

Comments about the results for the third quarter of 2006
presented by
Arturo Tagle, Chief Financial Officer
October 31st, 2006

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

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

Contents

On [slide number 2](#) of the presentation, you may find the main ideas I would like to emphasize today regarding our performance and focus.

In the first place, I intend to briefly go through the outcome and details of Banco de Chile's third quarter results focusing on the main drivers for achieving consistently outstanding profitability.

I will later elaborate on how our strategy, based on expanding our client base as well as our core retail products, has allowed us to show relevant market share gains in the consumer segment and, in general terms, in the market of individuals.

This brings us to the last point where I will briefly comment on the very satisfactory results of our sales efforts through our enhanced network and empowered sales capabilities.

Net Income

Following an outstanding second quarter, the reported third quarter posted, as can be seen in [slide number three](#), 52.4 billion pesos as net income, a 4.6% increase compared to the previous year-on-year amount. This figure involves almost 22% of the system's bottom line reflecting, as has been a constant for quite some time, a stronger capture of return than that corresponding to the Bank's overall net loan position, now standing at 18.1% of the system's net loans.

The nine-month net income represents 2.2 pesos per share, above last year's equivalent figure, even considering the 1.4% increase in the total number of shares of the Bank, resulting from the share portion of the last dividend distribution.

Return on Capital

As a consequence of this very positive overall result, and as shown in [slide number 4](#), Banco de Chile has been able to maintain a superior position in terms of profitability. With an almost 33% Return on Average Capital during the quarter, our Bank stands well above the system's average, while also exceeding the average profitability shown by our main peers.

It also seems interesting to note that, even with an important expansion in our loan portfolio, inclusive of recent market share gains, we have been able to outperform the system in terms of market share yield, capturing 2.9 billion pesos per each 1% of market share. This figure involves a 25% excess on top of the system's average and also exceeds the average yield of our main competitors.

Operating Revenues

An important source of bottom line income was originated, during this third quarter, at the Operating Revenue level showing, as seen in [slide number 5](#), an increase of 8.8% on a year-on-year basis.

An improved asset mix, with strong focus on higher yielding products and segments, added to a 15% growth in the loan portfolio – which I will go through later in more detail – partly financed by a 12% growth in checking accounts, the positive impact of higher inflation rate on our UF position, plus, higher nominal interest rates, all contributed to explain the 15.6% increase in net financial income. This component makes up for 77% of the quarter's total Operating Revenue. As a result, the Bank's Net Financial Margin climbed to 4.5%, involving a year-on-year increase of 23 basis points.

On next [slide, number six](#), and explaining the main year-to-year changes in results, the previously mentioned increase in Operating Revenues is illustrated in terms of pesos, as well as its key position as the dominant driver for the quarter's 12-month increase. A 15.7 billion peso expansion in net financial income was partly counterbalanced by a 4.3 billion peso reduction in net fee income and almost equal increases in provision and operational expenses, both items to be commented later on.

As far as fee income is concerned, and in spite of the quarter-on-quarter 3.4% reduction, a more detailed analysis of the main lines confirms the positive evolution of our focus on retail sales. As shown in [slide number 7](#), the 51.3% of the Bank's total fee income provided by the core Bank business, has experienced the effect of high quarterly growth rates in several retail products, such as sight accounts and ATMs which grew by 34.5% in annualized terms and credit cards which showed an equivalent 25% increase.

This growth, however, was achieved through several long term efforts which involve costs that should be evaluated in a longer term perspective, such as cobranding contracts, increased fees paid to the sales force and higher ATM service costs.

Within the portion of total fee income generated by the Bank's subsidiaries, the increase experienced in the last quarter was quite relevant in some of the companies such as the stock broker, which showed an annualized growth in fees of almost 70%.

Operating Expenses

Let us now move to [slide number 8](#) where quarterly Operating Expenses are shown. With an amount of 222 billion pesos for the first nine months, Operating Expenses grew by 7% when compared to the previous year.

This increase, almost equivalent to the 7.1% consolidated increment experienced by Banco de Chile's Operating Income, has mostly been the result of a very clear strategy which has privileged those projects and disbursements fostering sales and the expansion of our client base.

As such, the quite relevant enhancement of our distribution network, the addition of new employees mostly devoted to front-end commercial functions, the incorporation of world-class technologies providing more efficient sales capacities, together with extra marketing efforts oriented to promoting retail sales - inclusive of housing mortgages - have all involved additional costs which, in the light of the last market figures, have seemed to be worthwhile.

To this operational cost figure, the Bank, the subsidiaries and the foreign branches have come together. However, it seems relevant to note that its composition has suffered some change evidencing, for the one part, the strong control and focus brought to bear on core expenses, and, on the other hand, the incipient retribution from improved processes - consequence of the already implemented stages of our ongoing technology project.

Thus, the share on total operating expenses generated by our core Bank has dropped slightly below 80%, despite showing a 6.6% increase in amount, on a nine-month, year-on-year comparison. Nevertheless, and not less importantly, the growth in personnel expenses and technology, incurred upon by our US branches, to fully meet compliance and security regulations, have also contributed to boost the relevance of our foreign franchise in the total amount of expenses, as compared to those coming from our core business.

As a result, and turning to [slide number 9](#), it can be observed that the overall efficiency ratio of 50.9% for the third quarter does not fully reflect the progress made in the core Bank's cost-to-income ratio which stands at 48.8%, more than 200 basis points below the consolidated ratio. This improved figure is partly jeopardized by the effect of US costs already commented and by the businesses carried out by some of our subsidiaries.

Distribution Network

As I mentioned, the strengthening of our distribution network has been an important part of our sales strategy, incorporating locations with high retail potential as well as several spots in some regions where new businesses are being promoted. [Slide number 10](#), shows how 12 new locations and 54 ATMs have been rolled out during the last three months.

With a longer term scope, it shows out that the emphasis has been strong on the retail segment with an increase of the lower-end consumer locations of CrediChile by 57% in 18 months, against just 9% in the remaining Banco de Chile and Banco Edwards facilities.

Loan Growth and Market Share

It is with great satisfaction that we see our strategy to be paying in. [Slide number 11](#), pictures how Banco de Chile' portfolio has increased, in overall terms, above the system's and its main competitors' average growth. On a quarter-on-quarter basis, our 3.9% nominal expansion exceeded the system's 3.3% and the 2.6% posted by our main peers as a group. On a twelve-month horizon, our company expanded its net loans by 21% in nominal terms, 180 basis points above the performance of the system as a whole.

As a consequence, Banco de Chile increased its market share by 27 basis points since September 2005, climbing from 17.8% to the current 18.1% figure. [Slide number 12](#) depicts how this quarter's market share increase of 12 basis points was achieved through a vigorous capture of more than 24% of the additional loans generated by the system during the period. By far, the largest share captured by any of our competitors, it speaks well of our Bank's empowered capacities.

Growth in Product Lines

Let us now shed some light on how and where growth was achieved. Turning on to [slide number 13](#), an important 6.7% increase in consumer loans exceeded by 80 basis points the system's expansion.

Equally, and also in the retail segment, housing loans experienced a robust 7.5% increase against the 5.4% shown by the system, and well above each of our main competitors.

On the part of loans to corporations, and consistent with our strategy of favouring higher-yielding retail products, loan growth was less substantial, though again above that of the system and also above those of most of our peers.

Market Segments

Under the scope of a market segment perspective, figures lead to equivalent results as seen in [slide number 14](#). Though all segments have shown important loan growths during the last 12 months, the quarter-on-quarter figures clearly favour those with more generous margins, namely the retail segments, carried through both the Bank and through CrediChile, which posted 12-month equivalent growth rates of 19.9% and 20.1% for the last quarter. Similarly, the middle-market corporate segment enlarged its portfolio, during the quarter, by a 12-month equivalent rate of 17.8%, against the 3% achieved by the large corporations segment.

Asset Quality

It now seems important to underscore that this ongoing change in asset mix, favouring higher-yield segments, that naturally involve higher risks, has been achieved without jeopardizing asset quality and maintaining the Bank's conservative risk-management policy.

Moreover, as we may see in [slide number 15](#), Banco de Chile's conservative approach shows in the important 27 basis points reduction in our ratio of past due loans to total loans in a twelve-month period. With quite a low starting point of 1%, equivalent to the system's average at the time, the current ratio of 0.7% lies below that of all of our peers, and of the system's overall ratio.

In spite of this additional improvement in our portfolio past due ratio, total allowances as compared to past due loans, show the highest level among our peers and involve some 16 basis points in excess of the system's average ratio. Consistent with these high allowances and low past due ratio, the required provision expenses, in net terms, have been quite low with levels near to 0.3% over total net loans. For the coming periods, we forecast some increase in these provision requirements as a consequence of our focus on those higher-risk segments, added to a somehow subdued sentiment as regards to the global economic performance.

To finish up, I would like to give you a brief update on our project NEOS and highlight some very relevant outcome experienced along the past quarter. During the month of July, the roll-out process of customer service platforms was concluded, now covering large and middle-market corporations, as well as private banking. Thus, CRM is now available for all of our account officers, for the client desks in all of our branches, for call centres as well as for the telemarketing platform.

In September, the test pilot for a new teller system was also implemented. This system will provide better support to the Bank's commercial campaigns and will facilitate administrative procedures, among other features.

Also, very importantly, we migrated consumer credits of our individual banking platform to the new core system. Almost 300 thousand loans were transferred to the new system which has been supporting the full commercial loan portfolio since May of this year. With the migration of the CrediChile consumer loans, during the fourth quarter, we will complete the loan-related phase of this project.

Customer Base Expansion

Though still partially implemented, this technology project, together with the various efforts already described to increase our customer base, broaden product usage and prevent client desertion, through world-class service quality, have all contributed to a very successful and promising sales evolution of some relevant indicators and core products.

Slide number 16, shows how the incorporation of new debtors has changed pace from a figure of roughly 16 thousand new clients per quarter to more than 22 thousand net new debtors in this year's third quarter.

Similarly, CrediChile quarterly consumer sales increased, on a year-on-year basis, by more than 32%, while the stock of credit cards issued by Banco de Chile grew by 24% in 12 months.

As far as checking accounts, the flow of new accounts incorporated during the first 9 months of this year stands more than 50% above the previous year figure, involving more than 3 thousand new checking account holders per month, in net terms, compared to roughly 2000 in the same period of 2005. We are confident that we will be able to maintain, and even exceed, this very good performance.

Banco de Chile

Chile's name for banking



**Results for the
Third Quarter of 2006**

hosted by
**Arturo Tagle
CFO**

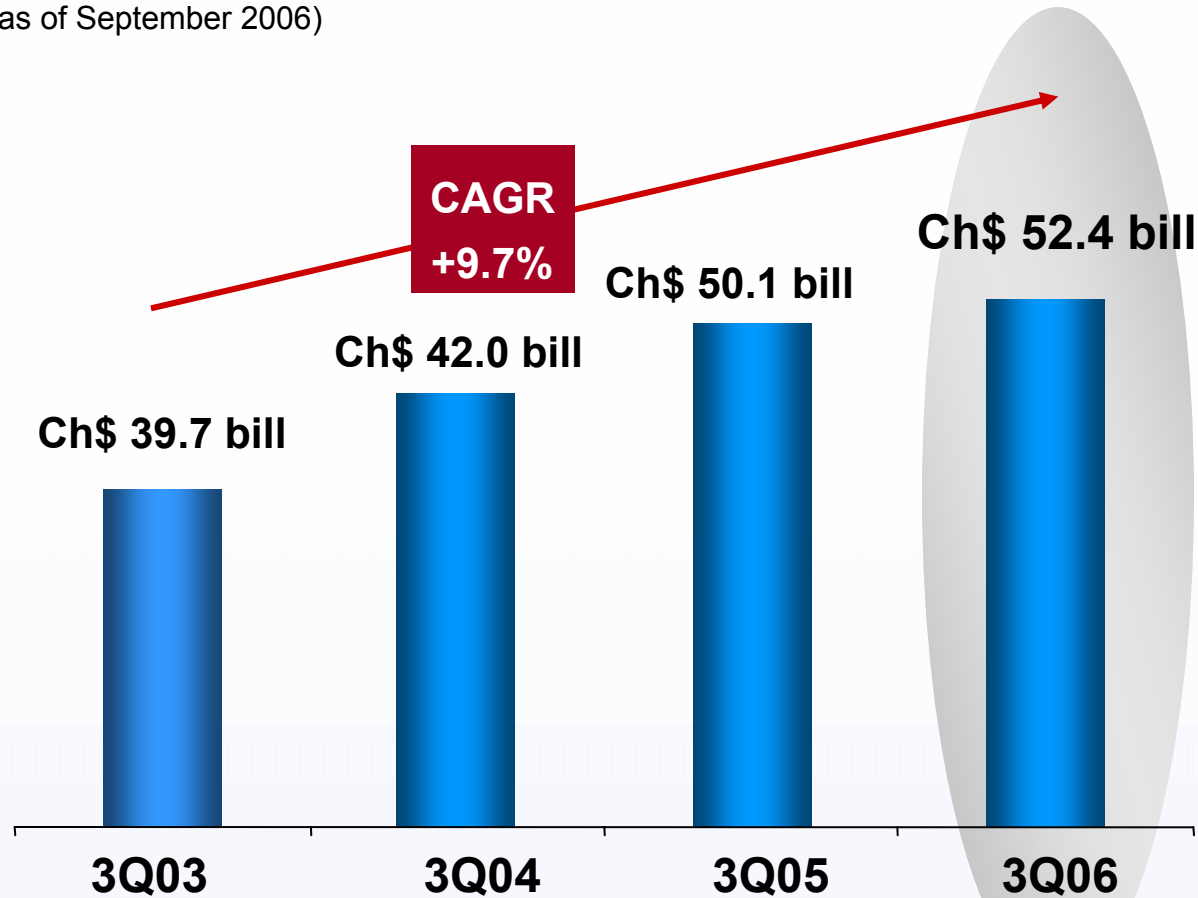
October 31, 2006

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- **Network and expenses increase focused on the retail market.**
- **Strong capture of new loans and market share gains.**
- **Robust sales drive fostering retail products and segments.**

Strong Net Income trend

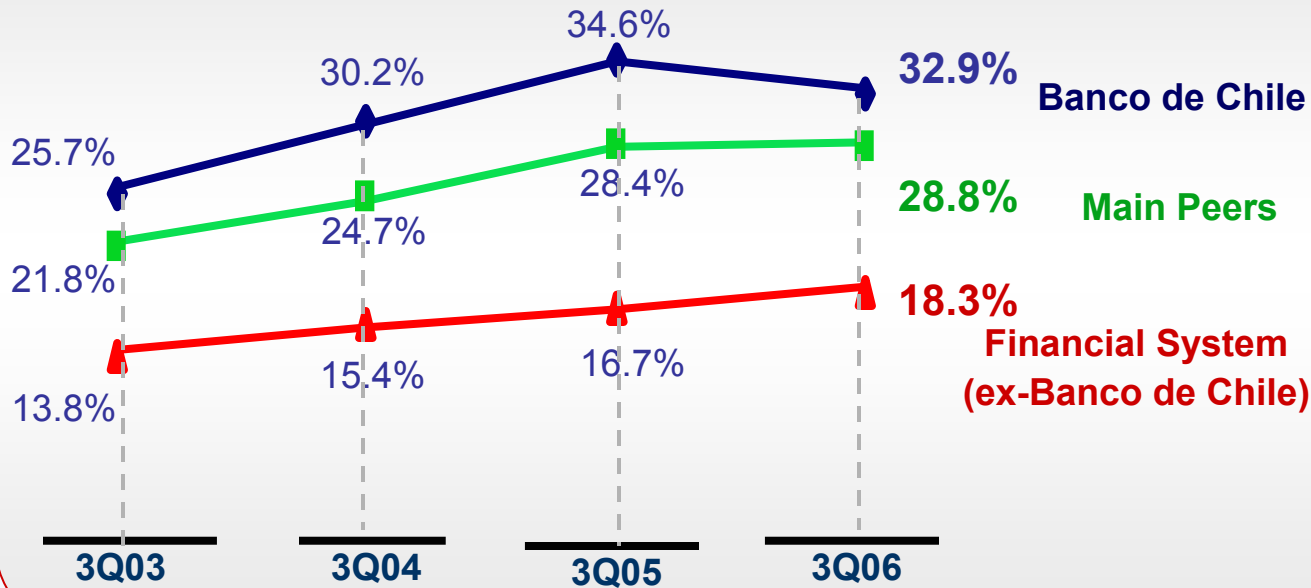
Net Income
(Ch\$ as of September 2006)



Banco de Chile contributes by 21.6% to the system's 3Q06 bottom line.

Banco de Chile: industry-leading profitability

ROAC Evolution



Net Income per 1% of Market Share

Ch\$ 2,906

Ch\$ 2,832

Ch\$ 2,319

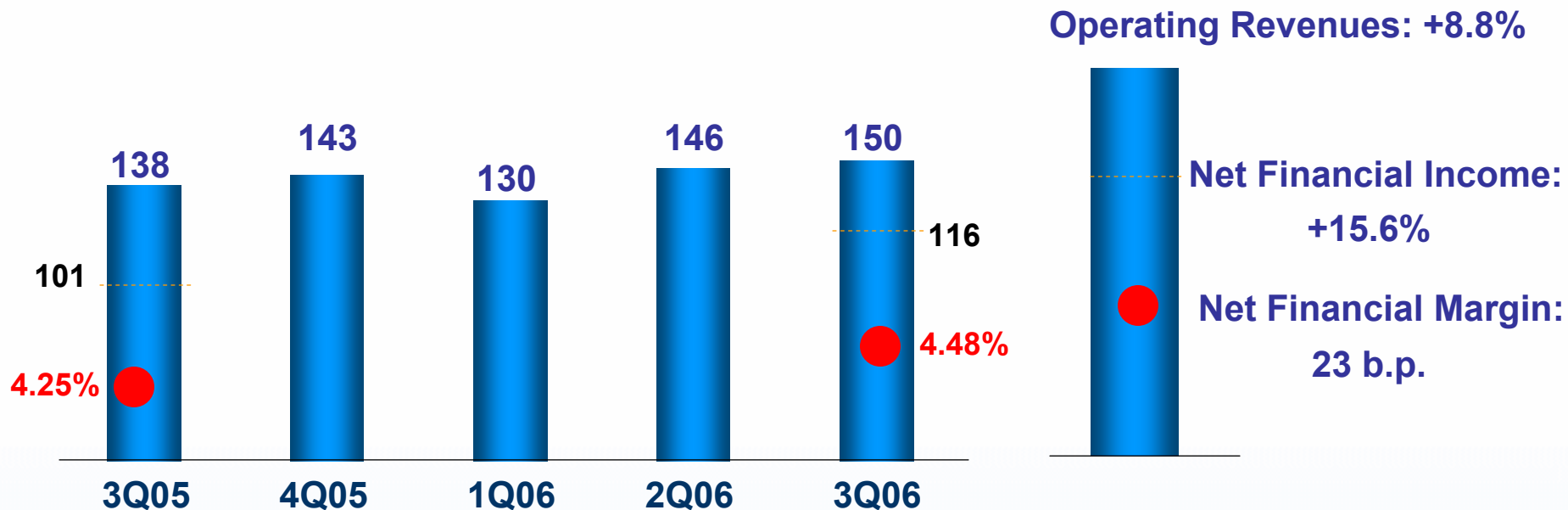
**Millions
per
Quarter**

3Q06

Increase in operating revenues and financial income

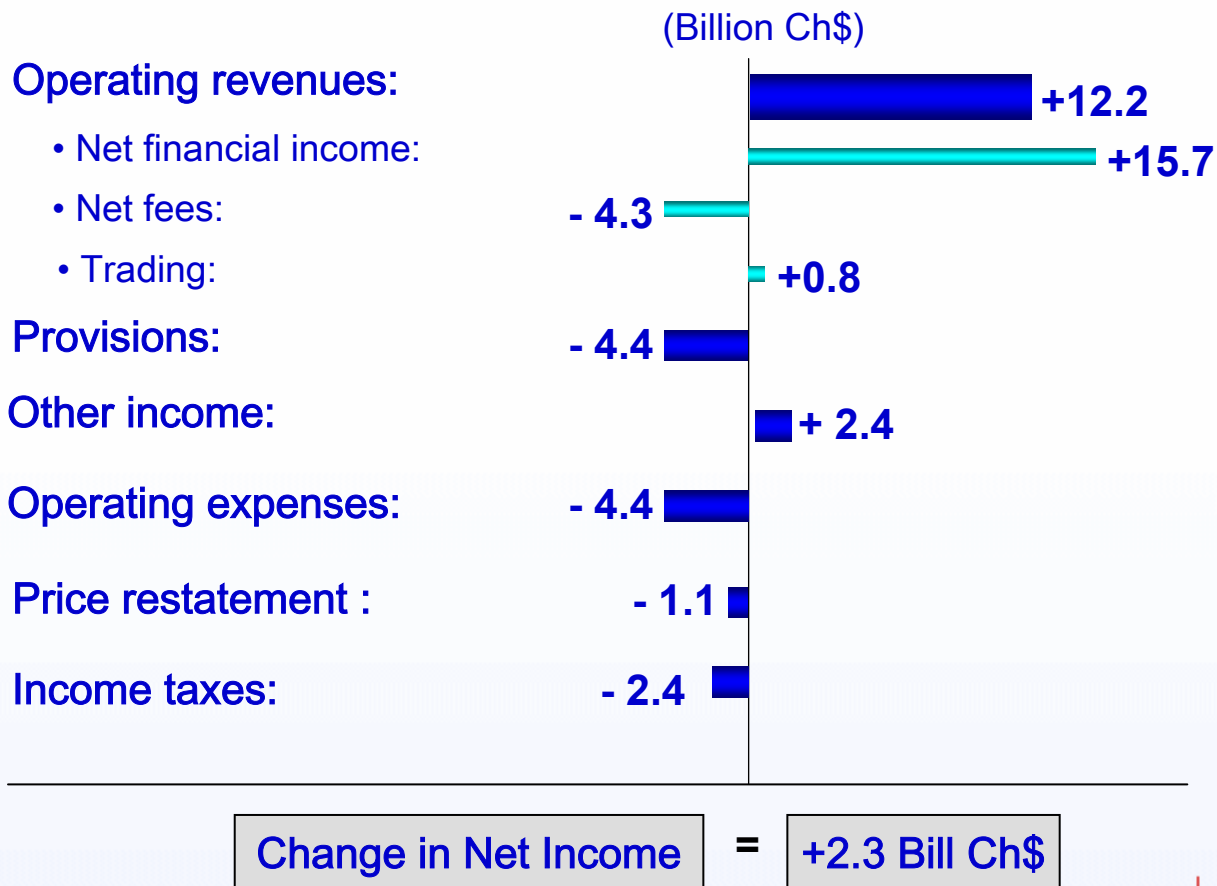
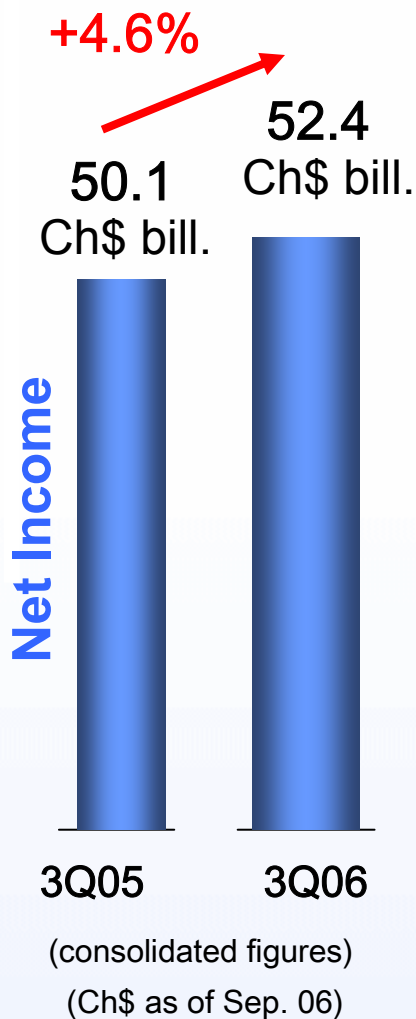
(Thousands of Million Ch\$ as of September 2006)

12-month increase

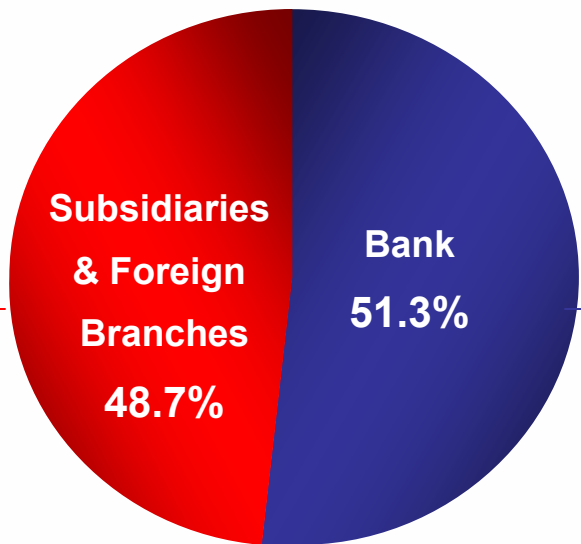


- 12% growth in non-interest bearing demand deposit
- 15% growth in the loan portfolio
- Positive impact of inflation on UF position
- Improved asset mix

3Q06: changes over 3Q05



Fee income as a result of retail focus



➤ Important fee increase from subsidiaries

As of 3Q06
(qoq 12 mth. equiv.)

• stock brokerage	+69.5%
• factoring	+12.2%

➤ Strong increase in fees from retail products

As of 3Q06
(qoq 12 mth. equiv.)

• sight accounts & ATMs	+34.5%
• credit cards	+25.0%
• checking acc. & credit lines	+2.3%

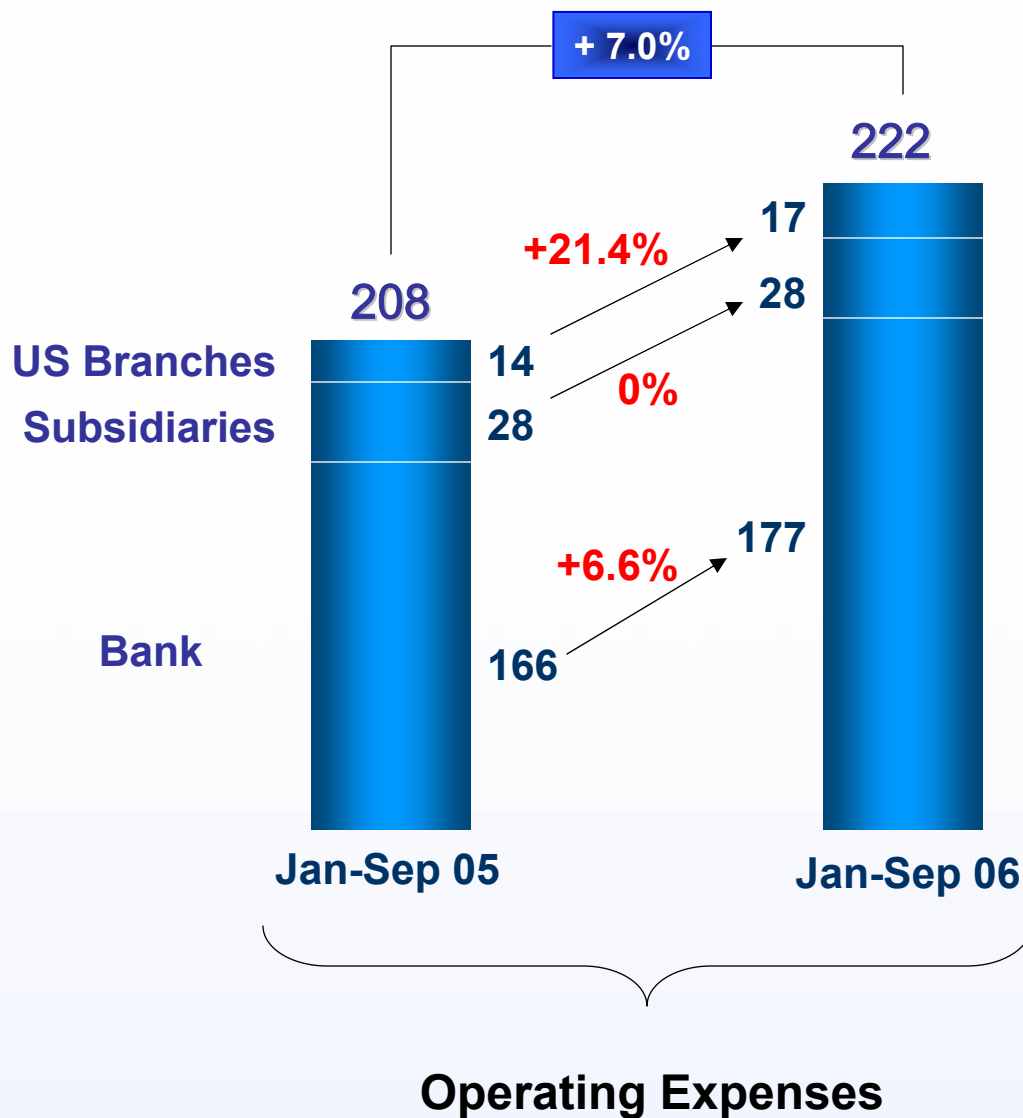
➤ Counter effects from additional sales costs

qoq 12 mth. equiv.

• cobranding	+102.6%
• sales force	+24.7%
• teller services	+20.8%

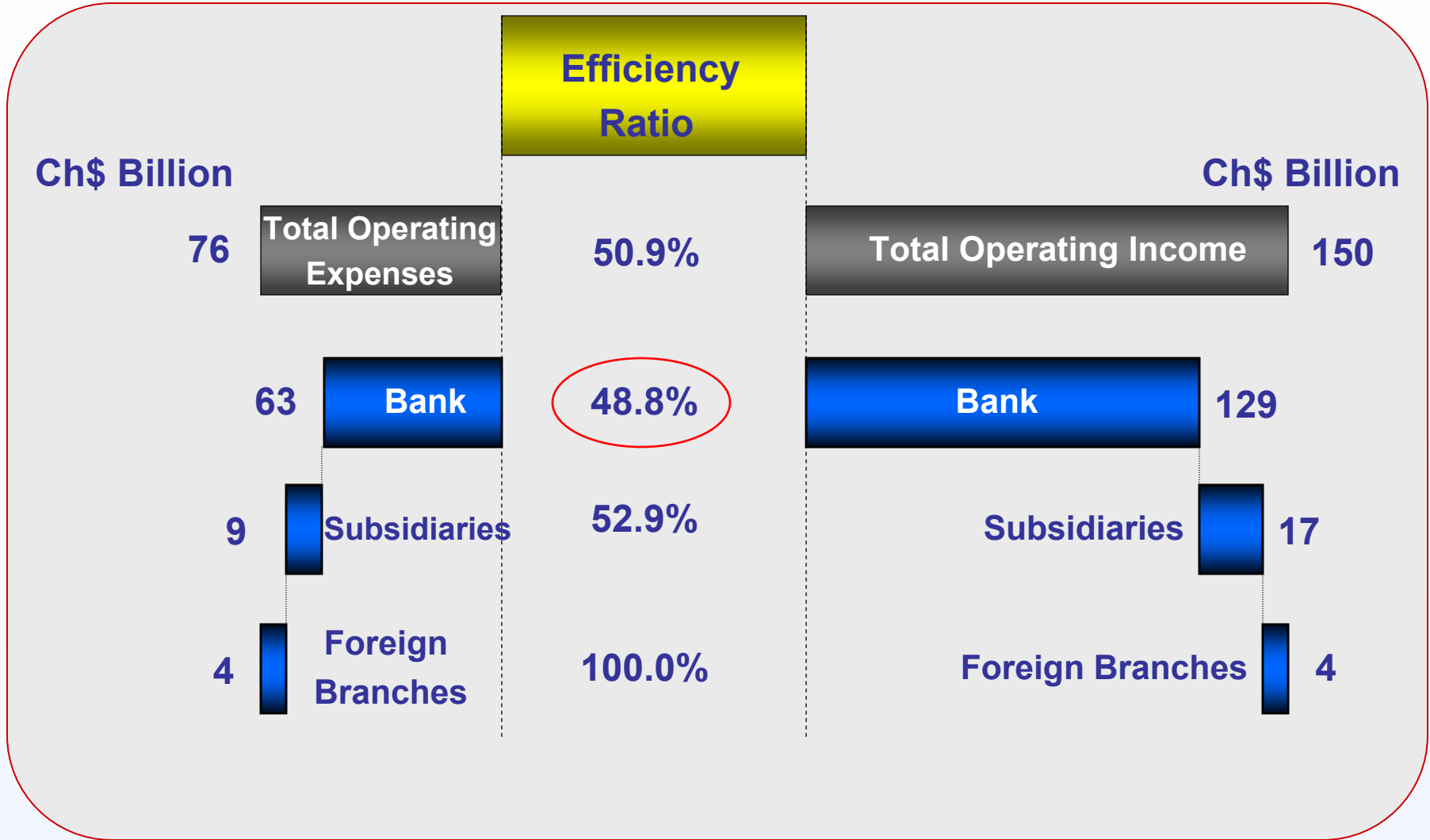
Expenses efforts oriented to enhance sales capacities

(Thousands of Million Ch\$ as of September 2006)

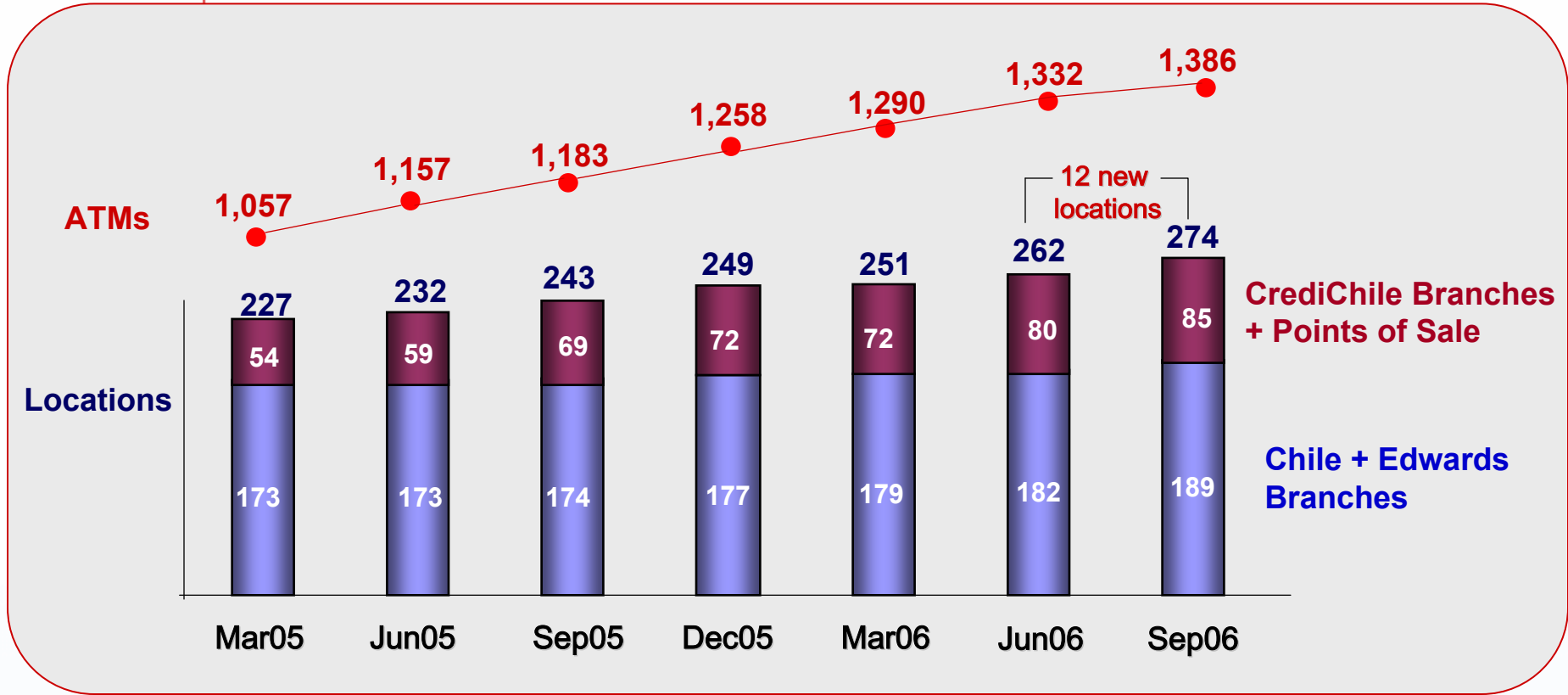


- strengthened distribution network
- increased payroll related to new branches
- higher marketing expenses fostering retail products
- Improved systems and operating capacities

Gaining efficiency in core operations (3Q'06)



Network investment emphasizing retail



Increase in 18 months

	Branches	ATMs
Bank (Chile + Edwards)	+9%	+31%
CrediChile	+57%	

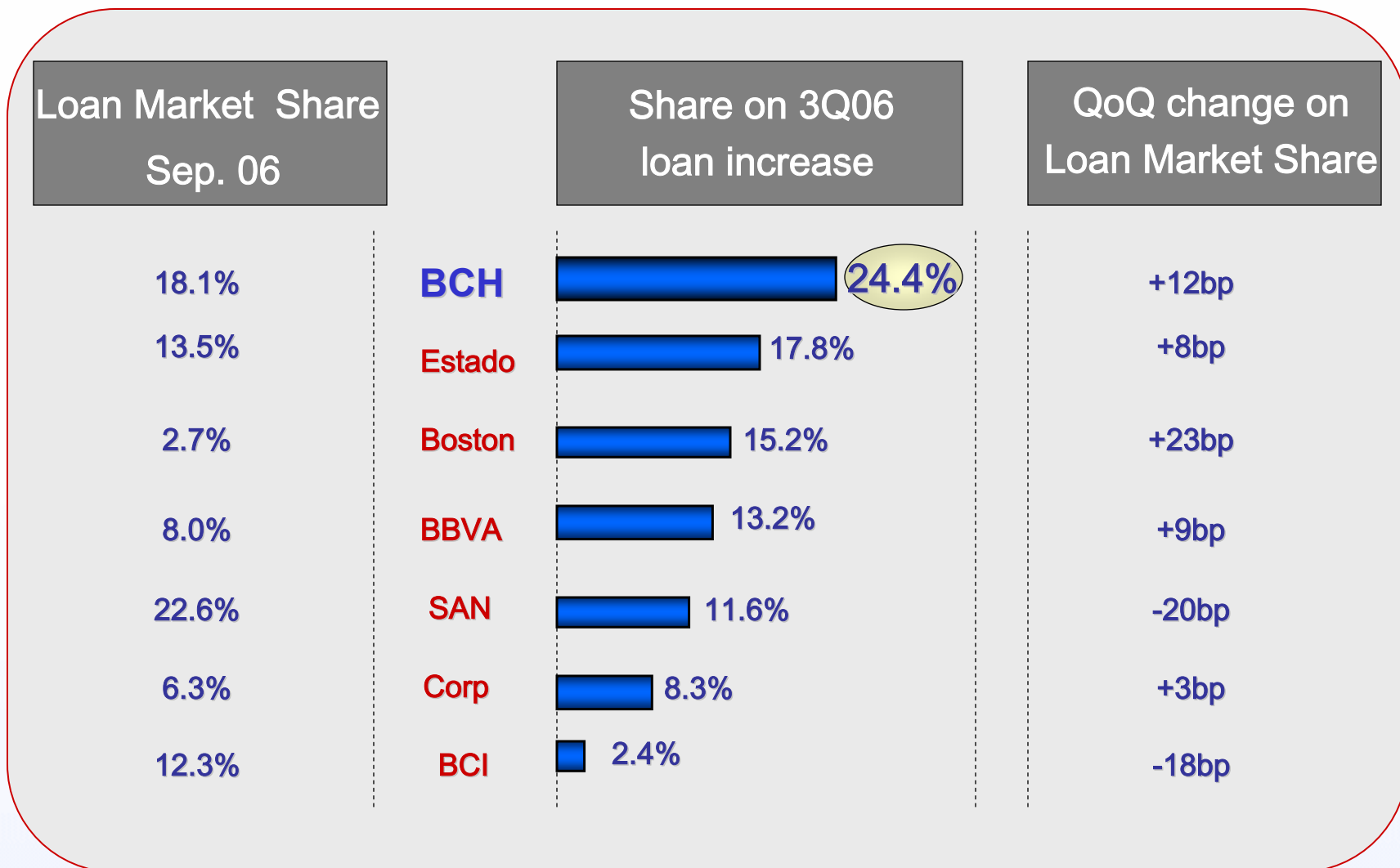
Robust portfolio expansion

Net Loan Growth (nominal)



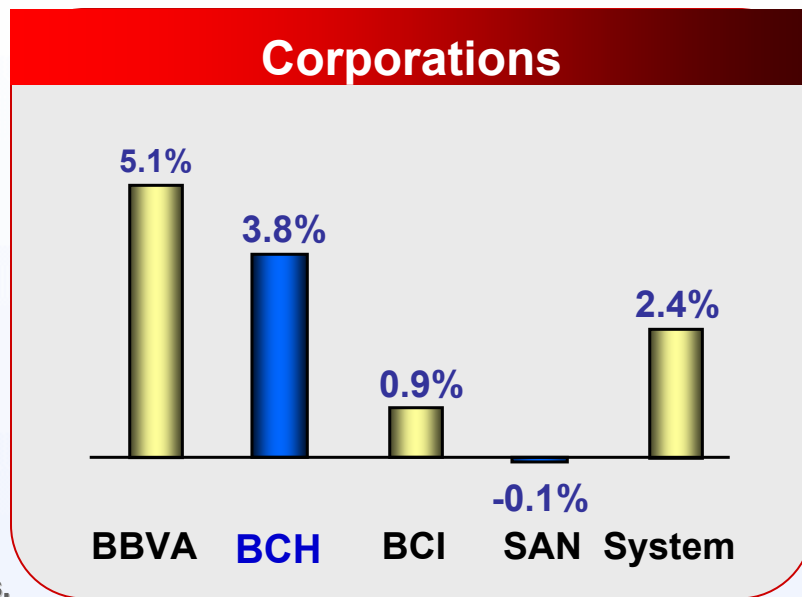
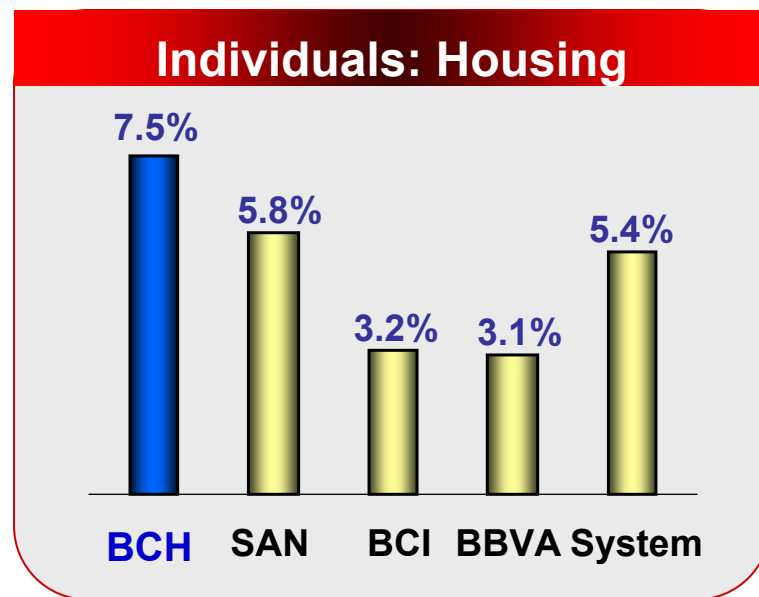
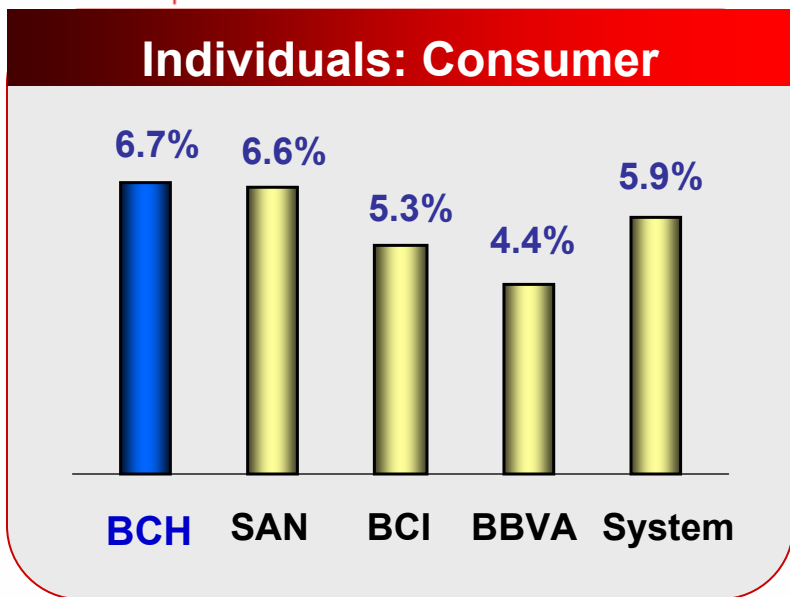
Source: SBIF, unconsolidated figures.

Capturing the largest share of the 3Q06 new loans



Loans net of Interbank Loans

Strong QoQ Loan Growth (nominal terms)



Source: SBIF, unconsolidated figures.

3Q06' accelerated pace in higher-yielding segments

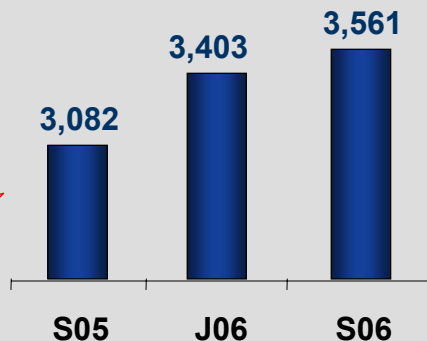
(Billion Ch\$)

Retail Segment

+15.7% YoY

Individuals & Small Co.

YoY: +15.6%
QoQ: +19.9%
12 mth equiv.



Banco CrediChile

YoY: +17.2%
QoQ: +20.1%
12 mth equiv.

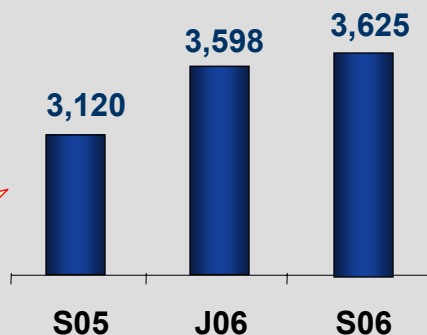


Wholesale Segment

+16.2% YoY

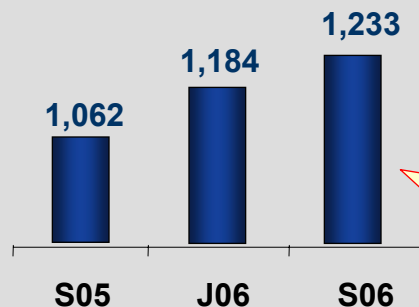
Large Corporations

YoY: +16.2%
QoQ: +3.0%
12 mth equiv.



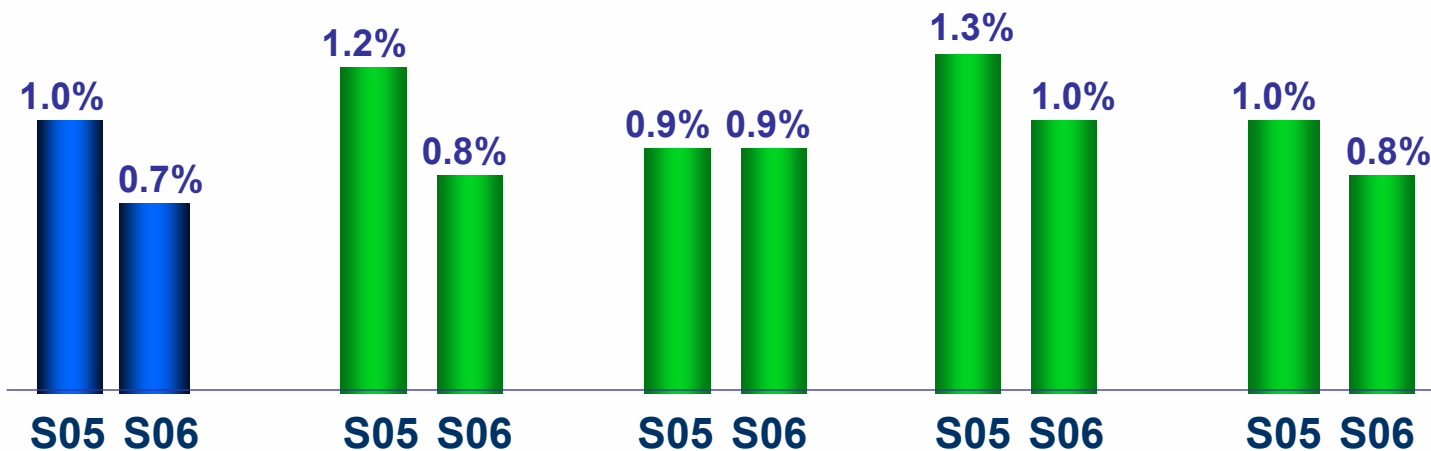
Middle Market Companies

YoY: +16.1%
QoQ: +17.8%
12 mth equiv.



Outstanding credit quality

Past Due / Total Loans



BCH

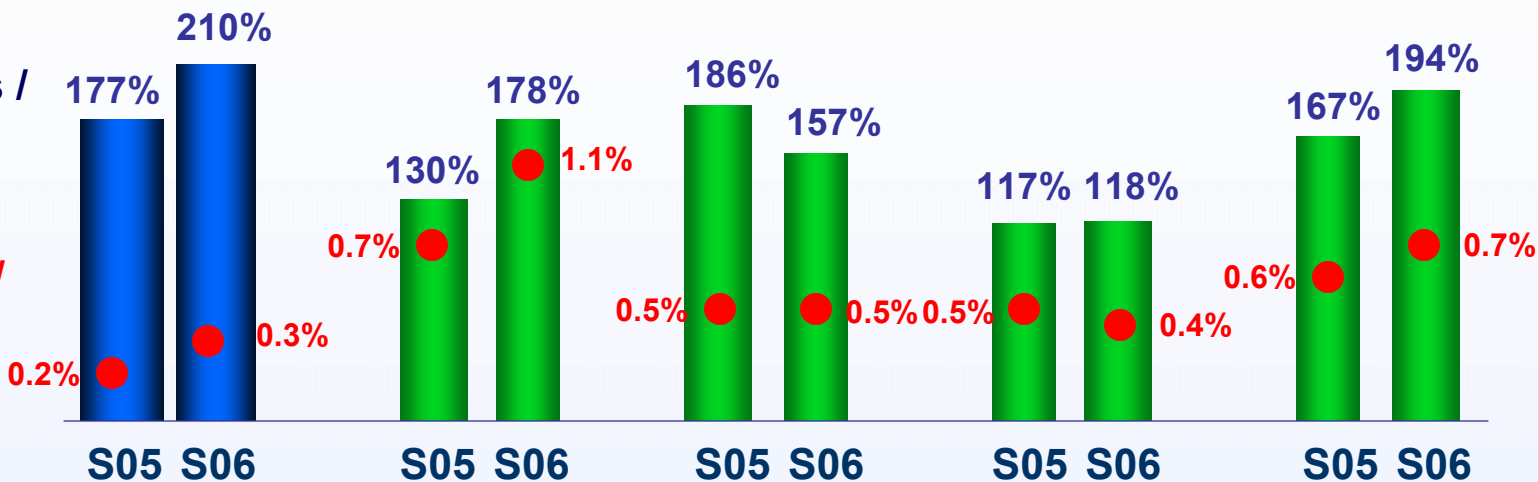
SAN

BCI

BBVA

System

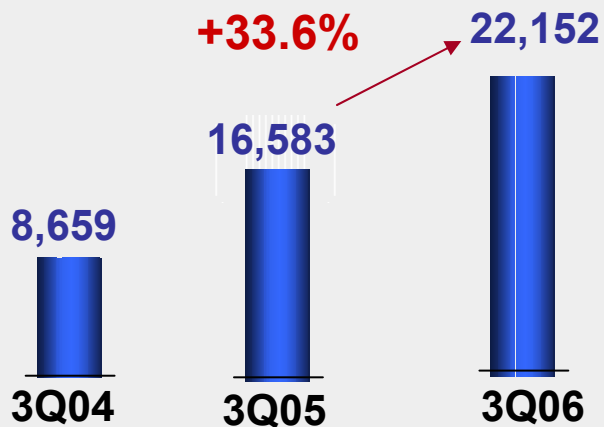
Allowances / Past Due



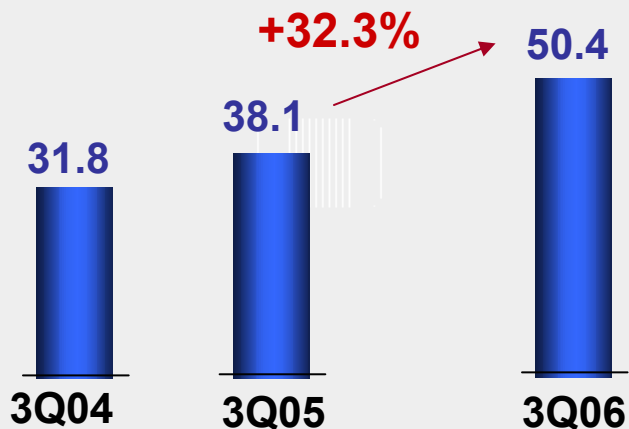
Provisions / Net Loans

Strong sales momentum

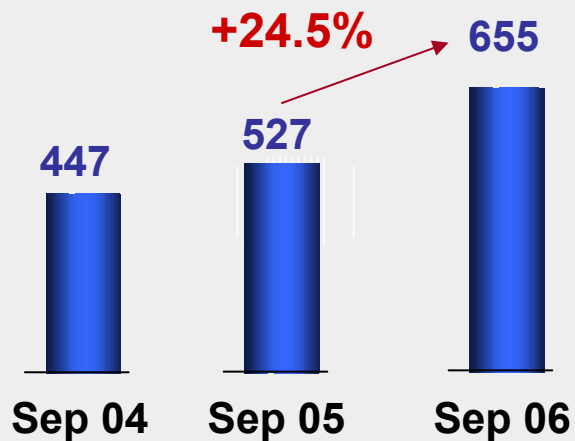
Number of New Debtors (net)



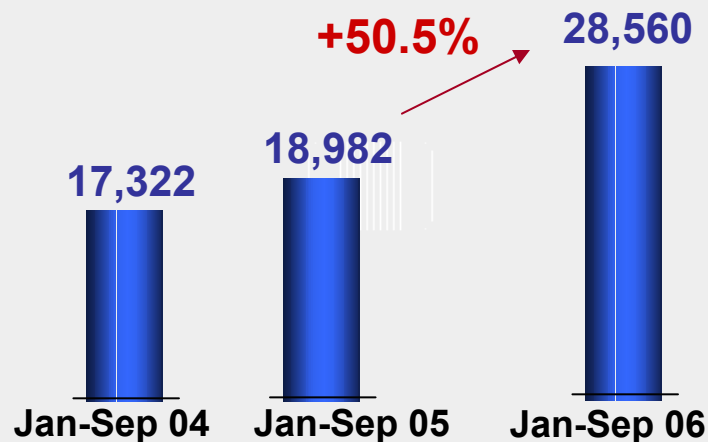
CrediChile Consumer Sales (Ch\$ Bill.)



Credit Card Stock (in thousands)



Number of New Checking Accounts (net)



FORWARD-LOOKING INFORMATION

The information contained herein incorporates by reference statements which constitute “forward-looking statements,” in that they include statements regarding the intent, belief or current expectations of our directors and officers with respect to our future operating performance. Such statements include any forecasts, projections and descriptions of anticipated cost savings or other synergies. You should be aware that any such forward-looking statements are not guarantees of future performance and may involve risks and uncertainties, and that actual results may differ from those set forth in the forward-looking statements as a result of various factors (including, without limitations, the actions of competitors, future global economic conditions, market conditions, foreign exchange rates, and operating and financial risks related to managing growth and integrating acquired businesses), many of which are beyond our control. The occurrence of any such factors not currently expected by us would significantly alter the results set forth in these statements.

Factors that could cause actual results to differ materially and adversely include, but are not limited to:

- changes in general economic, business or political or other conditions in Chile or changes in general economic or business conditions in Latin America;
- changes in capital markets in general that may affect policies or attitudes toward lending to Chile or Chilean companies;
- unexpected developments in certain existing litigation;
- increased costs; and
- unanticipated increases in financing and other costs or the inability to obtain additional debt or equity financing on attractive terms.

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

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