2,513.2
Total	142,449.6	137,446.3

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10. INVESTMENT IN OTHER COMPANIES:

This caption includes investments in other companies for MCh\$7,160.3 (MCh\$5,606.5 in 2004), as follows:

Company	Shareholder	Investment							
		Ownership		Equity		Book value		Income (Loss)	
		2005	2004	2005	2004	2005	2004	2005	2004
		%	%	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Administrador Financiero de Transantiago S.A. (1)	Banco de Chile	20.00	—	6,349.6	—	1,269.9	—	70.3	—
Servipag Ltda.	Banco de Chile	50.00	50.00	2,461.3	2,038.5	1,230.7	1,019.2	211.4	157.8
Soc. Operadora de Tarjetas de Crédito Nexus S.A.	Banco de Chile	25.81	25.81	4,431.5	4,279.9	1,143.6	1,104.5	181.8	178.1
Redbanc S.A.	Banco de Chile	25.42	25.42	3,589.7	3,601.8	912.6	915.6	139.5	143.0
Transbank S.A.	Banco de Chile	17.44	17.44	5,136.6	5,136.8	895.7	895.7	137.6	136.6
Bolsa de Comercio de Santiago	Banchile Corredores de Bolsa S.A.	4.17	4.17	14,032.3	13,868.4	584.7	577.9	103.4	93.5
Soc. Operadora Cámara Compensación de Pagos de Alto Valor S.A. (2)	Banco de Chile	11.66	18.16	2,409.8	1,572.9	281.0	285.6	(6.1)	(17.4)
Centro de Compensación Automatizado S.A.	Banco de Chile	33.33	33.33	640.2	586.2	213.4	195.4	33.9	31.6
Sociedad Interbancaria de Depósitos de Valores S.A.	Banco de Chile	17.60	17.60	1,035.7	1,277.9	182.2	224.8	34.0	34.6
Bolsa de Valores de Chile	Banchile Corredores de Bolsa S.A.	5.00	5.00	2,819.2	2,685.0	141.0	134.3	6.7	2.8
Artikos Chile S.A. (3)	Banco de Chile	50.00	50.00	236.8	89.7	118.4	44.9	(183.0)	(171.0)
Empresa de Tarjetas Inteligentes S.A. (4)	Banco de Chile	—	26.67	12.1	(63.8)	—	—	(48.2)	(138.3)
Subtotal						6,973.2	5,397.9	681.3	451.3
Shares or rights in other companies						187.1	208.6	—	—
Total						7,160.3	5,606.5	681.3	451.3

(1) On June 8, 2005, as agreed by the Board of Directors of Banco de Chile at meeting No. 2,599, held on May 12, 2005, the Bank subscribed and paid 200,000 shares, for a value of MCh\$1,352.0 (in historical pesos), for this company's capital, for the formation of an Banking Support Company to the line of business called "Administrador Financiero de Transantiago S.A."

(2) On September 23, 2004, a banking support company, "Sociedad Operadora de la Cámara de Compensación de Pagos de Alto Valor S.A.", was formed. This company's objective is to provide pay compensation services among its members. The Bank subscribed and fully paid MCh\$291.5 (in historical pesos) for this company's capital, which gives it a participation of 18.16%.

(3) On June 2, 2005, as agreed by the Board of Directors of Banco de Chile at meeting No. 2,599, held on May 12, 2005, the Bank subscribed and paid MCh\$250.0 (in historical pesos) for capital increase of "Artikos Chile S.A."

(4) On March 28, 2005, the Extraordinary Shareholders' Meeting of "Empresa de Tarjetas Inteligentes S.A." agreed to dissolve the company.

11. ALLOWANCES FOR LOSSES ON LOANS AND OTHER ASSETS:

As of December 31, 2005, the Bank, its Chilean subsidiaries and foreign branches have made allowances for a total of MCh\$143,602.2 (MCh\$162,869.0 in 2004) to cover eventual losses on loans and other assets.

The changes experienced by these allowances during the year were as follows:

	Allowances for			
	Loans	Assets	Other	Total
		received in lieu of payment		
MCh\$	MCh\$	MCh\$	MCh\$	
Balance as of December 31, 2003	179,451.7	1,377.1	1,607.5	182,436.3
Charge-offs	(99,059.9)	(317.9)	(1,581.9)	(100,959.7)
Provisions established	73,512.5	888.7	1,454.3	75,855.5
Change in foreign exchange rate on beginning balance of Foreign Branches	(122.6)	—	—	(122.6)
Balance as of December 31, 2004	153,781.7	1,947.9	1,479.9	157,209.5
Balances restated for comparative purposes	159,317.8	2,018.0	1,533.2	162,869.0
Balance as of December 31, 2004	153,781.7	1,947.9	1,479.9	157,209.5
Charge-offs	(67,343.3)	(241.8)	(2,524.2)	(70,109.3)
Provisions established	55,014.1	574.0	1,061.6	56,649.7
Change in foreign exchange rate on beginning balance of Foreign Branches	(147.7)	—	—	(147.7)
Balance as of December 31, 2005	141,304.8	2,280.1	17.3	143,602.2

In the management's opinion the allowances made are sufficient to cover potential losses arising from non-recoverable assets, on the basis of the information examined by the Bank and its subsidiaries.

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12. SHAREHOLDERS' EQUITY:

(a) Shareholders' equity:

The movements in the Shareholders' equity accounts were as follows:

	Paid-in Capital	Reserves	Other accounts	Net income for the year	Total
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Balance as of December 31, 2003	482,504.1	78,741.1	3,877.8	130,553.0	695,676.0
Retained earnings	—	3.1	—	(3.1)	—
Dividends paid (1)	—	—	—	(130,549.9)	(130,549.9)
Common stock repurchased (2)	—	(52,761.8)	—	—	(52,761.8)
Price-level restatement	12,062.6	(75.5)	—	—	11,987.1
Change in unrealized (losses) on permanent financial investments (*)	—	—	(195.2)	—	(195.2)
Net adjustment for translation differences	—	—	(2,251.3)	—	(2,251.3)
Net income for the year	—	—	—	152,627.8	152,627.8
Balance as of December 31, 2004	494,566.7	25,906.9	1,431.3	152,627.8	674,532.7
Balances restated for comparative purposes	512,371.1	26,839.5	1,482.8	158,122.4	698,815.8
Balance as of December 31, 2004	494,566.7	25,906.9	1,431.3	152,627.8	674,532.7
Retained earnings	—	5.3	—	(5.3)	—
Dividends paid (3)	—	—	—	(152,622.5)	(152,622.5)
Placement of shares (4)	—	57,636.9	—	—	57,636.9
Accumulated deficit development period (5)	—	(188.4)	—	—	(188.4)
Price-level restatement	17,804.4	522.6	—	—	18,327.0
Change in unrealized (losses) on permanent financial investments (*)	—	—	(73.8)	—	(73.8)
Net adjustment for translation differences	—	—	(3,229.3)	—	(3,229.3)
Net income for the year	—	—	—	180,723.7	180,723.7
Balance as of December 31, 2005	512,371.1	83,883.3	(1,871.8)	180,723.7	775,106.3

(1) On March 18, 2004, the Ordinary General Shareholders' Meeting agreed to distribute a dividend for a total of MCh\$130,549.9 (in historical pesos).

(2) During April 2004, Banco de Chile purchased 1,701,994,590 shares issued by the Bank at Ch\$ 31 per share for a total amount of MCh\$52,761.8 (in historical pesos), in accordance with the Share Repurchase Program Issued by the Bank, agreed upon at Extraordinary Shareholders' Meeting of Banco de Chile on March 20, 2003.

(3) On March 17, 2005, the Ordinary General Shareholders' Meeting agreed to distribute a dividend for a total of MCh\$152,622.5 (in historical pesos).

(4) In accordance with Note 4 letter (c), during the period May - August 2005, Banco de Chile sold the 1,701,994,590 shares issued by the Bank repurchased during April 2004, for a total amount of MCh\$57,636.9 (in historical pesos).

(5) Relates to the recognition of the variation in the shareholders' equity of the Banking Support Company "Administrador Financiero de Transantiago S.A." during its development period.

(*) These balances are presented net of the deferred taxes originating from adjustments to the market value of the permanent investment portfolio.

(b) Basic Capital and Effective Equity, for regulatory purposes:

In conformity with the General Banking Law, the minimum basic capital of a financial institution cannot be less than 3% of total assets, while effective equity cannot be less than 8% of the risk-weighted assets. At the each year-end, these ratios have been determined based on risk weighted assets on a consolidated basis in accordance with instructions, issued by the Superintendency of Banks and Financial Institutions. As of December 31, 2005 and 2004, the Bank has calculated the following ratios:

	2005	2004
	MCh\$	MCh\$
Basic capital (*)	594,382.6	540,693.4
Total assets	10,764,250.1	10,061,424.5
Ratio	5.52%	5.37%
Effective equity (**)	891,213.1	807,945.4
Risk-weighted assets	7,936,657.1	6,920,850.5
Ratio	11.23%	11.67%

(*) Equivalent for these purposes to the paid - in capital and reserves.

(**) According to Article No. 66 of the Chilean Banking Law, effective equity includes basic capital and up to certain limits, subordinated bonds, the loan loss allowances with normal risk and additional allowances.

The assets are weighed in accordance with the risk categories, to which a risk percentage is assigned in accordance with the amount of capital that is estimated as necessary to support each one of these assets.

All derivative instruments, such as forwards, cross currency swaps, interest rate swaps, etc., are considered in the determination of the risk assets applying different conversion percentages to the notional values that are designed to convert those items from off-balance entries to balance sheet entries. The amounts determined in this way are denominated "credit equivalents", which are weighed as if they were balance sheet assets.

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13. INVESTMENTS:

(a) Financial investments:

Instruments (*)	Portfolio						Mark to market adjustments				Total	
	Permanent (**)		Non-Permanent		Sub – Total		Against income		Against equity		2005	2004
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Central Bank securities	—	—	682,165.7	1,106,938.8	682,165.7	1,106,938.8	(344.2)	(87.9)	—	—	681,821.5	1,106,850.9
Chilean Treasury and other government agency securities	—	—	19,137.9	14,684.7	19,137.9	14,684.7	589.4	1,113.6	—	—	19,727.3	15,798.3
Domestic financial institutions	—	—	223,820.2	216,279.8	223,820.2	216,279.8	(986.1)	(48.4)	—	—	222,834.1	216,231.4
Other financial investments in Chile	1,591.2	6,687.4	122,049.3	116,630.1	123,640.5	123,317.5	1,243.9	3,050.9	3.8	96.0	124,888.2	126,464.4
Foreign financial investments	37,357.1	38,939.1	316,421.6	133,405.4	353,778.7	172,344.5	263.4	188.4	0.4	0.4	354,042.5	172,533.3
Total	38,948.3	45,626.5	1,363,594.7	1,587,938.8	1,402,543.0	1,633,565.3	766.4	4,216.6	4.2	96.4	1,403,313.6	1,637,878.3

(*) Classification according to issuers and parties committed to pay. This schedule includes a total of MCh\$244,219.7 (MCh\$359,680.8 in 2004) of investments collateral under agreements to repurchase.

(**) Included in the permanent investment portfolio are those financial instruments whose fair market value adjustment is recorded in the account "Change in unrealized gains (losses) on permanent financial investments", according to the description in Note 2 (g). Additionally, it includes non-transferrable financial instruments for an amount of MCh\$15,363.1 (MCh\$ 17,364.7 in 2004).

Additionally, the Bank holds financial investments in mortgage finance bonds issued by itself in the amount of MCh\$205,637.4 (MCh\$229,087.3 in 2004), which are recorded in memorandum accounts.

(b) Other investments:

	2005	2004
	MCh\$	MCh\$
Assets held for leasing	22,103.6	27,809.2
Assets received in lieu of payment (*)	10,449.5	16,710.5
Other non financial investments	1.7	2.3
Total	32,554.8	44,522.0

(*) Assets received in lieu of payment are shown net of provisions in the amount of MCh\$2,280.1 (MCh\$2,018.0 in 2004). The amount shown in the Consolidated Balance Sheet corresponds to the estimated fulfillment value of these goods as a whole.

In addition to assets received in lieu of payment, shown above, there are also certain assets which have not been disposed of and which were written-off. It is estimated that the fair value of these written off assets is approximately MCh\$8,767.9 (MCh\$9,005.8 in 2004).

14. MATURITY OF ASSETS AND LIABILITIES:

(a) Maturity of loans and financial investments:

The following table summarizes loans and financial investments, classified according to years to maturity. The amounts include accrued interest as of December 31, 2005 and 2004.

	2005				
	Less than 1 year	Over 1 year/ less than 3	Over 3 years/ less than 6	Over 6 years	Total
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
LOANS (1)					
Commercial loans and others	2,476,161.3	758,993.7	710,655.4	744,893.3	4,690,703.7
Mortgage loans	89,836.3	178,515.1	274,892.2	789,328.7	1,332,572.3
Consumer loans	528,935.1	268,920.1	56,552.3	3,801.0	858,208.5
Leasing contracts	124,563.0	164,522.3	104,842.1	59,093.9	453,021.3
OTHER LOANS					
Interbank loans	25,012.0	—	—	—	25,012.0
Investments purchased under agreements to resell	46,695.4	—	—	—	46,695.4
FINANCIAL INVESTMENTS					
Permanent (2)	38,948.3	—	—	—	38,948.3
Non-permanent (3)	1,364,361.1	—	—	—	1,364,361.1
Total	4,694,512.5	1,370,951.2	1,146,942.0	1,597,116.9	8,809,522.6

	2004				
	Less than 1 year	Over 1 year/ less than 3	Over 3 years/ less than 6	Over 6 years	Total
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
LOANS (1)					
Commercial loans and others	2,464,224.7	686,131.3	543,457.8	516,325.4	4,210,139.2
Mortgage loans	79,290.6	154,901.4	240,248.5	691,871.6	1,166,312.1
Consumer loans	451,693.9	217,764.8	38,384.1	3,162.6	711,005.4
Leasing contracts	93,387.2	118,260.2	87,797.9	55,591.5	355,036.8
OTHER LOANS					
Interbank loans	15,744.4	—	—	—	15,744.4
Investments purchased under agreements to resell	27,257.1	—	—	—	27,257.1
FINANCIAL INVESTMENTS					
Permanent (2)	39,688.2	5,938.3	—	—	45,626.5
Non-permanent (3)	1,592,155.4	—	—	—	1,592,155.4
Total	4,763,441.5	1,182,996.0	909,888.3	1,266,951.1	8,123,276.9

(1) Includes only current effective loans as of each year-end and with the indicated maturity period. Consequently, contingent loans and past due loans are not included, as well as, overdue loans not transferred to past due loans amounting to MCh\$51,482.4 (MCh\$40,967.1 in 2004), of which MCh\$45,268.0 (MCh\$28,964.1 in 2004) were overdue by less than 30 days.

(2) Includes the total amount of permanent investments as described in Note 2(g), without considering the adjustment to market value and also includes non-transferable investments.

(3) Includes the remaining investments, including its adjustment to market value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

BANCO DE CHILE AND SUBSIDIARIES

As of December 31, 2005 and 2004

(b) Maturity of deposits, borrowings and other financial obligations:

The following details deposits, borrowings and other obligations classified according to their maturity dates. The balances include interest accrued as of December 31, 2005 and 2004.

	2005				Total MCh\$
	Less than 1 year MCh\$	Over 1 year/ less than 3 MCh\$	Over 3 years/ less than 6 MCh\$	Over 6 years MCh\$	
BORROWINGS AND OTHER LIABILITIES (*)					
Time deposits	4,274,810.5	198,184.4	—	—	4,472,994.9
Other term liabilities	86,674.6	—	—	—	86,674.6
Securities sold under agreements to repurchase	270,749.6	—	—	—	270,749.6
Mortgage finance bonds	72,127.8	108,694.1	151,380.8	224,301.6	556,504.3
BONDS ISSUED (1)					
Bonds	66,990.5	132,564.4	86,690.2	38,458.5	324,703.6
Subordinated bonds	31,190.6	48,747.5	73,121.3	152,225.1	305,284.5
BORROWINGS FROM FINANCIAL INSTITUTIONS AND CENTRAL BANK					
Central Bank credit lines for renegotiation of loans	1,406.7	—	—	—	1,406.7
Borrowings from domestic financial institutions	90,160.2	—	—	—	90,160.2
Foreign borrowings	464,760.7	93,243.2	103,488.9	—	661,492.8
Other liabilities	33,743.2	—	—	—	33,743.2
Total	5,392,614.4	581,433.6	414,681.2	414,985.2	6,803,714.4

(1) During February and April 2005, Banco de Chile issued bonds and subordinated bonds split into two series denominated "D2" and "P", with a maturity of 5 and 21-year, respectively. Series "D2" and "P" were issued in U.F. and placement amounted to MCh\$134,886.0 and MCh\$34,399.6 respectively. The annual coupon rate accrued by series "D2" is 3.0% and series "P" is 6.0%.

	2004				Total MCh\$
	Less than 1 year MCh\$	Over 1 year/ less than 3 MCh\$	Over 3 years/ less than 6 MCh\$	Over 6 years MCh\$	
BORROWINGS AND OTHER LIABILITIES (*)					
Time deposits	3,412,219.3	232,097.9	1,056.4	—	3,645,373.6
Other term liabilities	132,791.2	—	—	—	132,791.2
Securities sold under agreements to repurchase	361,653.1	—	—	—	361,653.1
Mortgage finance bonds	82,513.8	147,691.2	210,668.5	376,414.9	817,288.4
BONDS ISSUED					
Bonds	30,466.4	58,266.7	59,348.2	39,968.2	188,049.5
Subordinated bonds	27,563.2	42,304.1	63,456.1	142,567.2	275,890.6
BORROWINGS FROM FINANCIAL INSTITUTIONS AND CENTRAL BANK					
Central Bank credit lines for renegotiation of loans	1,999.6	—	—	—	1,999.6
Other Central Bank borrowings	111,517.9	—	—	—	111,517.9
Borrowings from domestic financial institutions	27,349.4	—	—	—	27,349.4
Foreign borrowings	576,339.8	40,648.3	—	—	616,988.1
Other liabilities	36,417.7	3,504.7	4,875.8	1,662.8	46,461.0
Total	4,800,831.4	524,512.9	339,405.0	560,613.1	6,225,362.4

(*) Excluding all demand deposits, saving accounts and contingent liabilities.

15. FOREIGN CURRENCY BALANCES:

The Consolidated Balance Sheets includes assets and liabilities in foreign currencies and readjusted according to the relevant exchange rate, in the following amounts:

	Foreign currency		Payable in Chilean pesos (*)		Total	
	2005	2004	2005	2004	2005	2004
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
ASSETS:						
Cash and due from banks	687,612.4	330,561.0	—	—	687,612.4	330,561.0
Loans	1,446,350.3	1,365,705.2	29,906.6	37,149.2	1,476,256.9	1,402,854.4
Contingent loans	561,929.4	396,392.2	—	—	561,929.4	396,392.2
Loans to other Chilean banks	—	2,060.4	—	—	—	2,060.4
Leasing contracts	—	—	77,988.5	54,746.2	77,988.5	54,746.2
Financial investments:						
- In Chile	326,500.7	600,684.3	23,228.7	381,120.5	349,729.4	981,804.8
- Abroad	688,517.2	297,479.6	—	—	688,517.2	297,479.6
Other assets	803,450.5	543,746.5	—	—	803,450.5	543,746.5
Total assets	4,514,360.5	3,536,629.2	131,123.8	473,015.9	4,645,484.3	4,009,645.1
LIABILITIES:						
Deposits	2,228,852.8	2,120,543.9	534.9	309.3	2,229,387.7	2,120,853.2
Contingent liabilities	564,248.0	400,091.7	—	—	564,248.0	400,091.7
Liabilities with Chilean banks	175,324.6	14,417.0	—	—	175,324.6	14,417.0
Liabilities with foreign banks	1,286,140.5	1,063,736.4	—	—	1,286,140.5	1,063,736.4
Other liabilities	338,765.7	345,138.0	175.0	137.4	338,940.7	345,275.4
Total liabilities	4,593,331.6	3,943,927.0	709.9	446.7	4,594,041.5	3,944,373.7

(*) Includes operations denominated in foreign currencies and payable in Chilean pesos or operations whose value is indexed to the exchange rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

BANCO DE CHILE AND SUBSIDIARIES

As of December 31, 2005 and 2004

16. TRANSACTIONS WITH DERIVATIVE PRODUCTS:

The Bank and its subsidiaries take positions in the foreign exchange market by the use of forward exchange contracts and spot exchange contracts. These activities constitute treasury business and help the Bank and its subsidiaries to provide customers with capital markets products.

The following is a summary of the forward exchange contracts, future contracts operations and other operations with derivative products held at year-end:

(a) Contracts on foreign currency and interest rates:

Description of transaction	Number of operations		Contract Amounts			
	2005	2004	Less than 3 months		Over 3 months	
			2005	2004	2005	2004
			ThUS\$	ThUS\$	ThUS\$	ThUS\$
Local market:						
Foreign currency futures with Chilean currency	2,355	2,064	1,581,509	1,155,281	3,292,016	3,401,779
Foreign currency forward contracts	32	24	11,584	18,588	6,596	3,551
Interest rate swaps	3	—	—	—	24,888	—
Foreign markets:						
Foreign currency futures with Chilean currency	18	18	61,000	55,500	160,000	72,085
Foreign currency forward contracts	155	84	231,529	46,616	848,592	12,953
Foreign currency futures sold	139	171	19,687	25,560	—	—
Interest rate swaps	75	89	20,617	—	1,221,176	1,048,184

The amounts refer to United States dollar amounts purchased or sold, or the equivalent in United States dollars of the foreign currency purchased or sold or the amount on which interest rate contracts are agreed. The period refers to the contract maturity from the date of the transaction.

(b) Contracts on the value of authorized readjustment systems and on interest rates in Chilean currency:

Description of transaction	Number of operations		Contract Amounts			
			Less than 3 months		Over 3 months	
	2005	2004	2005	2004	2005	2004
			MCh\$	MCh\$	MCh\$	MCh\$
UF/pesos forward contracts purchased	107	68	17,916.6	3,588.1	395,288.4	245,784.4
UF/pesos forward contracts sold	82	31	53,772.6	3,583.5	255,488.0	106,558.8
Interest rate swaps	40	30	25,164.7	17,940.0	188,066.9	131,685.5

(c) Options:

As of December 31 of each year, the balances for this type of transaction are as follows:

Description of transaction	Number of operations		Contract Amounts			
			Less than 3 months		Over 3 months	
	2005	2004	2005	2004	2005	2004
			ThUS\$	ThUS\$	ThUS\$	ThUS\$
Purchase option	1	1	—	—	4,400	6,000

17. CONTINGENCIES, COMMITMENTS AND RESPONSIBILITIES:

(a) Commitments and responsibilities recorded in memorandum accounts:

The Bank, its subsidiaries and branches abroad maintain the following memorandum accounts relating to their commitments and responsibilities with third parties arising in the ordinary course of business:

	2005	2004
	MCh\$	MCh\$
Securities held in safe custody	3,460,793.9	3,155,695.0
Loans approved but not yet disbursed	1,232,492.8	941,949.1
Foreign documents for collection	252,663.3	372,081.9
Domestic documents for collection	170,557.9	283,858.2
Suscribed leasing contracts	61,435.5	57,535.9
Total	5,177,943.4	4,811,120.1

The above list includes only the major items. Contingent loans and liabilities are shown in the Consolidated Balance Sheets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

BANCO DE CHILE AND SUBSIDIARIES

As of December 31, 2005 and 2004

(b) Legal contingencies:

In the ordinary course of business, the Bank and its subsidiaries act as defendant or co-defendant in various litigation matters. Although there can be no assurances, the Bank's management believes, based on information currently available, that the ultimate resolution of these legal proceedings are not likely to have a material adverse effect on its results of operations, financial condition, or liquidity. As of December 31, 2005, the Bank has established provisions for this concept in the amount of MCh\$860.9 (MCh\$958.7 in 2004).

(c) Other contingencies:

On November 30, 2005, Banco de Chile was served with a civil claim filed by Foundation President Allende, an entity organized in Spain, claiming compensatory damages in excess of US\$7 million and punitive damages of US\$ 100 million for alleged harm suffered due to the alleged assistance by Banco de Chile to Augusto Pinochet Ugarte in concealing his assets.

Banco de Chile rejects the claims contained in the complaint filed in the United States as totally lacking factual and legal merit. There is no basis under U.S. or any other jurisdiction's law for the Foundation to bring a claim against Banco de Chile. The Bank intends vigorously to oppose the complaint and will take all appropriate actions to protect its rights. Therefore, Banco de Chile has not established provisions for this concept.

18. OTHER ASSETS AND OTHER LIABILITIES:

Other assets and other liabilities as of December 31, are as follows:

	2005	2004
Other Assets	MCh\$	MCh\$
Amounts receivable under spot foreign exchange transactions	127,762.8	52,300.2
Credit card charges in process	66,853.1	53,840.4
Deferred tax assets	62,941.7	67,079.9
Intangibles (software and licenses for trademark use)	14,296.7	11,486.8
Notes receivable	11,467.2	7,819.9
Deferred fees	9,269.7	5,441.2
VAT receivable	5,669.9	3,664.6
Balances with domestic branches	4,583.6	4,323.8
Discount on bond issuances	4,177.9	8,371.0
Transactions in process	2,265.9	7,032.9
Accounts receivable for financial investments sold	1,992.7	—
Recoverable taxes	1,793.3	1,436.1
Negative goodwill related to mortgage finance bonds issued by the bank	1,761.8	2,229.8
Prepaid expenses	1,679.6	2,142.2
Accounts receivable for assets received in lieu of payment sold	1,304.5	3,019.8
Materials and supplies	623.6	492.4
Other	18,216.5	12,869.9
Total	336,660.5	243,550.9

	2005	2004
	MCh\$	MCh\$
Other Liabilities		
Amounts payable under spot foreign exchange transactions	99,080.1	53,908.2
Derivative instruments, net	60,016.7	46,185.7
Deferred tax liabilities	21,882.6	19,579.1
Notes payable	19,573.3	—
Accrued staff vacation expenses	10,704.0	10,179.8
Accrued severance staff indemnities	6,787.6	7,908.0
Leasing deferred gains	6,675.6	4,823.2
VAT payable	4,234.8	3,320.1
Premium on bond issuances	4,177.9	8,371.0
Deferred fees	4,109.5	4,327.5
Administration and credit card contract provision	3,739.0	3,342.0
Allowance on income taxes, net	2,567.5	8,295.9
Transactions in process	2,078.3	1,389.1
Legal contingencies provision	860.9	958.7
Other	4,483.3	2,579.7
Total	250,971.1	175,168.0

19. COMMISSIONS:

The income and expenses for commissions shown in the Consolidated Statements of Income refers to the following items:

	Income		Expenses	
	2005	2004	2005	2004
	MCh\$	MCh\$	MCh\$	MCh\$
Mutual funds and stock brokerage	40,350.7	34,490.0	2,317.7	2,699.2
Credit cards and automated teller cards	37,533.5	34,447.7	15,290.4	14,402.5
Demand deposits and overdrafts	23,150.3	24,902.1	—	—
Insurance brokerage	16,379.7	3,235.4	6.8	5.6
Collection and payment of services	11,908.3	9,929.6	4,190.0	3,520.1
Collection services	11,183.4	12,566.9	—	—
Financial services	8,133.6	4,798.6	—	—
Credit lines	7,272.3	6,990.1	—	—
Letters of credit, guarantees, collaterals and other contingent loans	4,748.3	5,333.1	—	—
Bancuenta Credichile administration	2,987.3	2,888.7	—	—
Foreign trade and currency exchange	2,487.0	2,538.0	—	—
Custody and trust services	1,655.5	1,334.9	—	—
Fees from sales force	—	—	10,169.5	6,961.2
Other	5,550.9	7,586.3	761.4	878.8
Total	173,340.8	151,041.4	32,735.8	28,467.4

Commissions on mortgage finance loans operations are shown in the Consolidated Statements of Income under the heading "Interest revenue".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

BANCO DE CHILE AND SUBSIDIARIES

As of December 31, 2005 and 2004

20. OPERATING EXPENSES:

The breakdown of operating expenses is as follows:

	2005	2004
	MCh\$	MCh\$
Personnel salaries and expenses	150,615.9	140,917.3
External services	24,279.2	10,117.5
General expenses and administrative services	19,766.8	19,485.2
Depreciation, amortization and write-offs	18,205.1	18,011.0
Communication and computational services	15,769.6	17,132.9
Advertising and marketing	11,975.6	11,322.3
Rent and insurance	10,561.7	9,550.9
Repairs and maintenance of fixed assets bank's premises	5,785.6	6,963.7
Fines applied by Regulatory Institutions	1,542.6	—
Other	19,245.0	17,581.8
Total	277,747.1	251,082.6

21. NON OPERATING INCOME:

The breakdown of non-operating income is as follows:

	2005	2004
	MCh\$	MCh\$
Gains on sales of assets received in lieu of payment	4,386.4	873.5
Rental income	2,353.2	2,440.5
Recoveries of expenses	294.6	603.5
Foreign trade income	130.7	151.6
Income from sale of fixed assets	122.3	307.2
Dividends received	91.4	57.8
Leasing income	56.0	77.2
Indemnity of sinesters	5.0	0.8
Other	419.2	482.2
Total	7,858.8	4,994.3

22. NON OPERATING EXPENSES:

The breakdown of non-operating expenses is as follows:

	2005	2004
	MCh\$	MCh\$
Charge-offs of assets received in lieu of payment	10,252.4	7,593.5
Write-offs for frauds	546.7	1,101.2
Expenses on charge-offs for leasing	358.7	251.0
Advertising expenses	62.0	54.9
Reversal of adjustments and interest from previous years	48.1	128.5
Charge-offs and provisions related to fixed assets	23.9	44.9
Legal contingencies provision	20.5	188.9
Tax expenses from previous years	—	2,327.6
Other	702.2	906.4
Total	12,014.5	12,596.9

23. DEFERRED TAXES AND INCOME TAXES:

The Bank and its subsidiaries have recorded in the Financial Statements the effects of deferred taxes and amortization of its complementary accounts, as provided by the Chilean Association of Accountants. The movements and effects from deferred taxes are shown on the following table:

	Balance as of December 31, 2004 (Historical)	2005 Deferred taxes	Balance as of December 31, 2005
	MCh\$	MCh\$	MCh\$
• TEMPORARY DIFFERENCE			
Allowances for loan losses	27,695.7	(2,061.3)	25,634.4
Obligations with repurchase agreements	10,567.7	1,260.9	11,828.6
Leasing equipment	7,570.7	(763.1)	6,807.6
Assets at market value	2,770.8	(1,787.1)	983.7
Personnel provisions	2,075.7	94.4	2,170.1
Staff vacations	1,666.0	146.9	1,812.9
Accrued interests and indexation adjustments from risky loan portfolio	1,091.5	(163.9)	927.6
Accrued interests and indexation adjustments from past due loans	813.5	(388.0)	425.5
Staff severance indemnities	707.8	243.1	950.9
Charge-offs from financial investment	65.7	—	65.7
Other adjustments	9,723.8	1,610.9	11,334.7
Net assets	64,748.9	(1,807.2)	62,941.7
• TEMPORARY DIFFERENCE			
Investments with repurchase agreements	10,409.8	432.4	10,842.2
Depreciation and price-level restatement of fixed assets	4,909.9	1,315.0	6,224.9
Transitory assets	1,781.1	511.1	2,292.2
Other adjustments	1,797.9	725.4	2,523.3
Net liabilities	18,898.7	2,983.9	21,882.6

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

BANCO DE CHILE AND SUBSIDIARIES

As of December 31, 2005 and 2004

As of December 31, 2005, the income tax provision in the Consolidated Statements of Income shows a net charge amounting to MCh\$21,390.9 (MCh\$19,009.1 in 2004), detailed as follows:

	2005	2004
	MCh\$	MCh\$
Tax expense	(15,079.9)	(20,944.2)
Amortization of deferred tax beginning balance	—	(484.4)
Deferred tax effect for the year	(4,791.1)	3,214.9
Non deductible expenses (Art. 21)	(1,519.9)	(795.4)
Net tax expense	(21,390.9)	(19,009.1)

24. DIRECTORS' EXPENSES AND REMUNERATIONS:

As agreed at the Shareholders Meeting, during 2005 and 2004 the Bank and its subsidiaries have paid and provided with charges to income, remunerations to Directors as follows:

Name of Director	Remunerations		Fees for attending Board meetings		Fees for attending Committees and Subsidiary Board meetings (1)		Consulting		Total	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Fernando Cañas Berkowitz	288.6	—	38.8	—	169.0	—	—	—	496.4	—
Andrónico Luksic Craig	126.3	120.1	15.8	14.2	—	—	—	—	142.1	134.3
Jorge Awad Mehech	42.1	42.4	25.4	19.5	91.8	115.1	—	—	159.3	177.0
Jacob Ergas Ergas	42.1	42.4	23.6	15.0	66.6	68.1	—	—	132.3	125.5
Thomas Fürst Freiwirth	42.1	3.6	25.4	2.7	57.1	3.6	—	—	124.6	9.9
Guillermo Luksic Craig	42.1	42.4	14.9	12.3	5.2	13.3	—	—	62.2	68.0
Rodrigo Manubens Moltedo	42.1	42.4	22.0	20.3	89.0	136.4	407.0	80.7	560.1	279.8
Gonzalo Menéndez Duque	42.1	42.4	28.9	21.1	128.8	171.4	—	—	199.8	234.9
Máximo Pacheco Matte	42.1	42.4	27.2	19.4	2.6	6.2	—	—	71.9	68.0
Francisco Pérez Mackenna	42.1	42.4	24.5	20.3	55.5	62.8	—	—	122.1	125.5
Segismundo Schulín-Zeuthen Serrano	59.7	120.1	33.1	41.5	88.0	158.5	—	—	180.8	320.1
Edmundo Eluchans Urenda	42.1	42.4	22.7	20.3	33.1	47.7	—	—	97.9	110.4
Jorge Ergas Heymann	42.1	—	21.0	—	38.7	—	—	—	101.8	—
Jorge Díaz Vial	3.5	42.4	1.7	22.1	1.7	40.6	—	—	6.9	105.1
Máximo Silva Bafalluy	3.8	42.4	6.0	22.1	17.3	68.9	—	—	27.1	133.4
Manuel Sobral Fraile	—	38.7	—	19.4	—	71.6	—	—	—	129.7
Other subsidiaries directors	—	—	—	—	90.8	72.5	—	—	90.8	72.5
Totales	902.9	706.5	331.0	270.2	935.2	1,036.7	407.0	80.7	2,576.1	2,094.1

(1) Includes fees paid to members of the advisory committee of Banchile Corredores de Seguros Ltda..

25. NEW ACCOUNTING POLICIES:

On December 20, 2005, the Superintendency of Banks and Financial Institutions issued Circular No. 3,345, which establishes new accounting policies for the valuation of financial instruments acquired for trading or investment, derivative instruments, accounting hedges and de-recognition of financial assets. Likewise, it complements and modifies accounting guidelines for foreign currency transactions.

Those standards must be applied by the Bank, its subsidiaries and branches abroad beginning 2006. Likewise, the valuation differences that arise due to the initial application of this new standard, for those investments in force as of December 31, 2005, must be adjusted directly against the company shareholders' equity.

The effects in the consolidated financial statements as of December 31, 2005, corresponding to the implementation of this new standard have not been quantified.

26. SUBSEQUENTS EVENTS:

In the opinion of Bank's Management, as of the date in which these consolidated financial statements were issued there are no other significant subsequent events that affect or that could affect the consolidated financial statements of the Bank and its subsidiaries as of December 31, 2005.

Héctor Hernández G.
General Accounting Manager

Pablo Granifo L.
Chief Executive Officer

REPORT OF INDEPENDENT AUDITORS

BANCO DE CHILE AND SUBSIDIARIES

A free translation of the original Report issued in Spanish



To the Shareholders of Banco de Chile:

We have audited the accompanying consolidated balances sheets of Banco de Chile and Subsidiaries ("the Bank") as of December 31, 2005 and 2004, and the related consolidated statements of income and cash flows for the years then ended. These financial statements (which include their related notes) are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in Chile. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Banco de Chile and Subsidiaries as of December 31, 2005 and 2004, and the results of its operations and cash flows for the years then ended, in conformity with generally accepted accounting principles in Chile and regulations established by the Chilean Superintendency of Banks and Financial Institutions.

Eduardo Rodríguez B.

ERNST & YOUNG LTDA.

January 27, 2006
Santiago, Chile

Chile

The word "Chile" is rendered in a black, gothic-style font. The letter 'i' is uniquely designed, where the dot is a solid black diamond and the stem is a vertical, irregular shape that mimics the outline of the map of Chile. The rest of the letters are solid black.