

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Ch\$ = Chilean pesos

MCh\$ = Millions of Chilean pesos

US\$ = United States dollars

ThUS\$ = Thousands of United States dollars

UF = "Unidades de Fomento", an inflation-indexed, peso denominated monetary unit. The UF rate is set daily based on changes in the Chilean Consumer Price Index.

Application of Constant Chilean Pesos

The December 31, 2003 and 2004 consolidated financial statements have been restated for general price-level changes and expressed in constant Chilean pesos of December 31, 2005 purchasing power.

Report of Independent Registered Public Accounting Firm

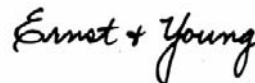
To the Board of Directors and Shareholders of Banco de Chile:

We have audited the accompanying consolidated balance sheets of Banco de Chile (the “Bank”) as of December 31, 2004 and 2005 and the related consolidated statements of income, shareholders’ equity, and cash flows for each of the three years in the period ended December 31, 2005. These financial statements 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 the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Bank’s internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Banco de Chile as of December 31, 2004 and 2005 and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2005, in conformity with accounting principles generally accepted in Chile and regulations issued by the Chilean Superintendency of Banks and Financial Institutions, which differ in certain respect from U.S. generally accepted accounting principles (see Note 28 to the consolidated financial statements).

ERNST & YOUNG LIMITADA



Santiago, Chile, January 27, 2006
(except for Note 28 for which the date is June 1, 2006)

ASSETS	NOTE	As of December 31,		
		2004 MCh\$	2005 MCh\$	2005 ThUS\$ (Note 1 (q))
CASH AND DUE FROM BANKS	3			
Non-interest bearing		559,064	638,604	1,241,913

BANCO DE CHILE AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Restated for general price - level changes and expressed in millions of constant

Chilean pesos as of December 31, 2005 and thousands of U.S. dollars)

Interbank deposits-interest bearing.....		363,614	20,704	40,264
Total cash and due from banks		<u>922,678</u>	<u>659,308</u>	<u>1,282,177</u>
FINANCIAL INVESTMENTS	4			
Government securities		946,548	611,538	1,189,277
Investments purchased under agreements to resell		27,257	46,695	90,809
Other financial investments		331,650	547,556	1,064,849
Investment collateral under agreements to repurchase.....		359,681	244,220	474,942
Total financial investments.....		<u>1,665,136</u>	<u>1,450,009</u>	<u>2,819,877</u>
LOANS, NET	5			
Commercial loans		2,970,510	3,510,902	6,827,759
Consumer loans.....		716,758	864,144	1,680,527
Mortgage loans		849,398	670,347	1,303,644
Foreign trade loans		620,617	550,770	1,071,099
Interbank loans.....		15,745	25,012	48,642
Leasing contracts	6	356,232	454,805	884,473
Other outstanding loans		969,947	1,335,021	2,596,256
Past due loans.....		87,734	71,349	138,755
Contingent loans		550,013	723,574	1,407,157
Allowance for loan losses.....	7	(159,318)	(141,305)	(274,800)
Total loans, net.....		<u>6,977,636</u>	<u>8,064,619</u>	<u>15,683,512</u>
OTHER ASSETS				
Bank premises and equipment, net	8	137,446	142,450	277,027
Investments in other companies.....	9	5,607	7,160	13,924
Assets received in lieu of payment, net		16,711	10,450	20,322
Other	10 (a)	271,361	358,765	697,702
Total other assets		<u>431,125</u>	<u>518,825</u>	<u>1,008,975</u>
TOTAL ASSETS		<u>9,996,575</u>	<u>10,692,761</u>	<u>20,794,541</u>

The accompanying notes 1 to 30 are an integral part of these consolidated financial statements

BANCO DE CHILE AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Restated for general price - level changes and expressed in millions of constant
Chilean pesos as of December 31, 2005 and thousands of U.S. dollars)

	NOTE	As of December 31,		
		2004 MCh\$	2005 MCh\$	2005 ThUS\$ (Note 1 (q))
LIABILITIES AND SHAREHOLDERS' EQUITY				
DEPOSITS				
Non-interest bearing				
Current accounts		1,475,853	1,516,219	2,948,638
Bankers' drafts and other deposits		722,980	484,516	942,253
Total non-interest bearing		2,198,833	2,000,735	3,890,891
Interest bearing				
Savings accounts and time deposits		3,795,575	4,613,253	8,971,535
Total deposits		5,994,408	6,613,988	12,862,426
OTHER INTEREST BEARING LIABILITIES				
	11			
Central Bank credit lines for renegotiations of loans		1,999	1,407	2,736
Other Central Bank borrowings		111,518	—	—
Total Central Bank borrowings		113,517	1,407	2,736
Investments sold under agreements to repurchase		361,653	270,750	526,536
Mortgage finance bonds		817,288	556,504	1,082,250
Bonds		188,050	324,704	631,462
Subordinated bonds		275,891	305,284	593,695
Borrowings from domestic financial institutions		27,349	90,160	175,337
Foreign borrowings		616,988	661,493	1,286,426
Other obligations		46,461	33,743	65,621
Total other interest bearing liabilities		2,447,197	2,244,045	4,364,063
OTHER LIABILITIES				
Contingent liabilities	10 (c)	551,330	723,907	1,407,804
Other	10 (b)	304,822	335,713	652,871
Minority interest		1	1	2
Total other liabilities		856,153	1,059,621	2,060,677
Commitments and contingencies	22			
SHAREHOLDERS' EQUITY				
	15			
Capital and reserves		540,694	594,383	1,155,915
Net Income for the year		158,123	180,724	351,460
Total Shareholders' equity		698,817	775,107	1,507,375
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		9,996,575	10,692,761	20,794,541

The accompanying notes 1 to 30 are an integral part of these consolidated financial statements

BANCO DE CHILE AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Restated for general price-level changes and expressed in millions of constant Chilean pesos as of December 31, 2005 and thousands of U.S. dollars)

	NOTE	Years ended December 31,			
		2003 MCh\$	2004 MCh\$	2005 MCh\$	2005 ThUS\$ (Note 1 (q))
INTEREST REVENUE AND EXPENSE					
Interest revenue		455,241	562,933	680,149	1,322,707
Interest expense		(216,876)	(222,636)	(310,351)	(603,549)
Net interest revenue		238,365	340,297	369,798	719,158
PROVISION FOR LOAN LOSSES	7-19	(36,867)	(41,208)	(22,028)	(42,838)
FEES AND INCOME FROM SERVICES					
Income from fees and other services	17	145,576	172,705	187,607	364,845
Other services expenses		(43,789)	(41,297)	(49,814)	(96,875)
Total fees and income from services, net		101,787	131,408	137,793	267,970
OTHER OPERATING INCOME (LOSS)					
Gains from trading activities		26,612	21,010	14,213	27,640
Losses from trading activities		(20,953)	(24,275)	(10,924)	(21,244)
Foreign exchange transactions, net		96,698	18,296	7,571	14,724
Total other operating income (loss), net		102,357	15,031	10,860	21,120
OTHER INCOME AND EXPENSES					
Non-operating income	17	5,626	4,995	7,859	15,285
Non-operating expenses	17	(15,861)	(16,483)	(14,934)	(29,043)
Equity participation in net income (loss) in investments in other companies	9	(1,296)	452	681	1,324
Minority interest		(2)	(1)	—	—
Total other income and expenses		(11,533)	(11,037)	(6,394)	(12,434)
OPERATING EXPENSES					
Personnel salaries and expenses		(132,433)	(140,918)	(150,616)	(292,908)
Administrative and other expenses		(85,986)	(92,153)	(108,926)	(211,832)
Depreciation and amortization		(18,007)	(16,552)	(16,922)	(32,909)
Total operating expenses		(236,426)	(249,623)	(276,464)	(537,649)
NET LOSS FROM PRICE-LEVEL RESTATEMENT	1 (b)	(4,286)	(7,735)	(11,450)	(22,267)
INCOME BEFORE INCOME TAXES		153,397	177,133	202,115	393,060
INCOME TAXES	21	(14,763)	(19,010)	(21,391)	(41,600)
NET INCOME		138,634	158,123	180,724	351,460

The accompanying notes 1 to 30 are an integral part of these consolidated financial statements

BANCO DE CHILE AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Restated for general price - level changes and expressed in millions of constant
Chilean pesos as of December 31, 2005 and thousands of U.S. dollars)

	Years ended December 31,			
	2003 MCh\$	2004 MCh\$	2005 MCh\$ (Note 1 (m))	2005 ThUS\$ (Note 1 (q))
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income	138,634	158,123	180,724	351,460
Items that do not represent cash flows:				
Depreciation and amortization	18,007	16,552	16,922	32,909
Provisions for loan losses	63,830	76,158	55,014	106,987
Provisions for assets received in lieu of payment	1,559	921	574	1,116
Net change in trading investments	(437,857)	329,402	223,380	434,414
Equity participation in net (income) loss in investments in other companies	1,296	(452)	(681)	(1,324)
Net gain on sales of assets received in lieu of payment	(4,438)	(5,688)	(5,072)	(9,864)
Net gain on sales of bank premises and equipment	(467)	(225)	(98)	(191)
Net loss from price-level restatement	4,286	7,735	11,450	22,267
Minority interest	2	1	—	—
Other charges not representing cash flows	1,364	9,580	10,553	20,523
Net change in interest accruals	92,484	3,389	(61,746)	(120,079)
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(121,300)	595,496	431,020	838,218
CASH FLOWS FROM INVESTING ACTIVITIES				
Net increase in loans	(127,245)	(519,570)	(924,220)	(1,797,359)
Net (increase) decrease in investments purchased under agreements to resell	2,684	3,477	(20,385)	(39,643)
Purchases of bank premises and equipment	(7,226)	(12,753)	(18,272)	(35,534)
Proceeds from sale of bank premises and equipment	3,681	1,394	292	568
Investments in other companies	(2,423)	(303)	(1,665)	(3,238)
Sale of investments in other companies	—	12	20	39
Dividends received from investments in other companies	579	759	560	1,089
Proceeds from sale of assets received in lieu of payment	21,392	17,314	14,863	28,904
Net changes in other assets and liabilities	(68,102)	(156,136)	(275,928)	(536,606)
NET CASH USED IN INVESTING ACTIVITIES	(176,660)	(665,806)	(1,224,735)	(2,381,780)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net increase in current accounts	165,331	203,775	91,650	178,235
Net increase (decrease) in savings accounts and time deposits	(74,654)	237,197	904,489	1,758,988
Net increase (decrease) in bankers drafts and other deposits	100,798	34,891	(212,819)	(413,876)
Net increase (decrease) in investments sold under agreements to repurchase	159,390	(80,334)	(78,399)	(152,465)
Increase in mortgage finance bonds	323,698	138,875	510,989	993,736
Repayment of mortgage finance bonds	(350,735)	(330,103)	(716,635)	(1,393,662)
Proceeds from bond issues	—	180,597	169,286	329,216
Repayments of bond issues	(9,670)	(10,322)	(14,234)	(27,681)
Net increase (decrease) in short-term borrowings	140,138	120,434	(370,978)	(721,452)
Proceeds from issuance of long-term borrowings	425,989	243,105	708,653	1,378,139
Repayment of long-term borrowings	(333,984)	(446,008)	(328,570)	(638,980)
Sale of repayment of shares	—	—	57,637	112,088
Repurchase of shares	—	(54,661)	—	—
Dividends paid	(55,891)	(135,250)	(152,623)	(296,811)
NET CASH PROVIDED BY FINANCING ACTIVITIES	490,410	102,196	568,446	1,105,475
EFFECT OF PRICE-LEVEL RESTATEMENT ON CASH AND DUE FROM BANKS	(8,055)	(19,080)	(38,101)	(74,096)
NET INCREASE (DECREASE) IN CASH AND DUE FROM BANKS	184,395	12,806	(263,370)	(512,183)
CASH AND DUE FROM BANKS AT BEGINNING OF YEAR	725,477	909,872	922,678	1,794,360
CASH AND DUE FROM BANKS AT END OF YEAR	909,872	922,678	659,308	1,282,177

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

Cash paid during the year for:

Interest paid	270,213	247,365	284,724	553,712
Income taxes paid	29,308	33,613	32,132	62,488

The accompanying notes 1 to 30 are an integral part of these consolidated financial statements

BANCO DE CHILE AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Restated for general price - level changes and expressed in millions of constant
Chilean pesos as of December 31, 2005 and thousands of U.S. dollars)

	Number of shares	Paid in share capital	Reserves	Other Accounts	Net Income	Total
	Millions	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Balance as of January 1, 2003	68,079.8	477,727	77,697	10,171	52,635	618,230
Transfer to retained earnings	—	—	3	—	(3)	—
Dividends paid (1)	—	—	—	—	(52,632)	(52,632)
Price-level restatement.....	—	4,777	1,041	—	—	5,818
Net change in unrealized gains (losses) on permanent financial investments (*)	—	—	—	(2,617)	—	(2,617)
Net adjustment for translation differences.....	—	—	—	(3,676)	—	(3,676)
Net Income for the year	—	—	—	—	130,553	130,553
Balance as of December 31, 2003	68,079.8	482,504	78,741	3,878	130,553	695,676
Balance as of December 31, 2003 restated in constant Chilean pesos as of December 31, 2005.....		512,370	83,615	4,119	138,634	738,738
Balance as of January 1, 2004	68,079.8	482,504	78,741	3,878	130,553	695,676
Transfer to retained earnings	—	—	3	—	(3)	—
Dividends paid (2)	—	—	—	—	(130,550)	(130,550)
Common stock repurchased (3).....	(1,702.0)	—	(52,762)	—	—	(52,762)
Price-level restatement.....	—	12,062	(75)	—	—	11,987
Net change in unrealized gains (losses) on permanent financial investments (*)	—	—	—	(195)	—	(195)
Net adjustment for translation differences.....	—	—	—	(2,251)	—	(2,251)
Net Income for the year	—	—	—	—	152,628	152,628
Balance as of December 31, 2004	66,377.8	494,566	25,907	1,432	152,628	674,533
Balance as of December 31, 2004 restated in constant Chilean pesos as of December 31, 2005.....		512,370	26,840	1,484	158,123	698,817
Balance as of January 1, 2005	66,377.8	494,566	25,907	1,432	152,628	674,533
Transfer to retained earnings	—	—	5	—	(5)	—
Dividends paid (4)	—	—	—	—	(152,623)	(152,623)
Placement of shares (5).....	1,702.0	—	57,637	—	—	57,637
Accumulated deficit development period (6).....	—	—	(188)	—	—	(188)
Price-level restatement.....	—	17,804	523	—	—	18,327
Net change in unrealized gains (losses) on permanent financial investments (*)	—	—	—	(74)	—	(74)
Net adjustment for translation differences.....	—	—	—	(3,229)	—	(3,229)
Net Income for the year	—	—	—	—	180,724	180,724
Balance as of December 31, 2005.....	68,079.8	512,370	83,884	(1,871)	180,724	775,107

- (1) On March 20, 2003, the Ordinary General Shareholders' Meeting agreed to distribute a dividend for a total of MCh\$ 52,632 (in historical pesos).
 - (2) On March 18, 2004, the Ordinary General Shareholders' Meeting agreed to distribute a dividend for a total of MCh\$ 130,550 (in historical pesos).
 - (3) In April 2004, Banco de Chile purchased 1,701,994,590 shares issued by Banco de Chile at Ch\$ 31 per share for a total amount of MCh\$52,762 (in historical pesos), in accordance with the Share Repurchase Program issued by Banco de Chile and agreed upon at the Extraordinary Shareholders' Meeting of Banco de Chile held on March 20, 2003.
 - (4) On March 18, 2005, the Ordinary General Shareholders' Meeting agreed to distribute a dividend for a total of MCh\$ 152,623 (in historical pesos).
 - (5) During the period from May to August 2005, Banco de Chile sold 1,701,994,590 shares issued by Banco de Chile that had been repurchased as part of its Share Repurchase Program in April 2004, for a total amount of MCh\$57,637 (in historical pesos).
 - (6) Relates to the recognition of the variation in the shareholders' equity of "Administrador Financiero de Transantiago S.A.", a banking support company, during its development period.
- (*) These balances are presented net of the deferred taxes originated from adjustments to the market value of the permanent investment portfolio.

The accompanying notes 1 to 30 are an integral part of these consolidated financial statements

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Restated for general price - level changes and expressed in millions of constant
Chilean pesos as of December 31, 2005)

1. Summary of Significant Accounting Policies

(a) Basis of presentation

Banco de Chile (“Banco de Chile” or the “Bank”) is a corporation organized under the laws of the Republic of Chile, which is regulated by the Chilean Superintendencia de Bancos e Instituciones Financieras (the “Superintendency of Banks and Financial Institutions”). Since 2001, Banco de Chile has been regulated by the United States Securities and Exchange Commission (“SEC”), as Banco de Chile is listed on the New York Stock Exchange (“NYSE”) through its American Depository Receipt (“ADR”) program, which is also listed on the London Stock Exchange. Banco de Chile’s shares are also listed on the Latinamerican securities market of the Madrid Stock Exchange (“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 segments for internal reporting purposes: wholesale, retail market, international banking and treasury. Banco de Chile’s subsidiaries provide other services including securities brokerage, mutual fund management, factoring, securitization activities, insurance brokerage and financial advisory services.

The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles in Chile and regulations of the Superintendency of Banks. For the convenience of the reader, the consolidated financial statements have been translated into English, certain reclassifications have been made and certain subtotals and clarifying account descriptions have been added.

The preparation of 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 periods. Actual results could differ from those estimates. In certain cases generally accepted accounting principles require that assets or liabilities be recorded or disclosed at their fair values. The fair value is the amount at which an asset could be bought or sold or in the case of a liability could be incurred or settled in a current transaction between willing parties, other than in a forced or liquidation sale. Where quoted markets are not available, Banco de Chile has estimated such values based on the best information available, including using modeling and other valuation techniques.

The consolidated financial statements include the financial position and results of operations of Banco de Chile and its majority-owned subsidiaries. All significant intercompany transactions and balances have been eliminated in the consolidation. The majority-owned subsidiaries of Banco de Chile as of December 31, 2004 and 2005 are as follows:

<u>Subsidiary</u>	<u>Interest Owned %</u>					
	<u>2004</u>			<u>2005</u>		
	<u>Direct</u>	<u>Indirect</u>	<u>Total</u>	<u>Direct</u>	<u>Indirect</u>	<u>Total</u>
Banchile Trade Services Limited	100.00	—	100.00	100.00	—	100.00
Banchile Administradora General de Fondos S.A.	99.98	0.02	100.00	99.98	0.02	100.00
Banchile Asesoría Financiera S.A.	99.94	—	99.94	99.94	—	99.94
Banchile Corredores de Seguros Ltda.	99.75	0.25	100.00	99.75	0.25	100.00
Banchile Corredores de Bolsa S.A.	99.68	0.32	100.00	99.68	0.32	100.00
Banchile Factoring S.A.	99.52	0.48	100.00	99.52	0.48	100.00
Banchile Securitizadora S.A.	99.00	1.00	100.00	99.00	1.00	100.00
Socofin S.A.	99.00	1.00	100.00	99.00	1.00	100.00
Promarket S.A.	99.00	1.00	100.00	99.00	1.00	100.00

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Restated for general price - level changes and expressed in millions of constant
Chilean pesos as of December 31, 2005)

1. Summary of Significant Accounting Policies (continued)

(b) Price-level restatement

The consolidated financial statements are prepared on the basis of general price-level accounting in order to reflect the effect of changes in the purchasing power of the Chilean peso for Banco de Chile and its Chilean subsidiaries during each year. At the end of each reporting period, the consolidated financial statements are stated in terms of the general purchasing power of the Chilean peso using changes in the Chilean consumer price index ("CPI") as determined by the Chilean National Institute of Statistics as follows:

- Non-monetary assets, liabilities, and Shareholders' equity accounts are restated in terms of year-end purchasing power using the "prior month rule", as described below.
- Consistent with general banking practices in Chile, no specific purchasing power adjustments are made to the income statement accounts.
- Monetary items are not restated, as such items are, by their nature, stated in terms of current purchasing power in the consolidated financial statements.
- The price-level restatement debit or credit in the income statement represents the monetary loss or gain in purchasing power from holding monetary assets and liabilities exposed to the effects of inflation.
- For comparative purposes, the consolidated financial statements for periods through December 31, 2004 have been restated in Chilean pesos of general purchasing power as of December 31, 2005 ("constant pesos"), to reflect changes in the CPI from the financial statement dates to December 31, 2005. This updating does not change the prior year's financial statements or information in any way except to update the amounts therein to constant pesos of similar purchasing power. Amounts previously presented in constant Chilean pesos as of each balance sheet date have been adjusted by the percentage changes in the Chilean CPI to December 31, 2005, as follows:

<u>Year</u>	<u>Change in Index</u>
2003	2.5%
2004	3.6%

The general price-level restatements are calculated using the CPI, and are based on the "prior month rule", in which the inflation adjustments are based on the CPI at the close of the month preceding the close of the respective period or transaction. The CPI is considered by the business community, the accounting profession, and the Chilean government to be the index that most closely complies with the technical requirement to reflect the variation in the general level of prices in the country and, consequently, is widely used for financial reporting purposes in Chile.

The values of the CPI used for price-level restatement purposes are as follows:

<u>Year</u>	<u>Index (*)</u>	<u>Change in Index</u>
2003.....	114.44	1.0
2004.....	117.28	2.5
2005.....	121.53	3.6

* Index as of November 30, of each year under prior month rule described above.

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Restated for general price - level changes and expressed in millions of constant
Chilean pesos as of December 31, 2005)

1. Summary of Significant Accounting Policies (continued)

(b) Price-level restatement (continued)

The price-level adjusted consolidated financial statements do not purport to represent appraised values, replacement cost, or any other current value of assets at which transactions would take place currently and are only intended to restate all non-monetary financial statement components in terms of local currency of a single purchasing power and to include in the net result for each year the gain or loss in purchasing power arising from the holding of monetary assets and liabilities exposed to the effects of inflation.

The net charge to income for price-level restatement is comprised of the following restatements of non-monetary assets and liabilities. These figures are expressed in constant Chilean pesos of December 31, 2005.

	Year ended December 31,		
	2003	2004	2005
	MCh\$	MCh\$	MCh\$
Shareholders' equity	(6,179)	(12,419)	(18,327)
Bank premises and equipment.....	1,310	3,128	4,673
Investment in other companies.....	395	1,073	2,188
Other, net.....	188	483	16
Net loss from price-level restatement	(4,286)	(7,735)	(11,450)

(c) Index-linked assets and liabilities

Certain of Banco de Chile's interest-bearing assets and liabilities are denominated in index-linked units of account.

The principal index-linked unit used in Chile is the Unidad de Fomento ("UF"), a unit of account, which changes daily to reflect changes in the CPI. The carrying amounts of such assets and liabilities change with the respective changes in the UF and serve to offset the monetary gains or losses from holding such assets and liabilities. As Banco de Chile's UF-denominated assets exceed its UF-denominated liabilities, any increase in the Chilean CPI results in a net gain on indexation. Values for the UF are as follows (historical Chilean pesos per UF).

December 31,	Ch\$
2003	16,920.00
2004	17,317.05
2005	17,974.81

The UF daily indexation adjustments from the 10th day of the month in question to the 9th day of the subsequent month are determined based on the previous month's changes in the Chilean CPI. The effect of changes in the UF index on interest earning assets and interest bearing liabilities is reflected in the income statement as an increase or decrease in interest income or expense.

(d) Interest revenue and expense recognition

Interest revenue and expense are recognized on an accrual basis using the effective interest method. Loans, investments and liabilities are stated at their cost, adjusted for accrued interest and the indexation adjustment applicable to such balances that are index-linked.

Banco de Chile 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 Banco de Chile's assets and is considered a part of the loan balance when determining the allowance for loan losses. Payments received on past due loans are recognized as income, after reducing the balance of accrued interest, if applicable.

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) (Restated for general price - level changes and expressed in millions of constant Chilean pesos as of December 31, 2005)

1. Summary of Significant Accounting Policies (continued)

(e) Foreign currency and derivative activities

Banco de Chile and its subsidiaries protect themselves against variations in the foreign exchange market by using forward contracts, currency futures contracts, currency swaps and interest rates swaps. These activities include hedging and treasury operations and help Banco de Chile and its subsidiaries provide financial products to their 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 term of the respective contract. In addition to the aforementioned forward contracts, Banco de Chile and its subsidiaries have currency futures contracts. Above mentioned contracts are valued at the observed exchange rate and resulting gains or losses are charged to income on an accrual basis in the line item "Foreign exchange transactions, net".

Banco de Chile's interest rate swap agreements are treated as off-balance-sheet financial instruments. The interest rate and currency swap contracts are valued at the close of each month in accordance with the agreed-upon interest and currency exchange rates, recording the differences as a credit or charge to income in the line item "Foreign exchange transactions, net". Additionally, Banco de Chile and its subsidiaries records, in the line item "Gains or Loss from trading activities", the adjustment to market value of the swap contract portfolio that is used to hedge interest rate and foreign currency risks.

The amount of net gains and losses on foreign exchange includes the recognition of the effects that variations in the exchange rates have on assets and liabilities denominated in foreign currencies and their gains or losses on foreign exchange spot and derivative instruments undertaken by Banco de Chile. The results of such foreign exchange transactions undertaken by Banco de Chile and its subsidiaries are included in the line item "Foreign exchange transactions, net".

(f) 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 unrealized losses of MCh\$ 10,860, MCh\$ 743 and MCh\$ 3,251, in 2003, 2004 and 2005 respectively, which was included in operating income under "Gains from trading activities". The adjustment of the permanent investment portfolio was a net debit of MCh\$ 3,305, MCh\$ 244 and MCh\$ 89, in 2003, 2004 and 2005, respectively, which is disclosed in equity net of taxes.

Banco de Chile and its subsidiaries enter into security repurchase agreements as a form of borrowing. Banco de Chile'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 "Investments sold under agreements to repurchase", which is valued in accordance with the agreed-upon interest rate.

Banco de Chile and its subsidiaries also enter into resale agreements as a form of investment. Under these agreements Banco de Chile 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.

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Restated for general price - level changes and expressed in millions of constant
Chilean pesos as of December 31, 2005)

1. Summary of Significant Accounting Policies (continued)

(g) Bank premises and equipment

Bank premises and equipment are stated at acquisition cost net of accumulated depreciation and have been restated for price-level changes. Depreciation is calculated using the straight-line method over the estimated useful lives of the underlying assets. Maintenance and repair costs are charged to income. The cost of significant renovations and improvements is capitalized.

<u>Property, plant and equipment</u>	<u>Estimated Useful Life</u>
Land and buildings	5-80
Furniture and fixtures	3-10
Machinery and equipment	2-10
Vehicles	5
Other equipment	6-8

(h) Leasing contracts

Banco de Chile leases certain property that meets the criteria for direct financing leases. At the time of entering into a direct financing lease transaction, Banco de Chile records the aggregate of the minimum lease payment receivable less unearned income. Generally, the lessee acquires the leased asset by remitting all lease payments due. There are no significant residual values assumed by Banco de Chile. Unearned income represents the excess of the minimum lease payments receivable plus any estimated residual value over the cost of the property acquired.

Unearned income is recognized in such a manner as to produce a constant periodic rate of return on the net investment in the direct financing lease. The net investment in financing leases is classified as "leasing contracts" in the accompanying consolidated balance sheets.

(i) Factoring transactions

Banco de Chile and its subsidiary Banchile Factoring S.A. carry out factoring transactions, by means of which they receive invoices and other commercial instruments representative of credit, with or without recourse, and they advance to the assignor a percentage of the total amounts to be collected from the original debtor.

The caption "Other outstanding loans" includes MCh\$ 310,479 (MCh\$ 204,470 in 2004), corresponding to the amount advanced to the assigner plus accrued interest net of payments received.

(j) Investments in other companies

Shares or rights in other companies that are integral to the operations of Banco de Chile and where Banco de Chile holds a less than majority interest but has significant influence over the operating activities of the invested are accounted for under the equity method. Other minority investments are carried at cost restated for price-level changes.

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) (Restated for general price - level changes and expressed in millions of constant Chilean pesos as of December 31, 2005)

1. Summary of Significant Accounting Policies (continued)

(k) Intangibles

In accordance with instructions from the Superintendency of Banks and Financial Institutions, intangible assets are classified in "Other Assets". 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.

As of December 31, 2005, intangible assets amount to MCh\$14,292 (MCh\$11,485 in 2004), corresponding to investments in software and MCh\$5 (MCh\$ 2 in 2004) corresponding to payments for licenses to use trademarks.

(l) Allowance for loan losses

The loans granted and acquired by Banco de Chile 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, Banco de Chile, its subsidiaries and foreign branches utilize models and 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, Banco de Chile must be completely familiar. Likewise, it requires assigning a risk category to each debtor and its respective loans. This risk category should consider the following factors: industry or sector, partners, management 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:

- i. 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.
- ii. 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.
- iii. 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, Banco de Chile 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:

<u>Category</u>	<u>Range of estimated loss</u>	<u>Allowance</u>
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%

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) (Restated for general price - level changes and expressed in millions of constant Chilean pesos as of December 31, 2005)

1. Summary of Significant Accounting Policies (continued)

(1) Allowance for loan losses (continued)

- Allowances for group evaluations

The group analysis is used to analyze a large number of operations whose individual amounts are not significant and present similar risk characteristics. For this analysis, Banco de Chile 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, Banco de Chile 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 Banco de Chile'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, 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.

- Loan loss recoveries

Cash recoveries on written-off loans including loans that were reacquired from the Central Bank of Chile, recorded in memorandum accounts (see Note 19), are recorded directly to income, as a reduction of the "Provision for loan losses" item.

Previous Guidelines

- Global loan loss allowance

Prior to 2004, the global loan loss allowance was calculated by multiplying Banco de Chile's outstanding loans by the greater of its "risk index" or 0.75%. Banco de Chile's risk index calculation was based upon a classification of a portion of its customers' outstanding loans into five categories based upon risk of loss for commercial loans and overdue status for consumer and residential mortgage loans. The classifications for risk index calculation purposes must have included the largest commercial loans and represent at least 75% of the commercial loan portfolio, and 100% of consumer and residential mortgage loans. Commercial and consumer loans are classified based on risk in categories denominated A, B, B -, C or D, while residential mortgage loans are classified only as A, B or B-. The total exposure of Banco de Chile to each of its customers and the classification of such customer's loans are continuously reviewed by the commercial officers of Banco de Chile and by the risk control division. The allowances required for each category of loans, which were established by the Chilean Superintendency of Banks, were as follows:

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Restated for general price - level changes and expressed in millions of constant
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1. Summary of Significant Accounting Policies (continued)

(l) Allowance for loan losses (continued)

Category	Provisions as a percentage of aggregate exposure
A	0%
B	1
B-	20
C	60
D	90%

The resulting weighted average allowance rate was the risk index utilized in the calculation of the global loan loss reserve.

- Individual loan loss allowance

Once a loan became overdue for more than 90 days, a specific allowance was calculated for 100% of the uncollateralized portion of the loan. Individual loan loss reserves are required only to the extent that, in the aggregate, they exceed the global loan loss reserve.

- Voluntary loan loss allowance

Prior to 2004, Banco de Chile made a provision for voluntary allowances in addition to those required by the rules of the Superintendency of Banks. Such voluntary reserves were established to cover additional risks inherent in the portfolio.

(m) Income taxes

Effects of deferred income taxes are recorded in conformity with Technical Bulletin No. 60 and its related amendments, issued by the Chilean Association of Accountants (see Note 21).

The income tax provision is determined based on current Chilean tax legislation.

(n) Consolidated statements of cash flows

For purposes of reporting cash flows, cash and cash equivalents include cash and due from banks. For the years ended December 31, 2003, 2004 and 2005 the consolidated statement of cash flows has been prepared in accordance with Technical Bulletin No.65 of the Chilean Association of Accountants.

(o) Staff severance indemnities

Banco de Chile has recorded a liability for long-term severance indemnities in accordance with employment contracts it has with certain employees. The liability, which is payable to specified retiring employees with more than 30 years of service, is recorded at the present value of the accrued benefits, which are calculated by applying a real discount rate to the benefit accrued as of year-end over the estimated average remaining service period. For the years ended December 31, 2003, 2004 and 2005, the obligation has been discounted using the real interest rate of 7%, 7% and 6% per annum.

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) (Restated for general price - level changes and expressed in millions of constant Chilean pesos as of December 31, 2005)

1. Summary of Significant Accounting Policies (continued)

(p) Fees and expenses related to loans and services

Loan origination fees and expenses are considered to be adjustments to loan yield and are deferred and amortized as interest income over the term of the loan. Fees and expenses related to other financial products, including contingent loans, are generally deferred and recognized as income over the term of the products to which they relate. Fees related to financial advisory and other services are recognized on an accrual basis at the time services are provided.

(q) Convenience translation to U.S. dollars

Banco de Chile maintains its accounting records and prepares its consolidated financial statements in Chilean pesos. The U.S. dollar amounts disclosed in the accompanying financial statements are presented solely for the convenience of the reader at the observed exchange rate for December 31, 2005 of Ch\$ 514.21 per US\$1.00. This translation should not be construed as representing that the Chilean peso amounts actually represent or have been, or could be, converted into U.S. dollars at such a rate or, any other rate.

(r) Translation of financial statements of Banco de Chile's foreign branches and subsidiaries

Banco de Chile 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 that 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".

(s) Reclassifications

Certain minor reclassifications have been made to balances in the 2003 and 2004 financial statements in order to conform to the 2005 presentation.

(t) 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 portfolio valuation allowance. The Superintendency of Banks and Financial Institutions requires regulatory charge-offs if the asset is not sold within one year of foreclosure.

2. Changes in Accounting Principles

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

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Restated for general price - level changes and expressed in millions of constant
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3. Cash and Due from Banks

Included in cash and due from banks are amounts maintained by Banco de Chile with various foreign and local banks, including the Chilean Central Bank (“Central Bank”).

In accordance with guidelines established by the Superintendency of Banks, Banco de Chile 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 Banco de Chile’s deposits, the amounts of its foreign borrowings and its average liabilities. These restricted cash amounts totaled MCh\$ 189,258 and MCh\$ 203,456 as of December 31, 2004 and 2005, respectively.

4. Financial Investments

A summary of financial investments is as follows:

	As of December 31,		Weighted Average
	2004	2005	Nominal Rate as of
	MCh\$	MCh\$	December 31, 2005
			%
Central Bank and Government Securities			
Central Bank debt securities	936,268	592,531	3.34
Chilean government securities	10,280	19,007	5.66
Investments purchased under agreements to resell	27,257	46,695	4.32
Investment collateral under agreements to repurchase	176,101	90,011	4.34
Subtotal	<u>1,149,906</u>	<u>748,244</u>	<u>3.58</u>
Corporate Securities and Other Financial Investments			
Investments in Chilean financial institutions	44,758	74,189	4.21
Foreign government notes	29,317	37,357	2.97
Investments in foreign countries	142,231	315,578	4.21
Other financial investments	115,344	120,432	6.23
Investments collateral under agreements to repurchase	183,580	154,209	5.55
Subtotal	<u>515,230</u>	<u>701,765</u>	<u>4.79</u>
Total	<u>1,665,136</u>	<u>1,450,009</u>	<u>4.16</u>

Financial investments are classified at the time of the purchase, based on management’s intentions, as either trading or permanent. The related amounts are as follows:

	As of December 31,	
	2004	2005
	MCh\$	MCh\$
Permanent(*)	45,723	38,952
Trading	<u>1,619,413</u>	<u>1,411,057</u>
Total	<u>1,665,136</u>	<u>1,450,009</u>

(*) Includes non-transferable financial instruments of MCh\$17,365 and MCh\$15,363 as of December 31, 2004 and 2005, respectively.

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Restated for general price - level changes and expressed in millions of constant
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5. 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.

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.

Foreign trade loans are variable or fixed rate, short-term loans granted in foreign currencies (mainly U.S. dollars) to finance imports and exports.

Interbank loans are fixed rate, short-term loans to financial institutions that operate in Chile.

Leasing contracts are agreements for financing leases of capital equipment and other property.

Other outstanding loans principally include bills of exchange, other mortgage loans, which are financed by Banco de Chile'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.

Contingent loans consist of open and unused letters of credit together with guarantees granted by Banco de Chile in Ch\$, UF and foreign currencies (mainly U.S. dollars).

The following table summarizes the most significant loan concentrations expressed as a percentage of total loans, excluding contingent loans and before allowance for loan losses:

	As of December 31,	
	2004	2005
	%	%
Financial Services.....	19.93	19.22
Residential mortgage loans.....	20.09	17.99
Manufacturing	10.19	8.90
Commerce.....	11.82	9.75
Agriculture, livestock, forestry, agribusiness, fishing	7.85	5.48
Consumer loans	13.81	11.63

Substantial portions of Banco de Chile's loans are to borrowers doing business in Chile.

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Restated for general price - level changes and expressed in millions of constant
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6. Leasing Contracts

Banco de Chile's scheduled cash flows to be received from leasing contracts have the following maturities as of December 31, 2005:

<u>Maturity</u>	As of December 31, 2005		
	Total	Unearned	Net lease
	Receivable	Income	Receivable
	MCh\$	MCh\$	MCh\$
Due within one year.....	147,793	(21,446)	126,347
Due after 1 year but within 2 years.....	111,951	(15,844)	96,107
Due after 2 years but within 3 years.....	79,854	(11,439)	68,415
Due after 3 years but within 4 years.....	58,085	(8,293)	49,792
Due after 4 years but within 5 years.....	36,540	(6,033)	30,507
Due after 5 years.....	97,245	(13,608)	83,637
Total leasing contracts	531,468	(76,663)	454,805

Leased assets consist principally of real estate, industrial machinery, vehicle, and computer equipment. The allowance for uncollectible lease receivable was MCh\$ 5,856 as of December 31, 2005 (MCh\$ 6,072 as of December 31, 2004), which forms part of the allowance for loan losses.

7. Allowance for Loan Losses

The changes in the allowance for loan losses for the periods indicated are as follows:

	2003	2004	2005
	MCh\$	MCh\$	MCh\$
Balance as of January 1,	231,731	190,559	159,318
Price-level restatement (1).....	(2,920)	(4,773)	(5,684)
Charge-offs.....	(102,082)	(102,626)	(67,343)
Provisions established	65,375	77,771	56,606
Provisions released.....	(1,545)	(1,613)	(1,592)
Balance as of December 31,	190,559	159,318	141,305

(1) Reflects the effect of both inflation and exchange rate changes of foreign branches and Banco de Chile's subsidiary on the allowance for loan losses at the beginning of each period, adjusted to constant pesos of December 31, 2005.

The provisions for loan losses included in the results of operations for the periods indicated is as follows:

	Years ended December 31,		
	2003	2004	2005
	MCh\$	MCh\$	MCh\$
Provisions established	65,375	77,771	56,606
Provisions released.....	(1,545)	(1,613)	(1,592)
Loan loss recoveries	(26,963)	(34,950)	(32,986)
Net charges to income	36,867	41,208	22,028

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Restated for general price - level changes and expressed in millions of constant
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8. Bank Premises and Equipment, net

The major categories of Bank premises and equipment net of accumulated depreciation are as follows:

	As of December 31,	
	2004	2005
	MCh\$	MCh\$
Land and buildings	95,458	95,611
Machinery and equipment	33,095	38,559
Furniture and fixtures	5,539	5,186
Vehicles	841	835
Others	2,513	2,259
Bank premises and equipment, net	137,446	142,450

In accordance with rules of the Superintendency of Banks, Bank premises and equipment are presented net of accumulated depreciation.

9. Investments in other companies

As of December 31, 2003, 2004 and 2005, investments in other companies and Banco de Chile's participation in those companies' results of operations for each of the periods indicated, consist of the following:

	As of and for the years ended December 31,						Ownership
	2003		2004		2005		
	Investment	Income	Investment	Income	Investment	Income	
	MCh\$	(Loss)	MCh\$	(Loss)	MCh\$	(Loss)	Interest
							2005
							%
Administrador Financiero de Transantiago S.A.(1).....	—	—	—	—	1,270	70	20.00
Servipag Ltda.	861	93	1,019	158	1,231	211	50.00
Soc. Operadora de Tarjetas de Crédito Nexus S.A.....	1,047	151	1,104	178	1,144	182	25.81
Redbanc S.A.....	1,084	309	916	143	912	139	25.42
Transbank S.A.....	898	137	896	137	896	138	17.44
Bolsa de Comercio de Santiago (Stock Exchange)	579	93	578	94	585	103	4.17
Soc. Operadora Cámara Compensación de Pagos de Alto Valor S.A. (2)	—	—	286	(18)	281	(6)	11.66
Centro de Compensación Automatizado S.A. (CCA S.A.)	211	47	196	32	213	34	33.33
Sociedad Interbancaria de Depósito de Valores S.A.	253	38	225	35	182	34	17.60
Bolsa de Valores de Chile (Stock Exchange)	132	1	135	3	141	7	5.00
Artikos Chile S.A (3)	215	(2,120)	45	(171)	118	(183)	50.00
Empresa de Tarjetas Inteligentes S.A.(4).....	121	(46)	—	(139)	—	(48)	—
Total investments in other companies accounted for under the equity method.....	5,401	(1,297)	5,400	452	6,973	681	
Other investments carried at cost	223	1	207	—	187	—	
Total investments in other companies	5,624	(1,296)	5,607	452	7,160	681	

(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, Banco de Chile subscribed and paid 200,000 shares, for a value of MCh\$1,352 (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 check clearing services among its members. Banco de Chile subscribed and fully paid MCh\$292 (in historical pesos) for this company's capital, which gives it a participation of 18.16%. As December 31, 2005 Banco de Chile's participation decreased to 11.66% as result of payment of shares subscribed by other that were not paid as of December 31, 2004.

(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, Banco de Chile subscribed and paid MCh\$250 (in historical pesos) for a capital increase at "Artikos Chile S.A.".

On May 19, 2003, the Extraordinary General Shareholders' meeting of Artikos S.A. agreed to increase Artikos S.A.'s capital issuing 10,000 shares. On June 2, 2003, Banco de Chile subscribed and paid for 5,000 shares for a value of MCh\$ 2,339 (in historical pesos).

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

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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Chilean pesos as of December 31, 2005)

10. Other Assets and Other Liabilities

(a) Other assets

	As of December 31,	
	2004	2005
	MCh\$	MCh\$
Amounts receivable under spot foreign exchange transaction	52,300	127,763
Credit card charges in process	53,840	66,853
Deferred income tax assets	67,080	62,942
Assets for leasing	27,809	22,104
Software investment and trademark licenses	11,487	14,297
Accounts receivable	7,820	11,467
Deferred sales commissions	5,441	9,270
VAT fiscal credit	3,665	5,670
Balances with domestic branches	4,324	4,584
Deferred asset on bonds issuances	8,371	4,178
Transactions in process	7,033	2,266
Accounts receivable for financial investments sold	—	1,993
Recoverable taxes	1,436	1,793
Deferred asset related to mortgage finance bonds issued by Banco de Chile	2,230	1,762
Deferred expenses	2,142	1,680
Accounts receivable for assets received in lieu of payment sold	3,020	1,305
Materials and supplies	492	624
Other	12,871	18,214
Total other assets	271,361	358,765

(b) Other liabilities

	As of December 31,	
	2004	2005
	MCh\$	MCh\$
Amounts payable under spot foreign exchange transaction	53,908	99,080
Accounts payable	130,048	84,743
Derivative instruments, net	46,186	60,017
Deferred tax liabilities	19,579	21,883
Temporary bank overdrafts	—	19,573
Accrued staff vacation expense	10,180	10,704
Accrued severance staff indemnities	7,908	6,788
Leasing deferred gains	4,823	6,676
VAT fiscal debit	3,320	4,235
Deferred liability on bonds issuances	8,371	4,178
Commissions deferred	4,327	4,110
Administration and credit card contract provision	3,342	3,739
Allowance of income taxes	8,296	2,568
Transactions in process	1,389	2,078
Legal contingencies provision	959	861
Other	2,186	4,480
Total other liabilities	304,822	335,713

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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10. Other Assets and Other Liabilities (continued)

(c) Contingent Liabilities

Contingent liabilities consist of open and unused letters of credit, together with guarantees granted by Banco de Chile in Chilean pesos, UF and foreign currencies (principally U.S. dollars). The liability represents Banco de Chile's obligations under such agreements. Banco de Chile's rights under these agreements are recognized as assets on Banco de Chile's balance sheets under the caption "Contingent loans". (See note 5).

11. Other Interest Bearing Liabilities

Banco de Chile's long-term and short-term borrowings are summarized below. In accordance with the guidelines established by the Superintendency of Banks, Banco de Chile does not present a classified balance sheet. Borrowings are described as short-term when they have original maturities of less than one year or are due on demand. All other borrowings are described as long-term, including the amounts due within one year on such borrowings.

	As of December 31, 2004			As of December 31, 2005		
	Long-term MCh\$	Short-term MCh\$	Total MCh\$	Long-term MCh\$	Short-term MCh\$	Total MCh\$
Central Bank Credit lines for renegotiation of loans	1,999	—	1,999	1,407	—	1,407
Other Central Bank borrowings.....	—	111,518	111,518	—	—	—
Mortgage finance bonds	817,288	—	817,288	556,504	—	556,504
Bonds	188,050	—	188,050	324,704	—	324,704
Subordinated bonds	275,891	—	275,891	305,284	—	305,284
Borrowings from domestic financial institutions	—	27,349	27,349	—	90,160	90,160
Foreign borrowings.....	263,986	353,002	616,988	647,510	13,983	661,493
Investments under agreements to repurchase	—	361,653	361,653	—	270,750	270,750
Other obligations.....	11,488	34,973	46,461	1,338	32,405	33,743
Total other interest bearing liabilities	1,558,702	888,495	2,447,197	1,836,747	407,298	2,244,045

(a) Central Bank borrowings

Central Bank borrowings include credit lines for the renegotiation of loans and other Central Bank borrowings. Credit lines were provided by the Central Bank for the renegotiation of mortgage loans due to the need to refinance debts as a result of the economic recession and crisis of the Chilean banking system from 1982 to 1985. The credit lines for the renegotiations of mortgage loans are linked to the UF index and carry a real annual interest rate of 3.19%. The maturities of the outstanding amounts are as follows:

	As of December 31, 2005 MCh\$
Due within 1 year	1,407
Due after 1 year but within 2 years.....	—
Due after 2 years but within 3 years	—
Due after 3 years but within 4 years	—
Due after 4 years but within 5 years	—
Due after 5 years.....	—
Total long-term (Credit lines for renegotiation of loans).....	1,407
Total short-term (Other Central Bank borrowings).....	—
Total Central Bank borrowings	1,407

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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11. Other Interest Bearing Liabilities (continued)

(b) Mortgage finance bonds

These bonds are used to finance the granting of mortgage loans. The outstanding principal amounts of the bonds are amortized on a quarterly basis. The range of maturities of these bonds is between five and twenty years. The bonds are linked to the UF index and carry a weighted average annual rate of interest of 4.07% as of December 31, 2005.

The maturities of outstanding mortgage bond amounts as of December 31, 2005 are as follows:

	As of December 31, 2005
	MCh\$
Due within 1 year	72,128
Due after 1 year but within 2 years	55,128
Due after 2 years but within 3 years	53,566
Due after 3 years but within 4 years	52,419
Due after 4 years but within 5 years	51,023
Due after 5 years.....	272,240
Total mortgage finance bonds	556,504

(c) Bonds

The maturities of outstanding bond amounts as of December 31, 2005 are as follows:

	As of December 31, 2005
	MCh\$
Due within 1 year	66,991
Due after 1 year but within 2 years.....	66,576
Due after 2 years but within 3 years	65,988
Due after 3 years but within 4 years	65,988
Due after 4 years but within 5 years	18,138
Due after 5 years.....	41,023
Total bonds.....	324,704

Bonds are linked to the UF Index and carried an average real annual interest rate of 3.20% as of December 31, 2005, with interest and principal payments due semi-annually. The bonds were originally intended to finance loans that had a maturity of greater than one year.

(d) Subordinated bonds

In 2002 Banco de Chile issued Bonds totaling UF 1,580,000 (known as “6.5% Bonds”) at a discount of UF 98,670. The 6.5% Bonds are linked to the UF index with interest and principal payments due semi-annually. The discount on the issuance of the “6.5% Bonds” is amortized over the life of the bond on a straight line method. As of December 31, 2005, the effective real interest rate is 6.60%, taking into consideration the discount on issuance.

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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11. Other Interest Bearing Liabilities (continued)

(d) Subordinated bonds (continued)

The 6.5% Bonds are intended for the financing of loans having a maturity of greater than one year. As of December 31, 2005 the outstanding maturities of these bonds, which are considered long-term, are as follows:

	As of December 31, 2005
	MCh\$
Due within 1 year	31,191
Due after 1 year but within 2 years.....	24,374
Due after 2 years but within 3 years	24,374
Due after 3 years but within 4 years	24,374
Due after 4 years but within 5 years	24,374
Due after 5 years.....	176,597
Total subordinated bonds	305,284

Subordinated bonds are considered in the calculation of “effective equity” for the purpose of determining Banco de Chile’s minimum regulatory capital requirements (See Note 14).

(e) Borrowings from domestic financial institutions

Borrowings from domestic financial institutions are used to fund Banco de Chile’s general activities, carry a weighted average annual real interest rate of 4.75% and have the following outstanding maturities as of December 31, 2005.

	As of December 31, 2005
	MCh\$
Due within 1 year	—
Due after 1 year but within 2 years.....	—
Due after 2 years but within 3 years	—
Due after 3 years but within 4 years	—
Due after 4 years but within 5 years	—
Due after 5 years.....	—
Total long-term	—
Total short-term	90,160
Total borrowings from domestic financial institutions .	90,160

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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11. Other Interest Bearing Liabilities (continued)

(f) Foreign borrowings

Banco de Chile has short-term and long-term borrowings from foreign banks. The outstanding maturities of these borrowings as of December 31, 2005 are as follows:

	As of December 31, 2005		
	Syndicated	Other	Total
	Loan	Foreign	
	MCh\$	Borrowings	MCh\$
Due within 1 year	629	450,149	450,778
Due after 1 year but within 2 years	—	93,243	93,243
Due after 2 years but within 3 years	—	—	—
Due after 3 years but within 4 years	77,132	26,357	103,489
Due after 4 years but within 5 years	—	—	—
Due after 5 years	—	—	—
Total long-term	77,761	569,749	647,510
Total short-term	—	13,983	13,983
Total foreign borrowings	77,761	583,732	661,493

Each of these loans is denominated in foreign currency and is principally used to fund our foreign trade loans and carry an average annual nominal interest rate of 1.40% as of December 31, 2005. The syndicated loan's interest rate is composed of a three month U.S.D. LIBO rate, plus 0.23%.

(g) Other obligations

	As of December 31,	
	2004	2005
	MCh\$	MCh\$
Other long-term obligations:		
Obligations with Chilean government	11,488	1,338
Total other long-term obligations	11,488	1,338
Other short-term obligations	34,973	32,405
Total other obligations	46,461	33,743

As of December 31, 2005, other obligations had the following maturities:

	As of December 31,
	2005
	MCh\$
Due within 1 year	1,338
Due after 1 year but within 2 years	—
Due after 2 years but within 3 years	—
Due after 3 years but within 4 years	—
Due after 4 years but within 5 years	—
Due after 5 years	—
Total long-term	1,338
Total short-term	32,405
Total other obligations	33,743

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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12. Obligations Arising From Lease Commitments

Banco de Chile leases certain premises under operating leases. The following table shows the future minimum payments under the terms of the lease commitments, expressed in constant Chilean pesos as of December 31, 2005.

	As of December 31, 2005
	MCh\$
Due within 1 year	5,720
Due after 1 year but within 2 years.....	5,127
Due after 2 years but within 3 years	4,201
Due after 3 years but within 4 years	3,226
Due after 4 years but within 5 years	2,534
Due after 5 years.....	3,077
Total obligations arising from lease commitments .	23,885

The rental expense on the premises was MCh\$ 7,430, MCh\$ 7,335 and MCh\$ 8,354 for the years ended December 31, 2003, 2004 and 2005, respectively, and is included in the Consolidated Statements of Income under “Administrative and other expenses”.

13. Derivative Financial Instruments

(a) Derivative activities

Banco de Chile takes positions in the foreign exchange market by the use of forward exchange contracts and spot exchange contracts. These activities constitute treasury business and help Banco de Chile to provide customers with capital markets products. Other derivative transactions include primarily interest rate swaps (paid fixed-received floating) and interest rate lock.

(b) Market risk and risk management activities

All derivative instruments are subject to market risk. This is defined as the risk that future changes in market conditions may make an investment more or less valuable. Banco de Chile manages exposure to market risk in accordance with risk limits set by senior management by buying or selling instruments or entering into off-setting positions.

Banco de Chile is exposed to credit related losses in the event of non-performance by counterparties to these financial instruments, which such risk is monitored on an ongoing basis. In order to manage the level of credit risk, Banco de Chile enters into transactions with counterparties whom it believes have a good credit standing and, when appropriate, obtains collateral.

The Central Bank requires that foreign exchange forward contracts be made only in U.S. dollars and other major foreign currencies. In the case of Banco de Chile, most forward contracts are made in U.S. dollars against the Chilean peso or the UF. Occasionally, forward contracts are also made in other currencies, but only when Banco de Chile acts as an intermediary. Unrealized gains, losses, premiums and discounts arising from foreign exchange forward contracts are shown on a net basis under “Other assets” and “Other liabilities”. (See note 10).

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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13. Derivative Financial Instruments (continued)

(b) Market risk and risk management activities (continued)

The notional amounts of these contracts as of December 31, 2004 and 2005 are as follows:

Description of transaction	Number of operations		Contract Amounts				
			Less than 3 months		Over 3 months		
			2004	2005	2004	2005	2004
		ThUS\$	ThUS\$	ThUS\$	ThUS\$		
Local Market:							
- Foreign currency forward purchase contracts with Chilean currency...	850	900	599,971	799,778	1,906,977	2,075,208	
- Foreign currency forward sale contracts with Chilean currency	1,214	1,455	555,310	781,731	1,494,802	1,216,808	
- Foreign currency forward contracts	24	32	18,588	11,584	3,551	6,596	
- Interest rate swaps	—	3	—	—	—	24,888	
Foreign Markets:							
- Foreign currency future contracts with Chilean currency	18	18	55,500	61,000	72,085	160,000	
- Foreign currency forward contracts	84	155	46,616	231,529	12,953	848,592	
- Foreign currency futures sold.....	171	139	25,560	19,687	—	—	
- Interest rate swaps	89	75	—	20,617	1,048,184	1,221,176	

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 future amount, or the amount on which interest rate contracts are agreed. The period refers to the contract maturity from the date of the transaction.

(c) 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		
			2004	2005	2004	2005	2004
		MCh\$	MCh\$	MCh\$	MCh\$		
UF/pesos forward contracts purchased.....	68	107	3,588	17,917	245,785	395,288	
UF/pesos forward contracts sold	31	82	3,584	53,773	106,559	255,488	
Interest rate swaps.....	30	40	17,940	25,165	131,686	188,067	

(d) 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		
			2004	2005	2004	2005	2004
		ThUS\$	ThUS\$	ThUS\$	ThUS\$		
Purchase option.....	1	1	—	—	6,000	4,400	

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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13. Derivative Financial Instruments (continued)

(e) Fair value of traded instruments

The table below sets forth the estimated fair value of derivative financial instruments held or issued by the Bank for trading purposes as of December 31, 2004 and 2005.

	Fair values as of December 31,	
	2004	2005
	MCh\$	MCh\$
Contract to purchase and sell foreign exchange.....	(18,230)	(40,245)
Interest rate swaps.....	(21,886)	(18,546)

For those instruments held by the Bank where no quoted market prices are available, fair values have been estimated using modeling and other valuation techniques.

14. Minimum Regulatory Capital Requirements

In accordance with the Chilean Banking Law, Chilean Banks are required to maintain a minimum equity level of UF800,000, equivalent to MCh\$ 14,380 as of December 31, 2005. In addition, Chilean Banks are required to maintain a minimum “capital” (capital and reserves) of at least 3% of their total assets net of provisions, and an “effective equity” of not less than 8% of their “risk-weighted assets”. The “effective equity” is defined as “net capital base” plus subordinated bonds, up to 50% of the capital and reserves, plus voluntary provisions of up to 1.25% of their risk-weighted assets. The value of the subordinated bonds that can be considered in the “effective equity” should decrease by 20% per year beginning six years prior to maturity.

Banco the Chile’s actual qualifying “net capital base” and “effective equity” used to support its “risk-weighted assets” as of December 31, 2005, are set forth in the following table:

	As of December 31, 2005
	MCh\$
Basic Capital	594,383
3% of total assets net of provisions	(322,928)
Excess over minimum required equity	271,455
Net capital base as a percentage of the total assets, net of provisions.....	5.52%
 Effective equity	 891,213
8% of risk-weighted assets	(634,933)
Excess over minimum required equity	256,280
Effective equity as a percentage of the risk-weighted assets (*)	11.23%

(*) This ratio has been determined on total assets adjusted by risk on a consolidated basis, as established by Circular No.3,178 dated June 7, 2002, of the Superintendency of Banks.

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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15. Shareholders' Equity

Dividends

Dividends are declared and paid during the year subsequent to that in which the related net income was earned.

Dividends declared and paid in 2003, 2004 and 2005 in constant Chilean pesos of December 31, 2005 are as follows:

	Paid during the year ended December 31,		
	2003 MCh\$	2004 MCh\$	2005 MCh\$
Dividends relating to prior year net income	55,891	135,250	152,623

16. Transactions with Related Parties

In accordance with the rules of the Superintendency of Banks, related parties are defined as individuals or companies who are directors, officers, or shareholders who own more than 1% of Banco de Chile's shares.

Entities in which a director, officer or shareholder of Banco de Chile holds more than a 5% interest as well as entities that have directors in common with Banco de Chile are also considered to be related parties. In the following tables, trading and manufacturing companies are defined as operating companies, and companies whose purpose is to hold shares in other companies are defined as investment companies.

(a) Loans granted to related parties

Loans to related parties, all of which are current, are as follows:

	As of December 31,					
	2003		2004		2005	
	Loans MCh\$	Collateral Pledged MCh\$	Loans MCh\$	Collateral Pledged MCh\$	Loans MCh\$	Collateral Pledged MCh\$
Operating companies	83,876	22,834	114,795	46,634	111,003	48,373
Investment companies.....	18,848	2,456	17,636	2,427	8,252	124
Individuals (1).....	2,421	1,675	3,036	2,724	3,669	3,101
Total	105,145	26,965	135,467	51,785	122,924	51,598

(1) Includes only debt obligations that are equal to or greater than UF3,000, equivalent to approximately MCh\$ 54 as of December 31, 2005.

The activity in the balances of loans to related parties are as follows:

	2004 MCh\$	2005 MCh\$
Balance as of January 1,.....	105,145	135,467
New loans	74,656	51,443
Repayments.....	(41,770)	(59,279)
Price-level restatement (1)	(2,564)	(4,707)
Balance as of December 31,.....	135,467	122,924

(1) Reflects the effect of restatement of beginning balances to constant pesos of December 31, 2005.

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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16. Transactions with Related Parties (continued)

(b) Other transactions with related parties

During the years ended December 31, 2003, 2004 and 2005, Banco de Chile incurred the following expenses and income as a result of transactions with related parties equal to or greater than UF 5,000 equivalent to approximately MCh\$ 90 as of December 31, 2005.

	Years ended December 31,					
	2003		2004		2005	
	Expense MCh\$	Revenue MCh\$	Expense MCh\$	Revenue MCh\$	Expense MCh\$	Revenue MCh\$
Redbanc S.A.	2,584	—	2,908	—	3,465	—
Operadora de Tarjetas de Crédito Nexus S.A.	1,810	—	2,140	—	2,571	—
Empresa Nacional de Telecomunicaciones S.A.	1,966	—	2,372	—	2,242	—
Entel Telefonía Local S.A.	214	—	290	—	782	—
Sonda S.A.	—	—	—	—	598	—
Depósito Central de Valores, Depósitos de Valores S.A.	298	—	269	—	409	—
Banchile Cía de Seguros de Vida S.A.	232	—	251	—	258	—
Plaza Oeste S.A.	—	—	—	—	241	—
Entel PCS Telecomunicaciones S.A.	239	—	226	—	220	—
Bolsa de Comercio de Santiago Bolsa de Valores	61	—	88	—	207	—
Artikos S.A.	3	—	14	—	119	—
Asociación de Bancos e Instituciones Financieras.	113	—	110	—	106	—
Compañía Nacional de Teléfonos Telefónica del Sur S.A.	144	—	260	—	58	—
Línea Aérea Nacional Chile S.A.	—	113	—	112	—	112
Subtotal	7,664	113	8,928	112	11,276	112
Transactions between 1,000 and 5,000 UF:						
Services expenses	275	—	191	—	182	—
Rental income.	—	52	—	—	—	—
Subtotal	275	52	191	—	182	—
Total	7,939	165	9,119	112	11,458	112

These expense and revenue items are for services received and rendered by Banco de Chile from and to related parties at market rates. Article 89 of the Chilean Corporations Law requires that Banco de Chile's transactions with related parties be carried out on a market basis or on terms similar to those prevailing in the market.

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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17. Fees and income from services and non-operating income and expenses

Banco de Chile's fees and income from services and non-operating income and expenses for the years ended December 31, 2003, 2004 and 2005 are summarized as follows:

	Years ended December 31,					
	2003		2004		2005	
	Income MCh\$	Expenses MCh\$	Income MCh\$	Expenses MCh\$	Income MCh\$	Expenses MCh\$
Fees and income from services						
Mutual funds	15,569	(1,480)	21,182	(1,896)	25,472	(2,286)
Demand deposits and overdrafts	23,000	—	24,902	—	23,150	—
Insurance	11,140	(1,198)	14,925	(178)	20,023	(157)
Stock brokerage	10,526	(650)	13,321	(803)	15,131	(32)
Credit cards	15,595	(6,652)	19,134	(7,123)	20,708	(8,082)
Debit accounts and ATMs.....	16,243	(7,567)	18,203	(7,395)	19,812	(7,367)
Receipts and payment of services	7,623	(7)	8,258	(10)	9,380	(230)
Collection of over-due loans	9,155	—	8,877	—	8,656	—
Financial advisory services	5,681	—	4,799	—	8,134	—
Credit lines.....	5,863	—	6,990	—	7,272	—
Letters of credit, guarantees, collaterals and other contingent loans	4,220	—	5,333	—	4,748	—
Income and revenue from assets received in lieu of payment .	4,438	(1,861)	5,688	(1,675)	5,072	(1,553)
Foreign trade and currency exchange.....	3,461	—	3,533	—	3,336	—
Collection services	3,052	—	3,689	—	2,527	—
Prepaid loans.....	2,091	—	3,436	—	2,352	—
Custody and trust services.....	967	—	1,449	—	1,762	—
Leasing.....	1,739	(546)	1,684	(89)	1,590	(307)
Factoring	780	(3)	657	(52)	619	(9)
Sales force expenses	—	(11,536)	—	(11,596)	—	(15,015)
Cobranding expenses	—	(6,314)	—	(3,764)	—	(5,817)
Teller services expenses.....	—	(3,369)	—	(3,510)	—	(3,960)
Other	4,433	(2,606)	6,645	(3,206)	7,863	(4,999)
Total	145,576	(43,789)	172,705	(41,297)	187,607	(49,814)
Non-operating income and expenses						
Gains on sales of assets received in lieu of payment.....	1,361	—	873	—	4,386	—
Rental income	2,514	—	2,441	—	2,353	—
Recoveries of expenses	552	—	604	—	295	—
Foreign trade income	6	—	151	—	131	—
Income from sale of fixed assets	559	—	308	—	122	—
Dividends received.....	21	—	58	—	91	—
Leasing income	1	—	78	—	56	—
Insurance claims.....	115	—	1	—	5	—
Charge-offs assets received in lieu of payment	—	(7,811)	—	(8,515)	—	(10,826)
Charge-offs	—	(2,396)	—	(1,375)	—	(1,284)
Provision for recovered leased assets	—	(1,458)	—	(1,506)	—	(1,062)
Write-offs for frauds	—	(114)	—	(1,101)	—	(546)
Expenses on charge-offs for leasing.....	—	(642)	—	(251)	—	(359)
Advertising expenses	—	(47)	—	(55)	—	(62)
Reversal of adjustments and interest from previous years	—	(720)	—	(128)	—	(48)
Charge-offs and provisions related to fixed assets	—	(132)	—	(45)	—	(24)
Legal contingencies provision.....	—	(156)	—	(189)	—	(20)
Tax expenses from previous years	—	—	—	(2,328)	—	—
Provision and charge-offs other assets	—	(701)	—	(423)	—	—
Charge-off obsolete materials	—	(341)	—	(1)	—	—
Amortization of negative goodwill	—	(57)	—	—	—	—
Other	497	(1,286)	481	(566)	420	(703)
Total	5,626	(15,861)	4,995	(16,483)	7,859	(14,934)

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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18. Board of Directors Compensation

As agreed at the Shareholders Meeting, during 2004 and 2005 Banco de Chile and its subsidiaries have paid, and charged to income, the following compensation to their Directors:

Name of Director	Remunerations		Fees for attending Board meetings		Fees for attending Committees and Subsidiary Board meetings (1)		Consulting		Total	
	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Fernando Cañas Berkowitz	—	289	—	39	—	169	—	—	—	497
Andrónico Luksic Craig	120	126	14	16	—	—	—	—	134	142
Jorge Awad Mehech	42	42	20	25	115	92	—	—	177	159
Jacob Ergas Ergas	42	42	15	24	68	67	—	—	125	133
Thomas Fürst Freiwirth	4	42	3	25	3	57	—	—	10	124
Guillermo Luksic Craig	42	42	12	15	13	5	—	—	67	62
Rodrigo Manubens Moltedo	42	42	20	22	137	89	81	407	280	560
Gonzalo Menéndez Duque	42	42	21	29	171	129	—	—	234	200
Máximo Pacheco Matte	42	42	20	27	6	2	—	—	68	71
Francisco Pérez Mackenna	42	42	21	24	63	56	—	—	126	122
Segismundo Schulin-Zeuthen Serrano	120	60	42	33	159	88	—	—	321	181
Edmundo Eluchans Urenda	42	42	20	23	48	33	—	—	110	98
Jorge Ergas Heymann	—	42	—	21	—	39	—	—	—	102
Jorge Díaz Vial	42	3	22	2	41	2	—	—	105	7
Máximo Silva Bafalluy	42	4	22	6	69	17	—	—	133	27
Manuel Sobral Fraile	39	—	19	—	72	—	—	—	130	—
Other subsidiaries directors	—	—	—	—	73	91	—	—	73	91
Total	703	902	271	331	1,038	936	81	407	2,093	2,576

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

19. Loan Loss Recoveries

	Years ended December 31,		
	2003 MCh\$	2004 MCh\$	2005 MCh\$
Loan portfolio previously charged-off	26,136	29,380	32,491
Loans reacquired from Central Bank	827	5,570	495
Total	26,963	34,950	32,986

Recovery of loans re-acquired from the Central Bank includes payments received on such loans, which at the date of their repurchase from the Central Bank were deemed to have no value and were recorded in memorandum accounts, are recorded directly to income, as a reduction of the "Provision for loan losses" item.

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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20. Foreign Currency Position

The consolidated balance sheets include assets and liabilities denominated in foreign currencies, which have been translated to Chilean pesos at the Observed Exchange Rates as of December 31, 2004 and 2005 and assets and liabilities denominated in Chilean pesos but that contain repayment terms linked to changes in foreign currency exchange rates, detailed below:

	As of December 31, 2004			As of December 31, 2005		
	Payable in Foreign Currency	Payable in Chilean Pesos	Total	Payable in Foreign Currency	Payable in Chilean Pesos	Total
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
ASSETS						
Cash and due from banks.....	191,720	—	191,720	353,577	—	353,577
Loans.....	792,087	21,546	813,633	743,728	15,378	759,106
Contingent loans	229,901	—	229,901	288,950	—	288,950
Interbank loans.....	1,195	—	1,195	—	—	—
Financial investments	520,921	221,044	741,965	521,932	11,944	533,876
Leasing contracts	—	31,752	31,752	—	40,102	40,102
Other assets.....	315,364	—	315,364	413,142	—	413,142
Total assets	2,051,188	274,342	2,325,530	2,321,329	67,424	2,388,753
LIABILITIES						
Deposits	1,229,881	179	1,230,060	1,146,098	275	1,146,373
Contingent liabilities.....	232,047	—	232,047	290,142	—	290,142
Borrowings from domestic financial institutions	8,362	—	8,362	90,154	—	90,154
Foreign borrowings.....	616,950	—	616,950	661,346	—	661,346
Other liabilities	200,174	80	200,254	174,197	90	174,287
Total liabilities.....	2,287,414	259	2,287,673	2,361,937	365	2,362,302
NET (LIABILITIES) ASSETS	(236,226)	274,083	37,857	(40,608)	67,059	26,451

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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21. Income Taxes

Banco de Chile has recorded the effects of deferred taxes on its consolidated financial statements in accordance with Technical Bulletin No.60 and the related amendments thereto issued by the Chilean Association of Accountants.

As described in these accounting standards, beginning January 1, 1999, Banco de Chile recognized the consolidated tax effects generated by the temporary differences between financial and tax values of assets and liabilities. At the same date, the net deferred tax determined was completely offset against a net “complementary” account. Such complementary deferred tax balances are being amortized over the estimated reversal periods corresponding to the underlying temporary differences as of January 1, 1999. The net balance was fully amortized during 2004. Deferred tax asset and liability amounts are presented on the balance sheet net of the related unamortized complementary account balances in the balance sheet. The corresponding movements and effects are as follows:

	Balance as of	2005	Balance as of
	December	Deferred taxes	December
	31, 2004 (1)		31, 2005
	MCh\$	MCh\$	MCh\$
Deferred tax assets			
Allowances for loan losses.....	27,696	(2,061)	25,635
Obligations with repurchase agreements.....	10,568	1,261	11,829
Leasing equipment.....	7,570	(763)	6,807
Assets at market value.....	2,771	(1,787)	984
Personnel provisions.....	2,076	94	2,170
Staff vacations.....	1,666	147	1,813
Accrued interests and readjustments from risky loan portfolio ...	1,092	(164)	928
Accruals interest and readjustments from past due loans.....	813	(388)	425
Staff severance indemnities.....	707	243	950
Charge-offs from financial investment.....	66	—	66
Other adjustments.....	9,724	1,611	11,335
Total.....	64,749	(1,807)	62,942
Deferred tax liabilities			
Investments with repurchase agreements.....	10,410	432	10,842
Depreciation and price-level restatement of fixed assets.....	4,910	1,315	6,225
Transitory assets.....	1,781	511	2,292
Other adjustments.....	1,798	726	2,524
Total.....	18,899	2,984	21,883

(1) For presentation purposes, deferred income tax balances as of December 31, 2004 are presented on a historical basis. For comparison purposes, price-level restated amounts for 2004 correspond to MCh\$ 67,080 for net deferred tax assets and MCh\$ 19,579 for net deferred tax liabilities.

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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21. Income Taxes (continued)

“Income taxes” as presented in the Consolidated Statements of Income for the years ended December 31, 2003, 2004 and 2005 are summarized as follows:

	Years ended December 31,		
	2003	2004	2005
	MCh\$	MCh\$	MCh\$
Current income tax provision	(18,004)	(20,944)	(15,080)
Amortization of complementary accounts.....	1,349	(484)	—
Deferred tax effect for the year	2,012	3,214	(4,791)
Non-deductible expenses Art. 21	(719)	(796)	(1,520)
Tax benefit related to absorption of tax losses carry forwards	599	—	—
.....			
Income taxes benefit (expense)	(14,763)	(19,010)	(21,391)

22. Commitments and contingencies

(a) Legal contingencies

In the ordinary course of business, Banco de Chile and its subsidiaries act as defendant or co-defendant in various litigation matters. Although there can be no assurances, Banco de Chile’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. Banco de Chile has established provisions for legal contingencies in the amount of MCh\$ 959 and MCh\$ 861 as of December 31, 2004 and 2005, respectively.

(b) Commitments

Banco de Chile is party to transactions with off-balance sheet risk in the normal course of its business, which exposes Banco de Chile to credit risk in addition to amounts recognized in the consolidated financial statements. These transactions include commitments to extend credit not otherwise accounted for as contingent loans, such as overdrafts and credit card lines of credit. Such commitments are agreements to lend to a customer at a future date, subject to compliance with the contractual terms. Since a substantial portion of these commitments is expected to expire without being drawn on, the total commitment amounts do not necessarily represent actual future cash requirements of Banco de Chile. The amounts of these loan commitments are MCh\$ 941,949 and MCh\$ 1,232,493 and the amounts of subscribed leasing contracts are MCh\$ 57,536 and MCh\$ 61,436 as of December 31, 2004 and 2005, respectively.

(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 lacking factual and legal merit. Management believes, based on the advice of Banco de Chile’s U.S. regulatory and litigation counsel, that there is no basis under U.S. or any other jurisdiction’s law for the Foundation to bring a claim against Banco de Chile. Banco de Chile intends to vigorously oppose the complaint and will take all appropriate actions to protect its rights. Therefore, Banco de Chile has not established provisions for this contingency.

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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23. Fiduciary Activities

The following items are recorded in memorandum accounts by Banco de Chile and represent fiduciary safekeeping and custody services:

	As of December 31,	
	2004	2005
	MCh\$	MCh\$
Securities held in safe custody	3,155,695	3,460,794
Amounts to be collected on behalf of domestic third parties	283,858	170,558
Amounts to be collected on behalf of foreign third parties	372,081	252,663
Total fiduciary activities	3,811,634	3,884,015

24. Concentrations of Credit Risk

Concentrations of credit risk (whether on or off-balance sheet) arising from financial instruments exist in relation to certain groups of customers. A group concentration arises when a number of parties have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. Pursuant to Chilean banking regulations, significant exposure exists when the concentration of any individual customer or counterparty exceeds ten percent of Banco de Chile's effective equity. Banco de Chile does not have a significant exposure to any individual customer or counterparty.

Counterparty risk

Banco de Chile maintains a series of deposits, investments purchased under agreements to resell, forward contract agreements and other financial instruments with institutions in the Chilean banking sector. The principal counterparties within the Chilean banking sector, excluding the Central Bank, and Banco de Chile's related exposure to credit risk, as of December 31, 2004 and 2005 are as follows:

Bank	Counterparty Risk As of December 31,	
	2004	2005
	MCh\$	MCh\$
Banco Santander - Chile	17,631	15,065
BBVA Banco Bhif	3,450	11,976
Corpbanca	887	11,060
Banco Security	3,216	8,106
Banco del Estado de Chile	1,821	6,294
Banco de Crédito e Inversiones	1,625	5,860
Banco Falabella	67	3,464
Banco Bice	8,875	2,730
BankBoston N.A.	1,235	2,255
Banco Ripley	40	1,798
Scotiabank Sud Americano	1,147	958
JP Morgan Chase Bank	684	676
ABN Amro Bank (Chile)	581	295
Citibank N.A.	730	81
Banco Penta	—	81
Banco Internacional	59	22
Deutsche Bank (Chile)	91	—
Banco Monex	46	—

Banco de Chile maintains a policy of placing deposits with a number of different financial institutions and does not believe that any one of these banks represents an unacceptable credit risk. Banco de Chile does not usually require collateral from these counterparties.

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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25. Sales and Purchases of Loans

From time to time, Banco de Chile sells and purchases loans based on specific requirements from customers. During the years ended December 31, 2003, 2004 and 2005, Banco de Chile sold loans totaling MCh\$16,232, MCh\$66,726 and MCh\$19,816, respectively, however, Banco de Chile does not originate loans for future sale. Banco de Chile did not retain servicing or any other interest in the loans sold or retains any risks in the event of non-collection by the purchaser. During the year ended December 31, 2004 and 2005, Banco de Chile purchased loans amounting to MCh\$ 5,085 and MCh\$60,206, respectively. During prior years Banco de Chile did not purchase loans. Any gains or losses on such transactions are recognized in results of operations at the time of the transactions.

The aggregate gains on sales of loans were MCh\$425, MCh\$10,281 and MCh\$2,402 for the years ended December 31, 2003, 2004 and 2005, respectively.

26. Maturity of Assets and Liabilities

The maturity dates of assets and liabilities are shown in the following table including accrued interest as of December 31, 2005.

	As of December 31, 2005					
	Due within 1 year	Due after 1 year but within 3 years	Due after 3 years but within 6 years	Due after 6 years	Total 2005	Total 2004
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
ASSETS						
Loans (1)	3,244,509	1,370,951	1,146,942	1,597,117	7,359,519	6,458,197
Securities (2)	1,450,005	—	—	—	1,450,005	1,665,040
Total	4,694,514	1,370,951	1,146,942	1,597,117	8,809,524	8,123,237
LIABILITIES						
Deposit and other obligations (3)	4,276,743	198,184	—	—	4,474,927	3,648,118
Mortgage finance bonds	72,128	108,694	151,380	224,302	556,504	817,288
Bonds.....	98,182	181,312	159,812	190,682	629,988	463,941
Chilean Central Bank borrowings:						
Central Bank credit lines for renegotiations of loans	1,407	—	—	—	1,407	1,999
Other Central Bank borrowings	—	—	—	—	—	111,518
Borrowings from domestic financial institutions	90,160	—	—	—	90,160	27,349
Foreign borrowings	464,761	93,243	103,489	—	661,493	616,988
Other obligations	33,743	—	—	—	33,743	46,461
Total	5,037,124	581,433	414,681	414,984	6,448,222	5,733,662

(1) Excludes contingent loans, overdue loans (1-89 days) and past due loans (90 days or more).

(2) Excludes unrealized gains on permanent financial investments included in equity of MCh\$ 96 and MCh\$ 4 for the years ended December 31, 2004 and 2005 respectively. In accordance with Superintendency of Banks trading investments are classified as due within 1 year.

(3) Excludes demand deposit accounts, saving accounts, investments sold under agreements to repurchase and contingent liabilities.

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) (Restated for general price - level changes and expressed in millions of constant Chilean pesos as of December 31, 2005)

27. Subsequent 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 Banco de Chile and its subsidiaries as of December 31, 2005.

28. Differences between Chilean and United States Generally Accepted Accounting Principles

The following is a description of the significant quantitative differences between accounting principles as prescribed by the Superintendency of Banks and accounting principles generally accepted in Chile (collectively "Chilean GAAP"), and accounting principles generally accepted in the United States of America ("U.S. GAAP").

References below to "SFAS" are to United States Statements of Financial Accounting Standards. Pursuant to Chilean GAAP, the Bank's financial statements recognize certain effects of inflation. In addition, the Bank translates the accounting records of its branch in New York, USA, its agency in Miami, USA and its subsidiary Banchile Trade Services Limited in Hong Kong to Chilean pesos from US dollars in accordance with guidelines established by the Superintendency of Banks, which are consistent with Technical Bulletin N°64, "Accounting for investments Abroad", issued by the Chilean Association of Accountants. In the opinion of the Bank, this foreign currency translation methodology forms part of the comprehensive basis of preparation of price-level adjusted financial statements required by Chilean GAAP. Inclusion of inflation and the effects of translation in the accompanying consolidated financial statements under the Chilean accounting standards in the financial statements is considered appropriate under the inflationary conditions that have historically affected the Chilean economy even though the cumulative inflation rate for the last three years does not exceed 100% and, accordingly have not been eliminated in the reconciliation to U.S. GAAP included under paragraph (s) below.

(a) Push Down Accounting and Purchase Accounting

Under Chilean GAAP, the merger on January 1, 2002 between Banco de Chile and Banco de A. Edwards (the "Predecessor Banks") was accounted for as a "pooling of interests" on a prospective basis. As such, the historical financial statements for periods prior to the merger were not restated and Banco de Chile was considered to be the continuing entity for legal and accounting purposes. Under U.S. GAAP, the merger of the two banks was accounted for as a merger of entities under common control, as LQ Inversiones Financieras, a holding company beneficially owned by Quiñenco, controlled both Banco de Chile and Banco de A. Edwards since March 27, 2001.

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) (Restated for general price - level changes and expressed in millions of constant Chilean pesos as of December 31, 2005)

28. Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

(a) Push Down Accounting and Purchase Accounting (continued)

Under U.S. GAAP, when accounting for a merger of entities under common control, the book values of the merging entities that are held in the books of the common parent must be pushed down to the merged entity. This means that goodwill previously created in the books of Quiñenco, the transferring entity, at the time that it acquired each bank and also any fair value differences created from those purchases must be included in the U.S. GAAP accounting records of the Bank. In practice this means that the goodwill and fair value adjustments created from Quiñenco's purchases of Banco de A. Edwards during September and October, 1999 and from Quiñenco's purchases of Banco de Chile made during 1999, 2000 and March 2001 are pushed down to the merged entity. As this treatment does not apply in Chilean GAAP, there is a significant difference in the asset and liability bases under each body of accounting principles.

Quiñenco acquired Banco de A. Edwards, through step acquisitions between September 2, 1999 and October 26, 1999. There were no additional share transactions between 1999 and the date of the merger. Similarly, Quiñenco acquired Banco de Chile through step acquisitions between October 1999 and March 27, 2001.

Under U.S. GAAP, acquisitions that are accounted for using the purchase method of accounting result in the identifiable assets and liabilities of the acquired bank being adjusted to their fair values in the consolidated financial statements of the acquirer. Adjustments to assets acquired and liabilities assumed to fair value and recording the fair values of unrecognized intangible assets are generically referred to as purchase accounting adjustments. As a result of its acquisitions of Banco de Chile and Banco de A. Edwards, Quiñenco recorded purchase accounting adjustments to reflect differences related to:

- the fair value of intangible assets, including brand names and long-term customer-relationship intangible (core deposit intangibles);
- the fair values of loans, excluding any adjustments in the acquiree's historical allowance for loan losses or other contingent liabilities;
- the accounting for staff severance liabilities;
- the fair value of bank premises and equipment and other

In addition to the above mentioned adjustments, Under US GAAP Quiñenco has considered the fair value of the subordinated debt arising from the economic crisis in 1982-1983. At that time the former Banco de Chile sold certain of its non-performing loans to the Chilean Central Bank at face value on terms that included a repurchase obligation. The repurchase obligation was later exchanged for subordinated debt of each participating bank issued in favor of the Central Bank. In 1996, a reorganization took place by which the former Banco de Chile was converted to a holding company named SM Chile that in turn organized a new wholly-owned banking subsidiary named Banco de Chile to which it contributed all of its assets and liabilities other than the Central Bank subordinated debt. SM Chile then created a second wholly owned subsidiary, SAOS, that pursuant to a prior agreement with the Central Bank, assumed a new repayment obligation in favor of the Central Bank which replaced the Central Bank subordinated debt in its entirety.

SAOS is variable interest entities (VIEs) as defined in FASB Interpretation No. 46(R) "Consolidation of Variable Interest Entities, an interpretation of ARB No. 51" (FIN 46R). In accordance with FIN 46R, the primary beneficiary is the party that consolidates a VIE based on its assessment that it will absorb a majority of the expected losses or expected residual returns of the entity, or both. Banco de Chile has determined that it is not the primary beneficiary of SAOS and, therefore, it has not consolidated SAOS in the Consolidated Financial Statements of Banco de Chile.

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28. Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

(a) Push Down Accounting and Purchase Accounting (continued)

Such purchase accounting adjustments and goodwill and any equity method investments or equity participation in the results of operations of the acquired banks recorded by the common parent, must be recorded in the U.S. GAAP accounting records of the Bank. The effects of accounting for the push down of these purchase accounting adjustments, goodwill and any equity participation in the results of operations of the acquired banks into the accounting records of the Bank and their subsequent effects on net income is included in paragraph(s), below.

(b) Acquisition of Banco de A. Edwards

Under U.S. GAAP, to the extent that the Predecessor Banks were under common control, the assets and liabilities of Banco de A. Edwards were transferred into Banco de Chile using the U.S. GAAP carrying values of such assets and liabilities included in the records of the common parent. However, as Quiñenco only owned 51.18% of Banco de A. Edwards at the time of the merger, to the extent that the minority interest of Banco de A. Edwards was acquired through the issuance of Banco de Chile shares, Banco de Chile was considered the acquirer.

Therefore, Banco de Chile calculated goodwill based on the difference between the purchase price (i.e. the market value of the shares issued by Banco de Chile) and the fair value of the proportion of assets and liabilities acquired at the date of the merger. As part of this process, under U.S. GAAP, Banco de Chile was also required to value the interest acquired of previously unrecorded intangible assets, such as the Banco de Edwards brand name and core deposit intangibles, and to include these assets in the financial records of the Bank. Such assets were not required to be recorded under existing Chilean GAAP at that time.

As a consequence of the merger between Banco de Chile and Banco de A. Edwards, Banco de Chile issued 23,147,126,425 shares in exchange for all the outstanding common shares of Banco de A. Edwards using an exchange ratio of 3.135826295 Banco de Chile shares for each Banco de A. Edwards share. Under U.S. GAAP Banco de Chile was considered to have acquired 48.82% of the outstanding shares in Banco de A. Edwards, which corresponded to those shares that Quiñenco did not own as of that date. The acquisition of these shares has been accounted for using purchase accounting as described in the preceding paragraph. The consideration paid has been determined using an average of the market value of the publicly traded Banco de Chile shares, which at January 1, 2002 was Ch\$25,110.17 (historical Chilean pesos) per share, plus merger expenses.

Under U.S. GAAP, purchase allocation of the 48.82% participation acquired from shareholders other than Quiñenco and its subsidiaries as of January 1, 2002 was as follows:

	MCh\$
Net book value of Banco de A. Edwards	129,096
Incremental fair value of identified intangible assets (1)(2).....	33,406
Fair value increment of identified net assets acquired	<u>(48,171)</u>
Fair value of Banco de A. Edwards.....	<u>114,331</u>
Purchase price	
Market value of Banco de Chile shares issued.....	(313,464)
Direct costs of acquisition	<u>(1,260)</u>
Goodwill	<u><u>(200,393)</u></u>

- (1) Core deposit intangibles resulting from the acquisition amounted to MCh\$29,749 and is being amortized over the estimated run-off period by product of the acquired customer base at the date of purchase.
- (2) Brand name intangibles resulting from the acquisition amounted to MCh\$3,657 and is being amortized over 10 years.

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Restated for general price - level changes and expressed in millions of constant
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28. Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

(b) Acquisition of Banco de A. Edwards (continued)

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition.

	As of January 1, 2002
	MCh\$
Cash and due from banks.....	131,550
Financial investments.....	194,366
Loans, net.....	1,127,216
Intangibles.....	33,406
Other	90,287
Total assets acquired.....	1,576,825
Deposits	894,059
Other interest bearing liabilities.....	490,513
Other liabilities	77,922
Total liabilities assumed	1,462,494
Net assets acquired	114,331

Of the MCh\$33,406 of acquired intangible assets, MCh\$29,749 was assigned to core deposits subject to amortization (using an estimated rate that the bank's customers are expected to leave the bank in future years, based on a historical analyses performed by the Bank), and MCh\$3,657 has been assigned to a registered trademark that is being amortized over a 10 year useful life.

The Bank does not amortize goodwill related to the acquisition of Banco de A. Edwards, following the provisions of SFAS No. 142, as described in paragraph (c) below.

(c) Amortization of Goodwill and Intangible Assets

The Bank adopted Statement of Financial Accounting Standard No. 142, "Goodwill and Other Intangible Assets", ("SFAS 142") as of January 1, 2002. SFAS 142 applies to all goodwill and identified intangible assets acquired in a business combination. Under this standard, beginning January 1, 2002, all goodwill, including that acquired before initial application of the standard, and indefinite-lived intangible assets are not amortized, but must be tested for impairment at least annually.

The Bank has performed the annual impairment test of goodwill required by the standard, which did not result in any impairment. Under Chilean GAAP, the Bank does not present any goodwill as of December 31, 2005. Under U.S. GAAP, the carrying value of goodwill, net of accumulated amortization, related to the push-down of goodwill from Quiñenco, the acquisitions of Banco de A. Edwards and Leasing Andino, described in paragraphs (a), (b) and (p) to this note, respectively, were MCh\$383,881, MCh\$200,393 and MCh\$1,988, respectively.

The table below presents the allocation of the total carrying value of goodwill by segments of the Bank:

Business Segments	MCh\$
Wholesale.....	345,129
Retail Market.....	163,619
International.....	41,874
Treasury.....	11,283
Subsidiaries	24,357
Total goodwill	586,262

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) (Restated for general price - level changes and expressed in millions of constant Chilean pesos as of December 31, 2005)

28. Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

(d) Loan Origination Commissions and Fees

Under Chilean GAAP, as from January 1, 2000, Banco de A. Edwards began recognizing loan origination and service fees and costs over the term of loans to which they relate, and the period that the services are performed. Banco de Chile began applying this accounting treatment during 2001 for loan origination and service fees and certain costs, and from January 1, 2002 for those related costs previously not considered. Prior to this accounting change, loan origination and service fees were recognized when collected and related direct costs when incurred.

Under Statement of Financial Accounting Standard No. 91, "Accounting for Nonrefundable Fees and Costs Associated with Origination of Acquiring Loans and Initial Direct Costs of Leases", loan origination fees and certain direct loan origination costs should be recognized over the term of the related loan as an adjustment to yield. As of December 31, 2002, the accounting treatment applied under Chilean GAAP is considered similar to U.S. GAAP.

The effect of accounting for net loan origination fees in accordance with U.S. GAAP is included in the reconciliation of consolidated net income and shareholders' equity in paragraph(s) below.

(e) Deferred Income taxes

Under Chilean GAAP, prior to 1999, the Bank did not record the effects of deferred income taxes. Effective January 1, 1999, and in accordance with the new accounting standard under Chilean GAAP, the Bank was required to record the effects of deferred tax assets and liabilities based on the liability method, with deferred tax assets and liabilities established for temporary differences between the financial reporting basis and the tax basis of the Bank's assets and liabilities at enacted tax rates expected to be in effect when such amounts are realized. As a transitional provision to reduce the impact of adoption of this standard, the banks were permitted to record a contra ("complementary") asset or liability as of the date of implementation of the new accounting standard, January 1, 1999, related to the effects of deferred income taxes from prior years.

These complementary assets and liabilities are to be amortized over the estimated period of reversal of the temporary differences that generate the future income tax asset or liability. Such period ended as of December 31, 2004.

Under Statement of Financial Accounting Standard No. 109, "Accounting for Income Taxes", income taxes are recognized using the liability method in a manner similar to Chilean GAAP, except for the transitional provisions allowed by Chilean GAAP as described above.

Additional disclosures required under SFAS No. 109 are further described in paragraph (v) below.

(f) Investments in other companies

As shown in Note 9, certain long-term investments of less than 20% of the outstanding shares in other companies have been recorded using the equity method of accounting. Under U.S. GAAP these investments would generally be accounted for at cost less any non-temporary impairment in value. The effect of recording these assets in accordance with U.S. GAAP is included in the reconciliation of consolidated net income and shareholders' equity in paragraph (s) below.

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) (Restated for general price - level changes and expressed in millions of constant Chilean pesos as of December 31, 2005)

28. Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

(g) Repurchase agreements

The Bank enters into repurchase agreements as a source of financing. In this regard, under Chilean GAAP the Bank's investments that have been sold subject to repurchase agreements are reclassified from their investment category to investment collateral under agreements to repurchase. Under U.S. GAAP, no such reclassification is made since, in substance, the investment securities serve only as collateral on the borrowing. For purposes of the Article 9 consolidated balance sheets included in paragraph (u) below, investments that collateralize such borrowings are shown as trading investments.

(h) Interest income recognition on non-accrual loans

The Bank suspends the accrual of interest on loans when it is determined to be a loss or when it becomes past due. Previously accrued but uncollected interest is not reversed at the time the loan ceases to accrue interest.

Under U.S. GAAP, recognition of interest on loans is generally discontinued when, in the opinion of management, there is an assessment that the borrower will likely be unable to meet all contractual payments as they become due. As a general practice, this occurs when loans are 90 days or more overdue. Any accrued but uncollected interest is reversed against interest income at that time.

In addition, under Chilean GAAP, any payment received on past due loans is treated as income to the extent that accrued interest is due, but has not been recorded because the status of the loan, after reducing any recorded accrued interest receivable. Any remaining amount is then applied to reduce the outstanding principal balance. Under U.S. GAAP, any payment received on loans when the collectibility of the principal is in doubt is treated as a reduction of the outstanding principal balance of the loan until such doubt is removed. The effect of the difference in interest recognition on non-accrual loans is not material to the Bank's financial position and results of its operations.

(i) Contingent assets and liabilities

Under Chilean GAAP the Bank recognizes rights and obligations with respect to contingent loans as contingent assets and liabilities. Under U.S. GAAP, such contingent amounts are not recognized on the balance sheet. If U.S. GAAP had been followed, the total assets and liabilities of the Bank would have been lower by MCh\$551,330 and MCh\$723,907 as of December 31, 2004 and 2005, respectively. This reclassification is included in the Article 9 consolidated financial statements in paragraph (u) below.

Within contingent assets and liabilities the Bank includes financial guarantees. For guarantees, in accordance to FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" ("FIN 45"), a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. Under Chilean GAAP, the Bank recognizes a liability which approximates fair value of the obligation related to guarantees. The required FIN 45 disclosures have been incorporated into paragraph (ab), below.

(j) Allowance for loan losses

The determination of the allowance for loan losses and disclosure requirements under U.S. GAAP differs from that under Chilean GAAP in the following respects:

1) Allowance for loan losses

Under Chilean GAAP, the allowance for loan losses is calculated according to specific guidelines set out by the rules of the Superintendency of Banks, as described in Note 1 (I).

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Restated for general price - level changes and expressed in millions of constant
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28. Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

(j) Allowance for loan losses (continued)

Under U.S. GAAP allowances for loan losses should be in amounts adequate to cover inherent losses in the loan portfolio at the respective balance sheet dates. The Bank has estimated its required reserve under U.S. GAAP in the following manner:

- Allowances for commercial loans and leasing operations classified in loan risk category A1, A2, A3 and B (A and B under regulations in effect until January 1, 2004), which were not considered impaired under Statement of Financial Accounting Standard No. 114, "Accounting by Creditors for Impairment of a Loan" ("SFAS No. 114"), were analyzed and adjusted, if necessary, to reflect the estimated losses not identified based on individual credit analysis. The estimations were performed using historical loan data, in order to estimate the inherent losses in the Bank's loan portfolio, using patterns and trends based upon historical changes in loan classifications ("migration analysis").
- In addition, specific allowances were determined for loans on the following basis:
 - i) Commercial loans and leasing operations greater than UF 5,000 (approximately MCh\$90), which were considered impaired in accordance with the criteria established by SFAS No. 114, were valued at the present value of the expected future cash flows discounted at the loan's effective contractual interest rate, or at market rates in the case of those loans that were considered to be collateral dependent.
 - ii) Allowances for commercial loans and leasing operations which were under UF 5,000 (approximately MCh\$90 (i.e. those loans which were not considered in the above SFAS No. 114 analysis), were calculated using the weighted average loan provision, by loan classification, as determined in i).
 - iii) Allowance for loan losses for mortgage and consumer loans were determined based on historical loan charge-offs, after considering the recoverability of the underlying collateral.

Based on the preceding estimation process the Bank computed its allowance for loan losses under U.S. GAAP, and compared this estimate with the reported allowance determined in accordance with the guidelines established by the Superintendency of Banks. The additional loan loss allowance (voluntary allowances under previous regulations) included in the determination of the Bank's allowance for loan losses under Chilean GAAP has not been considered in the determination of the reserve requirements under U.S. GAAP to arrive at a cumulative U.S. GAAP adjustment, as follows:

	As of December 31,	
	2004	2005
	MCh\$	MCh\$
U.S. GAAP loan loss reserve	119,999	102,971
Less: Chilean GAAP loan loss allowance as required by the Superintendency of Banks	(159,318)	(141,305)
U.S. GAAP adjustment	(39,319)	(38,334)

The effects of adopting SFAS No. 114 are included in the reconciliation included in paragraph(s) below.

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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28. Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

(j) Allowance for loan losses (continued)

2) Recognition of income

As of December 31, 2003, 2004 and 2005 the recorded investment in loans for which impairment had been recognized in accordance with SFAS No.114 totaled MCh\$343,006, MCh\$464,508 and MCh\$379,239, respectively, with a corresponding valuation allowance of MCh\$129,947 MCh\$97,297 and MCh\$71,135, respectively. For the years ended December 31, 2003, 2004 and 2005 the average recorded investment in impaired loans was MCh\$363,142, MCh\$522,770 and MCh\$409,282, respectively. For the years ended December 31, 2004 and 2005, the Bank recognized interest on impaired loans MCh\$40,405 y MCh\$44,121 (information related to prior periods is not available). Comparative information for the year ended December 31, 2003 is not available. The Bank recognizes interest on impaired loans on an accrual basis, except for past due loans for which the Bank recognizes interest on a cash basis, as described in paragraph (h) above. As of December 31, 2004 and 2005, the Bank had made provisions against all loans which it considered to be impaired.

3) Loan loss recoveries

Under U.S. GAAP recoveries of loans previously charged-off are presented as a reduction of the provision for loan losses. Under Chilean GAAP, until 2003, such recoveries were recognized as other income. Beginning 2004, such recoveries are presented as a reduction of the provision for loan losses.

The following presents an analysis under U.S. GAAP of the changes in the allowance for loan losses during the periods presented.

	2003	2004	2005
	MCh\$	MCh\$	MCh\$
Allowance for loan losses in accordance with U.S. GAAP, as of January 1,	208,727	159,795	119,999
Price-level restatement (1).....	(2,918)	(4,773)	(5,684)
Charge-offs	26,963	34,950	32,986
Loan loss recoveries	(102,082)	(102,626)	(67,343)
Allowances for loan losses established.....	30,650	34,266	24,605
Allowances for loan losses released	(1,545)	(1,613)	(1,592)
Balances as of December 31,	159,795	119,999	102,971

(1) Reflects the effect of inflation and exchange rate changes of branches abroad on the allowance for loan losses under Chilean GAAP at the beginning of each period, adjusted to constant pesos of December 31, 2005.

4) Charge-offs

As discussed in Note 1 (l) of these financial statements, under Chilean GAAP the Bank charges-off loans when collection efforts have been exhausted. Under the rules and regulations established by the Superintendency of Banks, charge-offs must be made within the following maximum prescribed limits:

- 24 months after a loan is past due (3 months after past due for consumer loans) for loans without collateral;
- 36 months after a loan is past due for loans with collateral.

Under U.S. GAAP, loans should be written-off in the period that they are deemed uncollectible. The Bank believes that the charge-off policies it applies in accordance with Chilean GAAP are generally the same as those required under U.S. GAAP.

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) (Restated for general price - level changes and expressed in millions of constant Chilean pesos as of December 31, 2005)

28. Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

(k) Mortgage Finance Bonds Issued by the Bank

Effective October 31, 2002 the Bank modified its accounting treatment of financial investments in mortgage finance bonds issued by the Bank in accordance with the instructions of the Superintendency of Banks, reducing from assets the amount recorded for mortgage finance bonds issued by Banco de Chile, including a market value adjustment, and from liabilities, the respective mortgage finance bond obligation. Under U.S. GAAP, this accounting treatment would have been consistently applied.

The effects of this difference between Chilean and U.S. GAAP have been included in the reconciliation to U.S. GAAP in paragraph (s) below.

(l) Investment securities

Under Chilean GAAP the Bank classifies certain investments as permanent. These investments are stated at fair market value with unrealized gains and losses included in a separate component of shareholders' equity, net of taxes, and with realized gains and losses included in other operating results.

Under U.S. GAAP, Statement of Financial Accounting Standard No. 115, "Accounting for Certain Investments in Debt and Equity Securities" ("SFAS No. 115"), requires that debt and equity securities be classified in accordance with the Bank's intent and ability to hold the security, as follows:

- Debt securities that the Bank has the positive intent and ability to hold to maturity are classified as held-to-maturity securities and are reported at amortized cost.
- Debt and equity securities that are bought and held by the Bank, principally for the purpose of selling them in the near term, are classified as trading securities and reported at fair value, with unrealized gains and losses included in earnings.
- Debt and equity securities not classified as either held-to-maturity securities or trading securities are classified as available-for-sale securities and reported at fair value, with unrealized gains and losses excluded from earnings and reported in a separate component of shareholders' equity, net of taxes.

Consequently, investments classified as permanent under Chilean GAAP are considered to be "available-for-sale" and all other investments are considered to be "trading", with the exception of certain investments, maintained by the Bank's branches in the United States of America, which are classified as "held-to-maturity".

Under Chilean GAAP, securities maintained by the Bank's branches abroad classified as "held-to-maturity" are stated at fair market value. Under U.S. GAAP, held-to-maturity investments are stated at amortized cost and analyzed for impairment on a periodic basis.

Investment securities maintained by the Bank's subsidiaries are carried at the lower of price-level restated cost or market value and are classified as "trading" for U.S. GAAP purposes.

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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28. Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

(l) Investment securities (continued)

(1) Under Chilean GAAP, the unrealized holdings gains (losses) related to investments classified as permanent have been included in Shareholders' equity, which does not differ from the treatment of "available-for-sale" investments under U.S. GAAP.

The following are required disclosures for investments classified as available-for-sale in accordance with SFAS N°115 and the presentation requirements of Article 9 (see paragraph (u) below), and have been prepared using amounts determined in accordance with U.S. GAAP.

Realized gains and losses are determined using the proceeds from sales less the cost of the investment identified to be sold. Gross gains and losses realized on the sale of available-for-sale securities for the year ended December 31, 2003, 2004 and 2005 are as follows:

	Years ended December 31,		
	2003	2004	2005
	MCh\$	MCh\$	MCh\$
Proceeds on sale of investments resulting in gains.....	11,761	1,496	—
Realized gains	5,779	27	—
Proceeds on sale of investments resulting in losses.....	3,590	—	—
Realized losses	155	—	—

The carrying value and market value of securities available-for-sale as of December 31, 2004 and 2005 are as follows:

	Years ended December 31,							
	2004				2005			
	Carrying Value	Gross Unrealized Gains	Gross Unrealized (Losses)	Estimated Fair Value	Carrying Value	Gross Unrealized Gains	Gross Unrealized (Losses)	Estimated Fair Value
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Available-for-sale Instruments:								
Foreign private sector debt securities ...	9,930	—	—	9,930	—	—	—	—
U.S. Government debt securities	11,585	2	—	11,587	21,993	1	—	21,994
Chilean private sector debt securities ...	6,687	96	—	6,783	1,591	4	—	1,595
Total.....	28,202	98	—	28,300	23,584	5	—	23,589

The contractual maturities of securities, classified by the Bank as available-for-sale, are as follows:

	As of December 31, 2005			
	Within one year	After one year but within five years	After five years but within 10 years	Total
	MCh\$	MCh\$	MCh\$	MCh\$
U.S. Government debt securities	21,994	—	—	21,994
Chilean private sector debt securities	1,595	—	—	1,595
Foreign private sector debt securities	—	—	—	—
Estimated fair value.....	23,589	—	—	23,589

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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28. Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

(l) *Investment securities (continued)*

(2) The following disclosures are required for investments classified as held-to-maturity in accordance with SFAS No. 115:

	Years ended December 31,					
	2004			2005		
	Amortized Cost	Unrealized Losses	Estimated Fair Value	Amortized Cost	Unrealized Losses	Estimated Fair Value
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Held-to-maturity Instruments:						
U.S. Government debt securities	17,424	(2)	17,422	15,364	(1)	15,363
Total	17,424	(2)	17,422	15,364	(1)	15,363

The contractual maturities of securities classified by the Bank as held-to-maturity are as follows:

	As of December 31, 2005			
	Within one year	After one year but within five years	After five years	Total
	MCh\$	MCh\$	MCh\$	MCh\$
Held-to-maturity Instruments:				
U.S. Government debt securities	15,363	—	—	15,363
Estimated fair value.....	15,363	—	—	15,363

(3) Under U.S. GAAP, the Bank is required to disclose the amounts of unrealized holding gains and losses included in income on securities classified as trading. For the years ended December 31, 2003, 2004 and 2005, the Bank recognized in income unrealized holding losses of MCh\$10,860 MCh\$743 and MCh\$3,251 respectively, on these securities.

The Bank evaluates all securities for declines in value that are considered other than temporary (“permanent impairment”). The Bank charges-off to earnings any amounts which are deemed to be a permanent impairment of the value of that security.

(m) *Derivatives*

The Bank enters into derivative transactions for its own account and to meet customers’ risk management needs. These transactions are mainly foreign exchange forward contracts, which are made in the most cases in US dollars against the Chilean peso or the UF and, from time to time, in other currencies but only when the Bank acts as an intermediary, in accordance with the requirements of the Central Bank that requires that foreign exchange forward contracts be made only in US dollars and other major foreign currencies. Other derivative transactions include primarily interest rate swaps (paid fixed-received floating) and rate lock. These are used for hedging purposes in order to manage, among other risks, U.S. interest rate risk related to the Yankee bonds of Chilean companies bought by the Bank.

In order to manage any credit risk associated with its derivative products, the Bank grants lines of credit to transaction counterparties, in accordance with its credit policies, for each derivative transaction. The counterparty risk exposure is a function of the type of derivative, the term to maturity of the transaction and the volatility of the risk factors that affect the derivative’s market value, which are managed by the Bank on an on-going basis as market conditions warrant.

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) (Restated for general price - level changes and expressed in millions of constant Chilean pesos as of December 31, 2005)

28. Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

(m) Derivatives (continued)

As explained in Note 1 (e), under Chilean GAAP the Bank accounts for forward contracts between foreign currencies and U.S. dollars and forwards contracts between the U.S. dollar and the Chilean peso or the U.F. are valued at the closing spot exchange rate of each balance sheet date, with the initial discount or premium being amortized over the life of the contract in accordance with Chilean hedge accounting criteria. The losses recognized in income associated with these contracts for the years ended December 31, 2003, 2004 and 2005 were MCh\$37,576, MCh\$22,541 and MCh\$20,286, respectively. The Bank's interest rate swap agreements are treated as off-balance-sheet financial instruments and the net interest effect, which corresponds to the difference between interest income and interest expense arising from such agreements, is recorded in net income in the period that such differences originate, except for interest rate and cross currency swaps designated as a hedge of the foreign investment portfolio, which are recorded at their estimated fair market values.

Under U.S. GAAP, the Bank applies SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities", as amended by SFAS No.138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities" and SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities" (collectively "SFAS 133"), which established comprehensive accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and hedging activities. The Standard required that all derivative instruments be recorded in the balance sheet at fair value. However, the accounting for changes in fair value of the derivative instrument depends on whether the derivative instrument qualifies as a hedge. The standards also require formal documentation procedures for hedging relationships and effectiveness testing when hedge accounting is to be applied. If the derivative instrument does not qualify as a hedge, changes in fair value are reported in earnings when they occur. If the derivative instrument qualifies as a hedge, the accounting treatment varies based on the type of risk being hedged.

Under U.S. GAAP, the Bank records its entire portfolio of swap agreements at their estimated fair value and forward contracts between the U.S. dollar and the Chilean peso or UF at the fair value based on the forward exchange rate.

While the Bank enters into derivatives for the purpose of mitigating its global interest and foreign currency risks, these operations do not meet the strict documentation requirements to qualify for hedge accounting under U.S. GAAP, except for certain option contracts, which as of December 31, 2004 and 2005, had been designated by the Bank's U.S. branches as fair value hedges. As of December 31, 2003, the branches abroad did not designate any derivatives as hedges. Changes in the fair values of all derivative instruments are reported in earnings when they occur.

Current Chilean accounting rules do not consider the existence of derivative instruments embedded in other contracts and therefore they are not reflected in the financial statements. For U.S. GAAP purposes, certain implicit or explicit terms included in host contracts that affect some or all of the cash flows or the value of other exchanges required by the contract in a manner similar to a derivative instrument, must be separated from the host contract and accounted for at fair value. The Bank separately measures embedded derivatives as freestanding derivative instruments at their estimated fair values recognizing changes in earnings when they occur. Currently the only host contracts and instruments that the Bank has, which have implicit or explicit terms that must be separately accounted for at fair value, are service type contracts related to computer and other services agreements.

The effects of the differences in accounting for derivative instruments between Chilean and U.S. GAAP on the consolidated net income and shareholders' equity of the Bank are included in paragraph (s) below.

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) (Restated for general price - level changes and expressed in millions of constant Chilean pesos as of December 31, 2005)

28. Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

(n) Mandatory dividend

As required by the Chilean General Banking Law, unless otherwise decided by a two-thirds vote of its issued and subscribed shares, the Bank must distribute a cash dividend in an amount equal to at least 30% of its net income for each year as determined in accordance with Chilean GAAP, unless and except to the extent the Bank has unabsorbed prior year losses.

Since the payment of these dividends is a legal requirement in Chile, an accrual for U.S. GAAP purposes is made to recognize the corresponding decrease in equity at each balance sheet date. The Bank's liabilities would have been greater by MCh\$47,436 and MCh\$54,217 as of December 31, 2004 and 2005, respectively, under U.S. GAAP. The effects of these adjustments on the shareholders' equity of the Bank are included in paragraph(s) below.

(o) Assets received in lieu of payment

Under Chilean GAAP, assets received in lieu of payment are carried at cost and have been restated for price-level changes, less a portfolio valuation allowance if the total of the market value of those assets is lower than the carrying amount. Market value is determined based on appraiser valuations, as required by the Superintendency of Banks. If the asset is not sold within one year, then recorded asset amounts must be written-off on at least a straight-line basis over the following 12-month period.

Under U.S. GAAP, assets received in lieu of payment are initially recorded at fair value less any estimated costs to sell at the date of foreclosure, on an individual asset basis. The effect of recording these assets in accordance with U.S. GAAP is included in the reconciliation of consolidated net income and shareholders' equity in paragraph(s) below.

(p) Acquisition of Leasing Andino

On April 23, 1999, the Bank and its subsidiary Banchile Asesorías Financieras S.A. acquired the remaining 35% of shares of Leasing Andino that it did not already own from Orix Corporation for MCh\$14,775. Under Chilean GAAP, the Bank recorded goodwill in the amount of MCh\$1,299 based on the differences between the investment purchase price and the amount of the underlying equity in the carrying value of the investee's net assets. As permitted by Chilean GAAP, goodwill can be amortized on an accelerated basis to the extent of the Bank's net income. Accordingly the Bank completely amortized the goodwill recorded as a result of this transaction during the year ended December 31, 1999.

Under U.S. GAAP, the difference between the cost of an investment and the amount of underlying equity in net assets is allocated to the underlying assets and liabilities based on their respective fair values at the time of the acquisition. Any excess of the cost of the investment over such fair value is treated as goodwill.

The effect of the differences in purchase accounting and the amortization of goodwill is included in the reconciliation of consolidated net income and shareholders' equity in paragraph(s) below.

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28. Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

(q) Staff severance indemnities

The provision for staff severance indemnities relates to a benefit payable to a defined number of employees, upon their retirement from the Bank, conditional upon having completed 30 years of continuous service. The Bank makes indemnity payments upon termination of the applicable employees, and has not set aside assets to fund its benefit obligation. Under Chilean GAAP, the corresponding liability is calculated by discounting the benefit accrued using real interest rates, as described in Note 1 (o), considering current salary levels of all employees eligible under the plan and the estimated average remaining service period. Under U.S. GAAP the corresponding liability is recorded using the shutdown method, consistent with the accounting criteria applied by its parent company, Quiñenco.

The effects of accounting for termination indemnity benefits under U.S. GAAP have been presented in paragraph (s), below.

(r) Accumulated deficit development period

For Chilean GAAP purposes, investments in companies which are in the development stage, over which the Bank has significant influence, are recorded using the equity method, and the Bank's proportional share of the investee's income is recorded in a reserve that forms part of the Bank's shareholders equity. For US GAAP purposes, the proportional share of the investee's income must be charged directly to income. The effect of differences in accounting methods between Chilean and U.S. GAAP on the consolidated net income and shareholder's equity of the Bank is included in paragraph(s) below.

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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28. Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

(s) Summary of Income Statement and Shareholders' Equity differences

The following is a reconciliation of consolidated net income under Chilean GAAP to the corresponding U.S. GAAP amounts:

	Years ended December 31,			
	2003 MCh\$	2004 MCh\$	2005 MCh\$	2005 ThUS\$
Net income in accordance with Chilean GAAP	138,634	158,123	180,724	351,460
U.S. GAAP adjustments:				
Push Down accounting (Note 28(a))				
Fair value of intangibles	(13,726)	(12,546)	(10,459)	(20,340)
Fair value of loans	(1,319)	(1,556)	(621)	(1,208)
Fair value of premises.....	(237)	(235)	(297)	(578)
Fair value of other	19	(77)	(347)	(675)
Acquisition of Banco Edwards (Note 28(b))				
Fair value of intangibles	(4,908)	(3,940)	(3,251)	(6,322)
Fair value of loans	1,172	829	669	1,301
Fair value of other interest bearing liabilities	4,629	4,480	4,246	8,257
Fair value of deposits.....	(252)	(26)	—	—
Fair value of premises.....	(9)	(9)	(9)	(18)
Fair value of other	88	85	81	158
Loan origination commissions and fees (Note 28 (d)).....	(496)	—	—	—
Investments in other companies (Note 28 (f)).....	104	26	86	167
Deferred income taxes (Note 28 (e))	(1,358)	497	—	—
Allowance for loan losses (Note 28 (j)).....	7,762	8,555	(985)	(1,915)
Mortgage finance bonds (Note 28 (k)).....	2,035	—	—	—
Derivatives (Note 28 (m)).....	3,643	(1,244)	(4,885)	(9,500)
Held-to-Maturity investments (Note 28 (l)).....	10	4	48	93
Assets received in lieu of payment (Note 28 (o))	405	1,060	2,832	5,507
Staff severance indemnities (Note 28(q))	130	200	(1,230)	(2,392)
Deferred tax effect of the above U.S. GAAP adjustments (Note 28 (e))	2,145	(2,024)	2,416	4,698
Accumulated deficit development period (Note 28 (r))	—	—	(188)	(366)
Net income in accordance with U.S. GAAP	138,471	152,202	168,830	328,327
Other comprehensive income, net of tax (Note 28(w))	(6,687)	(2,529)	(3,307)	(6,432)
Unrealized holding gains (losses) on available-for-sale securities, net of tax.....	(2,783)	(197)	(78)	(152)
Adjustment for translation differences	(3,904)	(2,332)	(3,229)	(6,280)
Comprehensive income in accordance with U.S. GAAP	131,784	149,673	165,523	321,895

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Restated for general price - level changes and expressed in millions of constant
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28. Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

(s) Summary of Income Statement and Shareholders' Equity differences (continued)

The following is a reconciliation of consolidated shareholders' equity differences under Chilean GAAP to the corresponding amounts under U.S. GAAP:

	Years ended December 31,		
	2004	2005	2005
	MCh\$	MCh\$	ThUS\$
Shareholders' Equity in accordance with Chilean GAAP	698,817	775,107	1,507,375
U.S. GAAP adjustments:			
Push Down accounting (Note 28(a))			
Goodwill.....	403,817	403,817	785,315
Goodwill accumulated amortization (Note 28(c)).....	(19,936)	(19,936)	(38,770)
Fair value of intangibles.....	183,913	183,913	357,661
Amortization of fair value of intangibles.....	(56,411)	(66,870)	(130,044)
Fair value of loans.....	1,594	973	1,892
Fair value of premises.....	11,761	11,761	22,872
Amortization of fair value of premise.....	(887)	(1,184)	(2,303)
Fair value of other.....	131	(216)	(421)
Acquisition of Banco Edwards (Note 28 (b))			
Goodwill.....	200,393	200,393	389,710
Fair value of intangibles.....	33,406	33,406	64,966
Amortization of fair value of intangibles.....	(15,233)	(18,484)	(35,946)
Fair value of loans.....	(4,625)	(3,956)	(7,693)
Fair value of other interest bearing liabilities.....	(35,830)	(31,584)	(61,422)
Fair value of premises.....	91	91	177
Amortization of fair value of premises.....	(28)	(37)	(72)
Fair value of other.....	(683)	(602)	(1,171)
Investments in other companies (Note 28 (f)).....	559	645	1,254
Allowance for loan losses (Note 28 (j)).....	39,319	38,334	74,549
Derivatives (Note 28 (m)).....	6,295	1,410	2,742
Held-to-Maturity investments (Note 28 (l)).....	6	49	95
Assets received in lieu of payment (Note 28 (o)).....	2,117	4,949	9,624
Minimum Dividend (Note 28 (n)).....	(47,436)	(54,217)	(105,437)
Goodwill – Leasing Andino Acquisition (Note 28 (p)).....	1,988	1,988	3,866
Staff severance indemnities (Note 28 (q)).....	(3,796)	(5,026)	(9,774)
Deferred tax effect of the above U.S. GAAP adjustments (Note 28 (e)).....	(27,394)	(24,977)	(48,574)
Shareholders' Equity in accordance with U.S. GAAP	1,371,948	1,429,747	2,780,471

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Restated for general price - level changes and expressed in millions of constant
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28. Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

(s) Summary of Income Statement and Shareholders' Equity differences (continued)

The following summarizes the changes in shareholders' equity under U.S. GAAP during the years ended December 31, 2004 and 2005:

	Years ended December 31,		
	2004	2005	2005
	MCh\$	MCh\$	ThUS\$
Balance as of January 1,	1,423,634	1,371,948	2,668,069
Dividends paid	(139,213)	(158,580)	(308,395)
Mandatory dividends, previous date	41,591	47,436	92,250
Mandatory dividends, closing date	(47,436)	(54,217)	(105,437)
Unrealized gains on Available-for-sale investments, net of taxes	(197)	(78)	(152)
Common stock repurchased	(56,301)	—	—
Placement of shares	—	57,637	112,089
Cumulative translation adjustment	(2,332)	(3,229)	(6,280)
Net income in accordance with U.S. GAAP	152,202	168,830	328,327
Balance as of December 31,	1,371,948	1,429,747	2,780,471

(t) Net income per share

The following disclosure of net income per share information is not generally required for presentation in the financial statements under Chilean GAAP but is required under U.S. GAAP. Earnings per share is determined by dividing combined net income by the weighted average number of total shares outstanding.

	Years Ended December 31,		
	2003	2004	2005
	Ch\$	Ch\$	Ch\$
Chilean GAAP(1)			
Earnings per share	2.04	2.36	2.69
Weighted average number of total shares outstanding (in millions)	68,079.8	66,932.7	67,091.3
U.S. GAAP(1)			
Earnings per share	2.03	2.27	2.52
Weighted average number of total shares outstanding (in millions)	68,079.8	66,932.7	67,091.3

(1) Basic and diluted earnings per share have been calculated by dividing net income by the weighted average number of common shares outstanding during the year. There are no potentially dilutive effects on the earnings of Banco de Chile as it had not issued convertible debt or equity securities.

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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28. Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

(u) Article 9 Presentation of Income Statements and Balance Sheets

The presentation of the consolidated financial statements differs significantly from the format required by the Securities and Exchange Commission under Rules 210.9 to 210.9-07 of Regulation S-X (“Article 9”). The following financial statements are presented in constant Chilean pesos of December 31, 2005 and are presented in a format that complies with the requirements of Article 9 of Regulation S-X. The Income Statements presented for the years ended December 31, 2003, 2004 and 2005 disclose the Bank’s U.S. GAAP income statements in a format that complies with the requirements of Article 9 of regulation S-X.

The principal reclassifications and adjustments which were made to the basic Chilean GAAP consolidated financial statements in order to present them in the Article 9 format are as follows:

1. Elimination of contingent assets and liabilities from the balance sheet.
2. Presentation of recoveries of loans previously charged-off as a reduction of the provision for loan losses instead of as other income.
3. Reclassification of fees relating to contingent loans from interest income under Chilean GAAP to other income under Article 9.
4. Elimination of the cash clearing account from cash and due from banks.⁽¹⁾
5. Presentation of forward contracts classified based on legal right to offset.
6. Reclassification of assets under lease from Other assets under Chilean GAAP to Bank premises and equipment under Article 9.
7. Presentation of deferred taxes on net basis.
8. Inclusion of adjustments to U.S. GAAP described in Note 28(s).

(1) In accordance with regulations issued by the Superintendency of Banks, Chilean banks include under the caption “Cash and due from banks” amounts related to checks from other banks that have been deposited in their clients’ checking accounts that are pending settlement. As no cash is involved in the transaction, these amounts should not be recorded under U.S. GAAP until the cash is received, which normally occurs the following business day.

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Restated for general price - level changes and expressed in millions of constant
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28. Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

(u) Article 9 Presentation of Income Statements and Balance Sheets (continued)

The following income statements presented for the years ended December 31, 2003, 2004 and 2005 have been prepared in accordance with U.S. GAAP to disclose the Bank's consolidated income statement in accordance with the requirements of Article 9:

<i>Income Statements</i>	Years ended December 31,		
	2003	2004	2005
	MCh\$	MCh\$	MCh\$
INTEREST INCOME:			
Interest and fees on loans.....	498,680	537,239	634,279
Interest on investments	(20,479)	40,863	55,618
Interest on deposits with banks.....	1,933	2,447	8,875
Interest under agreements to resell	105	11,385	9,307
Total interest income	480,239	591,934	708,079
INTEREST EXPENSE:			
Interest on deposits	(92,210)	(92,091)	(173,368)
Interest on investments sold under agreements to purchase	(9,234)	(8,092)	(9,891)
Interest on short-term debt.....	(9,943)	(116,750)	(5,735)
Interest on long-term debt.....	(101,112)	(1,249)	(115,439)
Interest on other borrowed funds.....	—	—	(1,671)
Price-level restatement (1).....	(4,286)	(7,735)	(11,450)
Total interest expense	(216,785)	(225,917)	(317,554)
Net interest income	263,454	366,017	390,525
PROVISION FOR LOAN LOSSES	(29,106)	(32,653)	(23,013)
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	234,348	333,364	367,512
OTHER INCOME:			
Fees and commissions	76,146	101,681	109,910
Brokerage and securities income net gain (losses) on trading activities.....	11,436	(4,420)	(1,467)
Net gains (losses) on foreign exchange.....	96,698	18,296	7,571
Other revenue.....	6,029	6,532	11,270
Total other income	190,309	122,089	127,284
OTHER EXPENSES:			
Salaries	(132,433)	(140,918)	(150,616)
Net premises and equipment expenses	(24,957)	(24,132)	(25,582)
Administration expenses.....	(79,150)	(84,617)	(101,802)
Other expenses	(35,668)	(33,046)	(28,991)
Minority interest	(2)	(1)	—
Total other expenses	(272,210)	(282,714)	(306,991)
INCOME BEFORE INCOME TAXES.....	152,447	172,739	187,805
INCOME TAXES	(13,976)	(20,537)	(18,975)
NET INCOME FOR THE YEAR	138,471	152,202	168,830

In connection with the preparation of the Article 9 income statement:

- (1) The price-level restatement includes the effect of inflation primarily resulting from the loss in purchasing power on interest earning assets and interest bearing liabilities due to inflation. As the Bank does not maintain the price-level adjustment for separate categories of assets and liabilities, such adjustment is presented as a component of interest expense.

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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28. Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

(u) Article 9 Presentation of Income Statements and Balance Sheets (continued)

The following balance sheets presented as of December 31, 2004 and 2005 have been prepared in accordance with U.S. GAAP to disclose the Bank's consolidated balance sheets in accordance with the requirements of Article 9:

Balance Sheets

	As of December 31,	
	2004	2005
	MCh\$	MCh\$
ASSETS		
Cash and due from banks.....	592,161	496,593
Term Federal Funds.....	58,010	231,351
Interest bearing deposits in other banks.....	40,233	73,264
Investments under agreements to resell.....	27,257	46,695
Trading investments.....	1,493,916	1,080,499
Available-for-sale investments.....	28,300	23,589
Held-to-maturity investments.....	17,424	15,364
Subtotal.....	2,257,301	1,967,355
Loans.....	6,704,199	7,622,550
Unearned income.....	(67,766)	(76,663)
Allowance for loan losses.....	(119,999)	(102,971)
Loans, net.....	6,516,434	7,442,916
Premises and equipment, net.....	176,193	175,185
Goodwill.....	586,262	586,262
Other assets.....	389,328	454,745
TOTAL ASSETS.....	9,925,518	10,626,463
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Non-interest bearing.....	1,868,317	1,858,724
Interest bearing.....	3,795,575	4,613,253
Total deposits.....	5,663,892	6,471,977
Short-term borrowings.....	526,842	136,548
Investments sold under agreements to repurchase.....	361,653	270,750
Other liabilities.....	406,651	449,109
Long-term debt.....	1,594,531	1,868,331
TOTAL LIABILITIES.....	8,553,569	9,196,715
Minority interest.....	1	1
Shareholder's equity:		
Common stock.....	512,371	512,371
Other Shareholders' equity.....	859,577	917,376
TOTAL SHAREHOLDERS' EQUITY.....	1,371,948	1,429,747
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY.....	9,925,518	10,626,463

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Restated for general price - level changes and expressed in millions of constant
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28. Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

(u) Article 9 Presentation of Income Statements and Balance Sheets (continued)

The following is a reconciliation of total assets presented in accordance with guidelines established by the Superintendency of Banks and the presentation prescribed by Article 9:

	As of December 31,	
	2004	2005
	MCh\$	MCh\$
Total assets of the Bank under Chilean GAAP	9,996,575	10,692,761
Elimination of assets offset by liabilities:		
Cash clearing account	(330,519)	(142,012)
Contingent loans.....	(551,330)	(723,907)
Reclassification of forward contracts.....	69,493	75,434
Reclassification of deferred taxes	(43,397)	(43,707)
U.S. GAAP adjustments, net.....	784,696	767,894
Total assets as per Article 9 presentation.....	9,925,518	10,626,463

(v) Income taxes

The reconciliation of the provision for income taxes charged to income under Chilean GAAP to the corresponding amounts under U.S. GAAP is as follows:

	Years ended December 31,		
	2003	2004	2005
	MCh\$	MCh\$	MCh\$
Tax expense for the year under Chilean GAAP	(14,763)	(19,010)	(21,391)
U.S. GAAP Adjustments:			
Deferred tax effect of applying SFAS No. 109.....	(1,358)	497	—
Deferred tax effect of U.S. GAAP adjustments	2,145	(2,024)	2,416
Tax expense for the year under U.S. GAAP	(13,976)	(20,537)	(18,975)

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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28. Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

(v) *Income taxes (continued)*

Deferred tax assets (liabilities) are summarized as follows:

	As of December 31,	
	2004 MCh\$	2005 MCh\$
Deferred Tax Assets:		
Allowance for loan losses	22,009	19,116
Obligations with repurchase agreements	10,948	11,829
Leasing equipment	7,843	6,807
Deferred income taxes related to purchase accounting of Banco de A. Edwards	3,893	3,598
Personnel provisions	2,151	2,170
Staff vacations	1,726	1,813
Staff severance indemnities	1,378	1,805
Assets at market value	2,871	984
Accrued interests and readjustments from risky loan portfolio	1,131	928
Accruals interest and readjustments from past due loans	842	425
Charge-offs from financial investment	68	66
Other adjustments	8,644	10,248
Total Deferred Tax Assets	63,504	59,789
Deferred Tax Liabilities:		
Deferred income taxes related to push down accounting adjustments ...	23,817	21,824
Investments with repurchase agreements	10,785	10,842
Depreciation and price-level restatement of fixed assets	5,087	6,225
Transitory assets	1,845	2,292
Other adjustments	1,863	2,524
Total Deferred Tax Liabilities	43,397	43,707
NET DEFERRED TAX ASSETS	20,107	16,082

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Restated for general price - level changes and expressed in millions of constant
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28. Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

(v) Income taxes (continued)

The provision (benefit) for income taxes under U.S. GAAP differs from the amount of income tax determined by applying the applicable Chilean statutory income tax rate to pretax income as a result of the following differences:

	Years ended December 31,		
	2003	2004	2005
	MCh\$	MCh\$	MCh\$
Chilean taxes due at the applicable statutory rate (1).....	25,154	29,365	31,927
Increase (decrease) in rates resulting from:			
Non-deductible expenses	3,527	5,106	4,021
Non-taxable income	(13,078)	(16,086)	(17,132)
Effect on tax and financial equity restatement (2).....	(425)	(1,627)	(1,929)
Effect of income tax rate change on net deferred tax assets.....	(586)	—	—
Other.....	(616)	3,779	2,088
At effective tax rate	13,976	20,537	18,975

(1) The Chilean statutory first category (corporate) income tax rate was 16.5% for 2003 and 17% for 2004 and 2005.

(2) This item corresponds to the difference in the basis used for the price-level restatement calculation of shareholder's equity for financial and tax purposes.

(w) Comprehensive Income

The Bank presents comprehensive income and its components with the objective to report a measure of all changes in shareholders' equity that result from transactions and other economic events of the period other than transactions with owners ("comprehensive income"). Comprehensive income is the total net income and other non-owner equity transactions that result in changes in net equity.

The following represents accumulated other comprehensive income balance, net of tax, for the years ended December 31, 2003, 2004 and 2005:

	Year ended December 31, 2005		
	Before-tax amount	Tax (expense) or benefit	Net-of-tax amount
	MCh\$	MCh\$	MCh\$
Beginning balance	(264)	(928)	(1,192)
Price-level restatement (1).....	14	(2)	12
Unrealized gains on securities available for sale:			
Unrealized gains arising during the period	(94)	16	(78)
Less: reclassification adjustment for gains included in income	—	—	—
Net unrealized gains.....	(94)	16	(78)
Adjustment for translation differences	(3,229)	—	(3,229)
Ending balance	(3,573)	(914)	(4,487)

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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28. Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

(w) Comprehensive Income (continued)

	Year ended December 31, 2004		
	Before-tax amount	Tax (expense) or benefit	Net-of-tax amount
	MCh\$	MCh\$	MCh\$
Beginning balance	2,323	(971)	1,352
Price-level restatement (1).....	(18)	3	(15)
Unrealized losses on securities available for sale:			
Unrealized losses arising during the period	(264)	45	(219)
Less: reclassification adjustment for losses included in net income	27	(5)	22
Net unrealized losses.....	(237)	40	(197)
Adjustment for translation differences	(2,332)	—	(2,332)
Ending balance	(264)	(928)	(1,192)

	Year ended December 31, 2003		
	Before-tax amount	Tax (expense) or benefit	Net-of-tax amount
	MCh\$	MCh\$	MCh\$
Beginning balance	9,657	(1,537)	8,120
Price-level restatement (1).....	(97)	16	(81)
Unrealized losses on securities available for sale:			
Unrealized losses arising during the period	(8,957)	1,478	(7,479)
Less: reclassification adjustment for losses included in net income	5,624	(928)	4,696
Net unrealized losses.....	(3,333)	550	(2,783)
Adjustment for translation differences	(3,904)	—	(3,904)
Ending balance	2,323	(971)	1,352

(1) Reflects the effect of inflation on the comprehensive income at the beginning of each period, adjusted to constant pesos of December 31, 2005.

(x) Segment information

The Bank presents information in accordance with Statement of Financial Accounting Standard No.131 “Disclosure about Segments of an Enterprise and Related Information,” which establishes standards for reporting information about operating segments and related disclosures about products and services and geographic areas. Operating segments are defined as components of an enterprise about which separate financial information is available that is regularly used by the Chief operating decision maker in deciding how to allocate resources and in assessing performance.

The Bank has strategically aligned its operations into five major segments of business based on its market segmentation and the needs of its clients and trading partners. The Bank manages and measures the performance of its operations through these business segments using an internal profitability reporting system. As stated by SFAS 131, figures for years before 2005 have been restated for comparative purpose according to the current segments in which the Bank measures its business areas during 2005. The internally reported segments are as follows:

Wholesale Market,

The Wholesale market business area serves the needs of corporate customers with annual sales in excess of Ch\$1,200 million that are engaged in a wide spectrum of industry sectors. Services provided include depositing and lending in both Chilean pesos and foreign currency, trade and project financing, working capital financing, leasing, factoring, foreign trade financing, lines of credit, commercial mortgage loans and various non-credit services, such as financial consultancy, collections, supplier payments, payroll management and a wide array of treasury and risk management products, as well as electronic banking services.

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) (Restated for general price - level changes and expressed in millions of constant Chilean pesos as of December 31, 2005)

28. Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

(x) Segment information (continued)

Retail Market,

The Retail market business area serves the financial needs of individuals and middle-market companies (with annual sales of up to Ch\$1,200 million) through the Bank of branches network. The principal financial services offered include credit cards, debit cards, residential mortgage loans, consumer loans, commercial loans, leasing loans, as well as deposit services such as checking and savings accounts and time deposits.

International Banking,

The International Banking segment includes services offered principally through the Bank's New York and Miami branches, but also includes representative offices in Buenos Aires, São Paulo and Mexico City and a worldwide network of correspondent banks.

Treasury,

The Treasury segment is responsible for the management of the Bank's assets and liabilities and also offers financial services to other segments and external customers such as currency intermediation, instruments developed for currency and interest rate risk hedging, transactions under repurchase agreements and investment products based on bonds, mortgage notes and deposits. The Treasury segment is also responsible for monitoring compliance with regulatory deposit limits, technical reserves and maturity and rate matches.

Subsidiaries,

The Subsidiaries segment includes non-banking financial services that are offered through separate legal entities. These include securities brokerage, mutual fund and investment fund management, financial advisory services, factoring, insurance brokerage, securitization, trade, collection and sales services.

The financial information used to measure the performance of the Bank's business segments is not necessarily comparable with similar information from other financial institutions because it is based on internal reporting policies. The accounting policies are the same as those applied under Chilean GAAP as described in Note 1, except as noted below:

- The net interest margin of loans and deposits is measured on an individual transaction and individual client basis, stemming from the difference between the effective customer rate and the related Bank's fund transfer price in terms of maturity, re-pricing and currency.
- The results associated with the gap management (interest rate mismatches) have been allocated amongst different segments in accordance with the amount of long-term loans in each segment.
- The performance of the business areas, measured by an internal profitability system considers results that are directly related to performance and not to overhead expenses of corporate and support departments, additional allowances (previously referred to as "voluntary allowances" under guidelines prior to 2004), taxes and other non-operating income and expenses.
- The internal performance profitability system considers capital allocation in each segment in accordance to Basle guidelines.
- Provisions for loan losses in each segment are measured on a client basis.
- In addition to direct costs (consisting mainly of labor and administrative expenses), the Bank allocates the majority of its indirect operating costs to each business area based on the type and amount of the relevant transactions. These costs are mainly related to the use of technology and other computer equipment. Other indirect costs are allocated using activity-base costing methodology.

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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28. Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

(x) Segment information (continued)

The following tables show the results of the Bank by operating segments for the three years ended December 31, 2005:

	Year ended December 31, 2005 (1)						Total
	Wholesale	Retail	International			Other (2)	
	Market	Market	Treasury	Banking	Subsidiaries		
MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	
Operating Revenues.....	118,486	285,020	18,831	13,833	70,074	12,207	518,451
Provisions	10,103	(30,897)	—	812	(952)	(1,094)	(22,028)
Operating Expenses	(47,658)	(135,630)	(2,691)	(20,590)	(40,557)	(29,338)	(276,464)
Other income and expenses	(15,939)	(3,937)	(389)	(156)	(2,043)	4,620	(17,844)
Net income before taxes	64,992	114,556	15,751	(6,101)	26,522	(13,605)	202,115

	Year ended December 31, 2004 (1)						Total
	Wholesale	Retail	International			Other (2)	
	Market	Market	Treasury	Banking	Subsidiaries		
MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	
Operating Revenues.....	106,933	259,127	28,175	12,177	68,058	12,266	486,736
Provisions.....	(8,070)	(31,017)	—	(87)	(1,769)	(265)	(41,208)
Operating Expenses	(49,360)	(125,951)	(2,382)	(8,225)	(36,271)	(27,434)	(249,623)
Other income and expenses	(14,447)	(2,587)	(222)	(149)	(822)	(545)	(18,772)
Net income before taxes.....	35,056	99,572	25,571	3,716	29,196	(15,978)	177,133

	Year ended December 31, 2003 (1)						Total
	Wholesale	Retail	International			Other (2)	
	Market	Market	Treasury	Banking	Subsidiaries		
MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	
Operating Revenues.....	114,621	231,713	22,535	16,565	56,175	900	442,509
Provisions	(11,677)	(27,956)	—	2,203	(585)	1,148	(36,867)
Operating Expenses	(48,346)	(115,807)	(2,321)	(7,569)	(32,296)	(30,087)	(236,426)
Other income and expenses	(10,884)	(872)	(69)	(32)	(711)	(3,251)	(15,819)
Net income before taxes.....	43,714	87,078	20,145	11,167	22,583	(31,290)	153,397

(1) Segment information disclosed above is based on internal reporting policies and does not conform to Chilean or U.S. GAAP.

(2) "Other" includes the effect of conforming management accounting policies to accounting principles generally accepted in Chile and a number of non-allocated costs, such as corporate overhead expenses, voluntary provisions and depreciation costs. Also included within other are amounts of miscellaneous income or expenses that are not earned or incurred by one specific segment, including all external rental income.

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Restated for general price - level changes and expressed in millions of constant
Chilean pesos as of December 31, 2005)

28. Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

(x) Segment information (continued)

Information about geographic areas.

The financial information presented below has been classified considering the country in which the related transactions were originated. Those transactions which originated in the United States of America, through Banco de Chile's operations in New York and Miami, U.S.A., are primarily completed with Chilean and Argentine citizens and enterprises, and are principally denominated in U.S. dollars.

A summary of activities by geographic area is as follows:

	As of December 31,		
	2003	2004	2005
	MCh\$	MCh\$	MCh\$
Total Interest Revenues			
Republic of Chile.....	441,244	549,445	661,395
U.S.A.....	13,997	13,488	18,754
Hong Kong.....	—	—	—
Total Net Income			
Republic of Chile.....	126,896	154,332	186,092
U.S.A.....	11,738	3,798	(5,502)
Hong Kong.....	—	(7)	134
Mortgage Loans			
Republic of Chile.....	1,197,855	849,398	670,347
U.S.A.....	—	—	—
Hong Kong.....	—	—	—
Commercial Loans			
Republic of Chile.....	2,708,410	2,888,842	3,464,724
U.S.A.....	97,263	81,668	46,178
Hong Kong.....	—	—	—
Income Taxes			
Republic of Chile.....	(15,303)	(19,131)	(21,334)
U.S.A.....	540	120	(29)
Hong Kong.....	—	1	(28)
Bank Premises and equipment			
Republic of Chile.....	134,749	136,729	140,227
U.S.A.....	914	717	2,223
Hong Kong.....	—	—	—
Total Assets			
Republic of Chile.....	9,219,239	9,354,221	10,138,550
U.S.A.....	603,234	642,352	554,198
Hong Kong.....	—	2	13

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) (Restated for general price - level changes and expressed in millions of constant Chilean pesos as of December 31, 2005)

28. Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

(y) Estimated Fair Value of Financial Instruments and Derivative Financial Instruments

The accompanying tables provide disclosure of the estimated fair value of financial instruments owned by the Bank. Various limitations are inherent in the presentation, including the following:

- The data excludes non-financial assets and liabilities, such as bank premises and equipment and excludes values attributable to deposit and credit card relationships.
- While the data represents management's best estimates, the data is subjective, involving significant estimates regarding current economic and market conditions and risk characteristics.

The methodologies and assumptions used depend upon the terms and risk characteristics of the various instruments and include the following:

- Cash and due from banks represents cash and short-term deposits which approximate fair value because of the short-term maturity of these instruments.
- Most of the Bank's securities are considered as trading and therefore are generally carried at quoted market prices. Interest earning assets and liabilities with an original maturity of less than one year are considered to have a fair value, which is not materially different from their book value.
- For interest earning assets and interest bearing liabilities which are contracted at variable interest rates, their book value is considered to be equivalent to their fair value.
- For performing loans with fixed-rates and an original maturity of greater than one year, the fair values were calculated by discounting contractual cash flows, using the Bank's current origination rates for loans with similar terms and similar risk characteristics.
- For loans where the Bank's management believes that the amounts outstanding will not be paid in accordance with contractual terms, the estimated cash flows arising from the liquidation of collateralized assets and other expected flows have been discounted at an estimated discount rate commensurate with the risk in the collection of these amounts.
- For interest-bearing liabilities with fixed rates and an original contractual maturity of greater than one year, the fair values are calculated by discounting contractual cash flows at current market origination rates with similar terms.
- The estimated fair value of foreign exchange forward contracts was determined using quoted market prices of financial instruments with similar characteristics.
- The fair value of interest rate swaps represents the estimated amount the Bank would expect to receive or pay to terminate the contracts or agreements, taking into account current interest rates. As no quoted market prices are available for the interest rate swap and forward rate instruments held by the Bank, such estimates have been estimated using modeling and other valuation techniques.

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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28. Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

(y) Estimated Fair Value of Financial Instruments and Derivative Financial Instruments (continued)

The estimated fair values of financial instruments and derivatives financial instruments are as follows:

	As of December 31,			
	2004		2005	
	Carrying Amount MCh\$	Estimated fair value MCh\$	Carrying Amount MCh\$	Estimated fair value MCh\$
ASSETS				
Cash and due from banks.....	592,161	592,161	496,593	496,593
Interest bearing deposits in other banks	40,233	40,233	73,264	73,264
Term federal funds.....	58,010	58,010	231,351	231,351
Accounts receivable under spot foreign exchange transactions (1)	52,300	52,300	127,763	127,763
Financial investments	1,566,897	1,566,893	1,166,147	1,166,099
Loans, net (2)	6,516,434	6,674,373	7,442,916	7,378,358
Derivative instruments.....	75,788	75,788	76,844	76,844
LIABILITIES				
Deposits	5,663,892	5,730,923	6,471,977	6,217,399
Accounts payable under spot foreign exchange transactions (1) ..	53,908	53,908	99,080	99,080
Investments under agreements to repurchase	361,653	361,653	270,750	270,750
Short term and long term borrowings.....	2,121,373	2,274,846	2,004,879	1,896,112
Derivative instruments.....	115,679	115,679	135,451	135,451

(1) Included under the captions Other assets and Other liabilities.

(2) The carrying amounts of loans in the above table excludes contingent loans since they represent undisbursed amounts under undrawn letters of credit and other credit guarantees granted by the Bank.

(z) Investments in other companies

As of December 31, 2003, 2004 and 2005, investments in other companies and the Bank's participation in such companies' results of operations for each of the periods indicated, consist of the following:

	As of and for the years ended December 31,						Ownership Interest 2005 %
	2003		2004		2005		
	Investment MCh\$	Income (Loss) MCh\$	Investment MCh\$	Income (Loss) MCh\$	Investment MCh\$	Income (Loss) MCh\$	
Artikos Chile S.A.....	215	(2,120)	45	(171)	118	(183)	50.00
Servipag Ltda.	861	93	1,019	158	1,231	211	50.00
Redbanc S.A.	1,084	309	916	143	912	139	25.42
Soc. Operadora de Tarjetas de Crédito Nexus S.A. ..	1,047	151	1,104	178	1,144	182	25.81
Centro de Compensación Automatizado S.A. (CCA S.A.).....	211	47	196	32	213	34	33.33
Administrador Financiero de Transantiago S.A.	—	—	—	—	1,270	70	20.00
Total investments in other companies accounted for under the equity method.....	3,418	(1,520)	3,280	340	4,888	453	
Other investments carried at cost.....	2,740	328	2,886	137	2,917	126	
Total investments in other companies.....	6,158	(1,192)	6,166	477	7,805	579	

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Restated for general price - level changes and expressed in millions of constant
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28. Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

(aa) Bank premises and equipment, net

The major categories of Bank premises and equipment net of accumulated depreciation are as follows:

	As of December 31,	
	2004	2005
	MCh\$	MCh\$
Land and buildings	106,332	106,188
Machinery and equipment	33,095	38,559
Assets under lease	27,809	22,104
Furniture and fixtures	5,539	5,186
Other assets	2,577	2,313
Vehicles	841	835
Bank premises and equipment, net.....	176,193	175,185

In accordance with rules of the Superintendency of Banks, bank premises and equipment are presented net of accumulated depreciation. As a result no information is available for either accumulated depreciation or total bank premises and equipment.

(ab) Other assets and other liabilities

(1) Other assets

	As of December 31,	
	2004	2005
	MCh\$	MCh\$
Intangibles	145,676	131,966
Amounts receivable under spot foreign exchange transaction.....	52,300	127,763
Derivative instruments	75,788	76,844
Deferred income tax assets, net	20,107	16,082
Assets received in lieu of payment.....	18,828	15,399
Software investment and trademark licenses.....	11,487	14,297
Accounts receivable	7,820	11,467
Deferred sales commissions	5,441	9,270
Investments in other companies	6,166	7,805
VAT fiscal credit.....	3,665	5,670
Balances with domestic branches	4,324	4,584
Deferred asset on bonds issuances.....	8,371	4,178
Transactions in process	7,033	2,266
Accounts receivable for financial investments sold	—	1,993
Recoverable taxes.....	1,436	1,793
Deferred asset related to mortgage finance bonds issued by the bank.....	2,230	1,762
Deferred expenses	2,142	1,680
Accounts receivable for assets received in lieu of payment sold.....	3,020	1,305
Materials and supplies	492	624
Other.....	13,002	17,997
Total other assets.....	389,328	454,745

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Restated for general price - level changes and expressed in millions of constant
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28. Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

(ab) *Other assets and other liabilities (continued)*

(2) *Other liabilities*

	As of December 31,	
	2004	2005
	MCh\$	MCh\$
Derivative instruments, net.....	115,679	135,451
Amounts payable under spot foreign exchange transaction	53,908	99,080
Accounts payable	130,048	84,743
Provision for minimum dividend.....	47,436	54,217
Temporary bank overdrafts	—	19,573
Accrued staff vacation expense.....	13,976	15,730
Accrued severance staff indemnities	7,908	6,788
Leasing deferred gains.....	4,823	6,676
VAT fiscal debit.....	3,320	4,235
Deferred liability on bonds issuances.....	8,371	4,178
Commissions deferred	4,327	4,110
Administration and credit card contract provision	3,342	3,739
Allowance of income taxes	8,296	2,568
Transactions in process	1,389	2,078
Legal contingencies provision.....	959	861
Other.....	2,869	5,082
Total other liabilities	406,651	449,109

(3) *Contingent Liabilities*

Contingent liabilities consist of open and unused letters of credit, together with guarantees granted by the Bank in Chilean pesos, UF and foreign currencies (principally U.S. dollars). The liability represents the Bank's obligations under such agreements. The Bank's rights under these agreements are recognized as assets on the Bank's balance sheets under the caption "Contingent loans". See Note 5.

	As of December 31, 2004		As of December 31, 2005	
	Book value MCh\$	Contract amount MCh\$	Book value MCh\$	Contract amount MCh\$
Performance bonds	3,056	360,365	3,154	539,385
Standby letters of credits.....	240	24,592	11	11,074
Foreign office guarantees.....	53	15,908	133	21,976
Total.....	3,349	400,865	3,298	572,435

Guarantees in the form of performance bonds, stand by letters of credit and foreign office guarantees are issued in connection with agreements made by customers to counterparties. If the customer fails to comply with the agreement, the counterparty may enforce the performance bond as a remedy. Credit risk arises from the possibility that the customer may not be able to repay the Bank for performance bonds. To mitigate credit risk, the Bank generally determines the need for specific covenant, guarantee and collateral requirements on a case-by-case basis, depending on the nature of the financial instrument and the customer's creditworthiness.

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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28. Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

(ab) Other assets and other liabilities (continued)

The expiration of guarantees, per period is as follows:

	Due within 1 Year	Due after 1 year but within 3 year	Due after 3 years but within 5 years	Due after 5 years	Total
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Performance bonds.....	354,325	158,882	22,898	3,280	539,385
Standby letters of credits.....	8,965	1,914	195	—	11,074
Foreign office guarantees.....	21,976	—	—	—	21,976
Total.....	385,266	160,796	23,093	3,280	572,435

(ac) Other Interest Bearing Liabilities

The Bank's long-term and short-term borrowings are summarized below. In accordance with the guidelines established by the Superintendency of Banks, the Bank does not present a classified balance sheet. Borrowings are described as short-term when they have original maturities of less than one year or are due on demand. All other borrowings are described as long-term, including the amounts due within one year on such borrowings.

	As of December 31, 2004			As of December 31, 2005		
	Long-term	Short-term	Total	Long-term	Short-term	Total
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Central Bank Credit lines for renegotiation of loans.....	1,999	—	1,999	1,407	—	1,407
Other Central Bank borrowings.....	—	111,518	111,518	—	—	—
Mortgage finance bonds	853,117	—	853,117	588,088	—	588,088
Bonds	188,050	—	188,050	324,704	—	324,704
Subordinated bonds.....	275,891	—	275,891	305,284	—	305,284
Borrowings from domestic financial institutions	—	27,349	27,349	—	90,160	90,160
Foreign borrowings.....	263,986	353,002	616,988	647,510	13,983	661,493
Investments under agreements to repurchase	—	361,653	361,653	—	270,750	270,750
Other obligations.....	11,488	34,973	46,461	1,338	32,405	33,743
Total other interest bearing liabilities	1,594,531	888,495	2,483,026	1,868,331	407,298	2,275,629

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Restated for general price - level changes and expressed in millions of constant
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28. Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

(ac) Other Interest Bearing Liabilities (continued)

Mortgage finance bonds

These bonds are used to finance the granting of mortgage loans. The outstanding principal amounts of the bonds are amortized on a quarterly basis. The range of maturities of these bonds is between five and twenty years. The bonds are linked to the UF index and carry a weighted average annual rate of interest of 4.07% as of December 31, 2005.

The maturities of outstanding mortgage bond amounts as of December 31, 2005 are as follows:

	As of December 31, 2005
	MCh\$
Due within 1 year	72,128
Due after 1 year but within 2 years	55,128
Due after 2 years but within 3 years	53,566
Due after 3 years but within 4 years	52,419
Due after 4 years but within 5 years	51,023
Due after 5 years	303,824
Total mortgage finance bonds	588,088

(ad) Shareholders' Equity

The Bank's paid-in capital consists of 68,079,783,605 authorized shares of no fixed nominal value, issued and outstanding as of December 31, 2005. Dividends related to the year ended December 31, 2004 were paid-out based on the legal entities in existence as of the year end.

Dividends are declared and paid during the year subsequent to that in which the related net income was earned. Dividends were declared and paid to the respective shareholders of each of the merging banks based on prior year net income determined under Chilean GAAP for the years ended December 31, 2003, 2004 and 2005 (presented in constant Chilean pesos as of December 31, 2005) are as follows:

	Paid during the year ended December 31,		
	2003	2004	2005
	MCh\$	MCh\$	MCh\$
Dividends relating to Banco de Chile	56,278	139,213	158,580
Dividends per share relating to Banco de Chile	0.83	2.08	2.36

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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28. Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

(ae) Fees and income from services

The Bank's fees and income from services and non-operating income and expenses for the years ended December 31, 2003, 2004 and 2005 are summarized as follows:

	Years ended December 31,					
	2003		2004		2005	
	Income MCh\$	Expenses MCh\$	Income MCh\$	Expenses MCh\$	Income MCh\$	Expenses MCh\$
Fees and income from services						
Mutual funds	15,569	(1,480)	21,182	(1,896)	25,472	(2,286)
Insurance	11,140	(1,198)	14,925	(178)	20,023	(157)
Debit accounts and ATMs	16,243	(7,567)	18,203	(7,395)	19,812	(7,367)
Stock brokerage	10,526	(650)	13,321	(803)	15,131	(32)
Receipts and payment of services	7,623	(7)	8,258	(10)	9,380	(230)
Collection of overdue loans	9,155	—	8,877	—	8,656	—
Financial advisory services	5,681	—	4,799	—	8,134	—
Credit lines	5,863	—	6,990	—	7,272	—
Demand deposits	5,213	—	5,572	—	5,272	—
Income and revenue from assets received in lieu of payment	4,438	(1,861)	5,688	(1,675)	5,072	(1,553)
Contingent fees	3,464	—	3,864	—	4,349	—
Foreign trade and currency exchange	3,461	—	3,533	—	3,336	—
Letters of credit guarantees, collaterals and other contingent loans	1,845	—	3,083	—	3,020	—
Collection services	3,052	—	3,689	—	2,527	—
Prepaid loans	2,091	—	3,436	—	2,352	—
Custody and trust services	967	—	1,449	—	1,762	—
Leasing	1,739	(546)	1,684	(89)	1,590	(307)
Factoring	780	(3)	657	(52)	619	(9)
Sales force expenses	—	(11,536)	—	(11,596)	—	(15,015)
Cobranding expenses	—	(6,314)	—	(3,764)	—	(5,817)
Teller services expenses	—	(3,369)	—	(3,510)	—	(3,960)
Other	4,433	(2,606)	6,645	(3,206)	7,863	(4,999)
Total	113,283	(37,137)	135,855	(34,174)	151,642	(41,732)

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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28. Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

(af) Non-operating income and expense

	Years ended December 31,					
	2003		2004		2005	
	Income MCh\$	Expenses MCh\$	Income MCh\$	Expenses MCh\$	Income MCh\$	Expenses MCh\$
Non-operating income and expenses						
Gains on sales of assets received in lieu of payment	1,361	—	873	—	4,386	—
Asset received in lieu of payment	403	—	1,060	—	2,832	—
Rental income	2,514	—	2,441	—	2,353	—
Income (losses) attributable to investments in other companies	—	(1,192)	477	—	579	—
Recoveries of expenses	552	—	604	—	295	—
Foreign trade income	6	—	151	—	131	—
Income from sale of fixed assets	559	—	308	—	122	—
Dividends received	21	—	58	—	91	—
Leasing income	1	—	78	—	56	—
Insurance claims	115	—	1	—	5	—
Amortization of intangibles	—	(18,634)	—	(16,486)	—	(13,710)
Charge-offs assets received in lieu of payment	—	(7,811)	—	(8,515)	—	(10,826)
Charge-offs	—	(2,396)	—	(1,375)	—	(1,284)
Provision for recovered leased assets	—	(1,458)	—	(1,506)	—	(1,062)
Write-offs for frauds	—	(114)	—	(1,101)	—	(546)
Expenses on charge-off for leasing	—	(642)	—	(251)	—	(359)
Fair Value Other	—	19	—	(77)	—	(347)
Advertising expenses	—	(47)	—	(55)	—	(62)
Reversal of adjustments and interest from previous years	—	(720)	—	(128)	—	(48)
Charge-offs and provision related to fixed assets	—	(132)	—	(45)	—	(24)
Legal contingencies provision	—	(156)	—	(189)	—	(20)
Charge-off obsolete materials	—	(341)	—	(1)	—	—
Provision and charge-offs other assets	—	(701)	—	(423)	—	—
Amortization of negative goodwill	—	(57)	—	—	—	—
Tax expenses from previous years	—	—	—	(2,328)	—	—
Other	497	(1,286)	481	(566)	420	(703)
Total	6,029	(35,668)	6,532	(33,046)	11,270	(28,991)

(ag) Recent accounting pronouncements

On March 17, 2006, the FASB issued SFAS No. 156, "Accounting for Servicing of Financial Assets, an amendment of FASB Statement No. 140" (SFAS 156), which permits, but does not require, an entity to account for one or more classes of servicing rights (i.e., mortgage servicing rights, or MSRs) at fair value, with the changes in fair value recorded in the Consolidated Statement of Income. Management is currently evaluating the effect of the statement on the Bank's results of operations and financial condition.

On February 16, 2006, the Financial Accounting Standards Board (FASB) issued SFAS No. 155, "Accounting for Certain Hybrid Instruments" (SFAS 155), which permits, but does not require, fair value accounting for any hybrid financial instrument that contains an embedded derivative that would otherwise require bifurcation in accordance with SFAS 133. The statement also subjects beneficial interests issued by securitization vehicles to the requirements of SFAS 133. The statement is effective as of January 1, 2007, with earlier adoption permitted. Management is currently evaluating the effect of the statement on the Bank's results of operations and financial condition.

On November 3, 2005, the FASB issued FASB Staff Position (FSP) FAS 115-1, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments." This FSP, which is effective for reporting periods beginning after December 15, 2005, replaces the impairment evaluation guidance (paragraphs 10-18) of EITF issue No.03-1, The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments, with references to existing other-than-temporary (OTT) impairment guidance. The FSP also clarifies that an investor should recognize an impairment loss no later than when the impairment is deemed other than temporary, even if a decision to sell has not been made. The adoption of this FSP will not have a material effect on the Bank's consolidated financial position, results of operations or cash flows.

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) (Restated for general price - level changes and expressed in millions of constant Chilean pesos as of December 31, 2005)

28. Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

(ag) *Recent accounting pronouncements (continued)*

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections – A replacement of APB Opinion No. 20 and FASB Statement No. 3" ("SFAS 154"). SFAS 154 replaces APB Opinion No. 20, "Accounting Changes" ("APB 20") and FASB Statement No. 3, "Reporting Accounting Changes in Interim Financial Statements," and changes the requirements for the accounting for and reporting of a change in accounting principle. APB 20 previously required that most voluntary changes in accounting principle be recognized by including in net income of the period of the change the cumulative effect of changing to the new accounting principle. SFAS 154 requires retrospective application to prior periods' financial statements for voluntary changes in accounting principle and for changes required by new accounting pronouncements that do not include specific transition provisions, unless such application is impracticable. SFAS 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The impact of SFAS 154 will depend on the accounting change, if any, in a future period.

29. 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 Banco de Chile, 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.

30. 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 through the Federal Reserve Bank of Atlanta (together the "Federal Reserve"), as part of their targeted examinations of the New York and Miami Branches respectively, to the issuance by the OCC of a consent order, applicable to the New York branch, and the issuance by the Federal Reserve of a cease and desist order, applicable to the Miami branch. Pursuant to these February 1, 2005 orders, Banco de Chile has instituted an action plan that includes the maintenance of programs geared towards strengthening compliance with the Bank Secrecy Act and U.S. anti-money laundering laws.

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 Federal Reserve 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.

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) (Restated for general price - level changes and expressed in millions of constant Chilean pesos as of December 31, 2005)

30. Relevant Events (continued)

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
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Deputy Directors:	Edmundo Eluchans Urenda Jorge Ergas Heymann
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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
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Vice-president of the Board:	Andrónico Luksic Craig
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Board Advisors:	Jorge Díaz Vial Francisco Garcés Garrido Máximo Silva Bafalluy
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(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 Banco de Chile 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.

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).

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) (Restated for general price - level changes and expressed in millions of constant Chilean pesos as of December 31, 2005)

30. Relevant Events (continued)

(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. Banco de Chile’s Board deemed that the price and other terms of the transactions are in accordance with the conditions normally prevailing in the market.

**BYLAWS OF
BANCO DE CHILE**

(English Translation of Spanish Original)

May 2006

**TITLE I
NAME, DOMICILE AND DURATION OF THE COMPANY.**

1st Article:

A Corporation is hereby established which shall be called “BANCO DE CHILE,” and shall be governed by these bylaws, by the General Banking Law, and by the other legal and regulatory precepts currently in effect or such as are issued in the future that are applicable to it.

2nd Article:

The company shall have its corporate domicile in the city and commune of Santiago, without prejudice to such branches or agencies as it establishes in Chile or abroad, pursuant to the Law. Its Board of Directors shall meet, and its General Management shall operate in the city and commune of Santiago, where its Headquarters or Main Office shall be established.

3rd Article:

The term of duration of the company shall be indefinite.

**TITLE II
PURPOSE AND OPERATIONS OF THE COMPANY**

4th Article:

The purpose of the Bank is to undertake all acts, contracts, business, and transactions as the General Banking Law allows banking institutions to undertake, without prejudice to expanding or restricting its scope of action consistent with current legal precepts or such as are established in the future.

**TITLE III
CAPITAL AND STOCK.**

5th Article:

The Bank’s capital is the amount of \$543,355,216,954, divided into 69,037,564,665 registered shares with no par value, which are fully subscribed and paid.

6th Article:

The company shall maintain a Shareholders’ Registry.

**TITLE IV
MANAGEMENT.**

7th Article:

Management of the Bank shall be exercised by a Board of Directors, which shall represent it judicially and extrajudicially, for the realization of the corporate purpose, which it shall not have to prove to third parties. It is vested with all the management and disposal authorities which the law or the present bylaws do not establish as exclusive to the Shareholders Meeting, and also for such acts and contracts with respect to which the laws require a special power of attorney. The foregoing is without prejudice to the authorities of the General Manager. Directors shall be compensated and the amount of the compensation shall be set at the Shareholders Meeting.

8th Article:

The Board of Directors shall be comprised of eleven full members and two alternates, whether or not shareholders, elected by the respective Shareholders Meeting, all of whom shall hold office for three years, and may be reelected indefinitely. The election of directors shall be undertaken in a single vote, and those receiving the greatest number of votes shall be elected until the number of people who must be elected is reached. Likewise, separately, in a single vote, the alternate directors shall be elected.

The Board of Directors elected by shareholders may only be removed in its entirety by a Ordinary or Extraordinary Shareholders Meeting, and therefore individual removal is not allowed.

Alternate directors may always participate in meetings of the Board of Directors with a right to speak, and they shall only have a right to vote in case of a temporary absence by the director they replace. The person who received the greatest number of votes among the alternates shall be the first alternate director, and the second alternate director shall be the one who received the second greatest vote. In the case of a temporary absence of one or more directors, they may be replaced temporarily by the alternate directors in the order of precedence established in the bylaws.

In the case of a vacancy of one or more directors due to conflict of interest, limitation, bankruptcy, impossibility, unjustified absence, death, resignation and, in general, for any other reason, vacancies shall be filled as follows:

- a) Vacancies of directors shall be filled by alternate directors in the aforementioned order of precedence, except if the respective alternate director in a period of three business days calculated from the provision of notice thereof, states in writing his intention to continue as an alternate director; and

- b) If vacancies occur among directors which were not filled in the manner established in letter a), the Board of Directors, in the first meeting it holds, shall proceed to name the replacement or replacements, who shall hold office until the next Ordinary Shareholders Meeting, at which time the definitive appointment shall be made. The director or directors so named by the Shareholders Meeting shall remain in office only for the time remaining to complete the term of office of the replaced director or directors.

In the case of a vacancy of one or more alternate director for any legal cause, the vacancies shall be filled as follows:

- a) The vacancy of the first alternate director by the second alternate director; and
- b) If a vacancy occurs among both alternate directors, or the second alternate director, at the next meeting of the Board of Directors the Board shall proceed to name the replacement or replacements who shall hold office until the next Ordinary Shareholders Meeting, at which time the definitive appointment shall be made. The alternate director or directors so named by the Shareholders Meeting shall remain in office only for the time remaining to complete the term of office of the replaced director or directors. If the Board of Directors names a replacement for an alternate director, the designee shall have the second order of precedence.

9th Article:

Meetings of the Board of Directors shall be held with the attendance of no fewer than six of its full or alternate members, and resolutions shall be adopted by an absolute majority of directors attending with a right to vote. In case of a tie, the chairman of the meeting shall have the deciding vote.

10th Article:

Notices of ordinary and extraordinary meetings of the Board of Directors shall be made in writing at least twenty-four hours in advance, if the formalities therefor indicated by the Corporations Regulations are met. Ordinary meetings shall be those that are held on the dates and at the times established in advance by the Board of Directors, at least once per month. Extraordinary meetings shall be held when specially called by the President, himself, or at the indication of one or more directors, provided that the President considers the meeting necessary, except if it is requested by an absolute majority of directors in office, in which case the aforementioned consideration shall not be necessary.

11th Article:

In the first meeting held by the Board of Directors, after the Shareholders Meeting that appointed it, the Board of Directors shall

select its President and Vice President, and these persons shall also serve in the same roles for the company. The Secretary of the Board of Directors shall also be appointed in that same meeting.

12th Article:

Directors who, with regards to a specific transaction, have an interest themselves or as representatives of another person, shall report such interest to the other directors and refrain from deliberating and voting.

13th Article:

All elections of directors shall be published in a newspaper in the Bank's domicile and shall be reported to the Superintendency of Banks and Financial Institutions, to which shall be sent an authorized copy of the public deed prepared from the Minutes of the Shareholders Meeting or the meeting of the Board of Directors where the appointments have been made. The appointment of a General Manager shall likewise be reported to the aforementioned Superintendency and be documented in a public deed.

**TITLE V
PRESIDENT**

14th Article:

The President of the Bank, beyond the other powers granted to him by these bylaws or the Act, shall have the following powers and obligations:

One) He shall preside over meetings of the Board of Directors and Shareholders Meetings;

Two) To call meetings of the Board of Directors;

Three) To propose to the Board of Directors measures whose objective is to further the business of the Bank and to improve the organization and regime of all aspects of the offices.

Four) To sign Reports and notes or resolutions which come from the Board of Directors and the Shareholders Meetings; and

Five) Except if otherwise agreed by the Shareholders Meeting or the Board of Directors, if applicable, he shall sign the public deed containing the Minutes of the meetings of the former or the latter.

15th Article:

In case of absence or incapacity of the President of the Bank, he shall be replaced in his functions by the Vice President and, in the absence of the latter, by a Director appointed by the Board of Directors. The replacement is an internal procedure of the company and shall not require any formality and it shall not be necessary to prove its appropriateness to third parties for the validity of acts performed by the replacement, the mere fact of the replacement's acting being sufficient for the effectiveness thereof.

**TITLE VI
GENERAL MANAGER**

16th Article:

The General Manager is responsible for:

One) Lead and perform the general operations of the Bank, making its acts conform to the laws, regulations, bylaws, and resolutions of the Board of Directors;

Two) Beyond the authorities corresponding to him as a business agent by reason of his position, he shall have general agency for the Bank at all its offices, with express authority to revoke such powers of attorney as may have been granted at any time. In the legal sphere, beyond the authorities granted to him by the first section of Article Seventh of the Civil Procedure Code, he shall have the special ones of abandoning actions filed in the first instance; accepting counterclaims; answering interrogatories; waiving appeals or legal terms; approving Agreements; settling; granting authorities to arbitrators; and receiving money. Settlements and arbitration agreements made by the Board of Directors shall be signed by the General Manager, with no requirement beyond inserting the pertinent part of the Minutes authorized by the Secretary in the respective public deed or private document. He may also, in any case, and without prejudice to the authorities of the President, sign public deeds or contracts agreed by the General Shareholders Meeting or the Board of Directors, with no requirement beyond the aforementioned, provided that they must be or it is agreed that they shall be made public deeds;

Three) Appoint such Managers as must be named for the proper performance of the company business;

Four) Grant powers of attorney or delegate all or part of his authorities, to other persons for special cases or business;

Five) Report to the Board of Directors on the handling, management, and situation of the Bank in the manner and at the time it and/or the Superintendency of Banks and Financial Institutions determine;

Six) Attend meetings of the Board of Directors with a right to speak; and

Seven) Perform other functions decided by the Board of Directors and, in general, exercise the other functions which appertain to him pursuant to the Law and these bylaws. In case of temporary absence or inability, the General Manager shall be replaced by the Manager designated by the Board of Directors.

**TITLE VII
SHAREHOLDERS MEETINGS.**

17th Article:

Shareholders shall meet in ordinary or extraordinary meetings. The former shall be held once a year, within the four-month period following the date of the close of the fiscal year. In those meetings the shareholders shall review all matters that it is proper for them to consider, without being limited to the matters described in the respective notice of the meeting. The latter may be held at any time, to decide on any matter which the law or these Bylaws give to the power of the shareholders meetings and provided that such matters are indicated in the corresponding notices.

18th Article:

The resolutions passed at properly called and convened Shareholders Meetings pursuant to the law and the bylaws, shall bind all shareholders. Shareholder Meetings shall be held in the city of Santiago.

19th Article:

In the elections that must be held at the Shareholders Meetings, the President and the Secretary, together with the persons appointed by the Shareholders Meeting to sign the Minutes thereof, shall evidence in a document the votes which are cast *viva voce* by the shareholders present, pursuant to the order of the attendance list. Any shareholder shall have a right, however, to vote on a ballot signed by him, stating whether he is signing on behalf of himself or another. In all cases, the President of the Company or the Superintendency of Banks and Financial Institutions, as applicable, may alternatively and indistinctly hold votes *viva voce* or on ballots. The President, when counting the votes, shall read the votes aloud, for all those present to be able to perform for themselves the calculation of the vote and so verify the results with such annotation and ballots.

20th Article:

If any of the persons who must sign Minutes of the Shareholders Meeting should die, be absent, or unable for any reason to sign it, a note shall be made at the end of the Minutes stating the respective circumstances of the impediment.

21st Article:

The Minutes shall contain an extract of what occurred in the meeting. Only upon unanimous consent of those in attendance may the evidence of any event occurring at the meeting, and which is related to the interests of the company, be deleted.

**TITLE VIII
MANAGEMENT REPORT AND BALANCE SHEET.**

22nd Article:

The Bank shall prepare its General Balance Sheet annually as of December thirty-first.

23rd Article:

The Board of Directors shall present for the consideration at the Ordinary Shareholders Meeting, a reasoned Report on the situation of the company in the last fiscal year, accompanied by the General Balance Sheet, the Statement of Profit and Loss, and the Report of the External Auditors. Each of the shareholders registered in the Registry, who hold a minimum number of shares authorized by the Superintendency of Banks and Financial Institutions, shall be sent a copy of the Balance Sheet and the Management Report, including the opinion of the Auditors and their respective annotations, which documents shall be sent on a date not later than that of the first notice for the respective Ordinary Meeting.

**TITLE IX
DISSOLUTION AND LIQUIDATION.**

24th Article:

The Company shall be dissolved by resolution adopted in that regard at a Extraordinary Shareholders Meeting, approved by the Superintendent of Banks and Financial Institutions in the manner stipulated by law, and for the other legal causes. The aforesaid is without prejudice to that established in Title Fifteenth of the General Banking Law.

25th Article:

Once the voluntary dissolution cited in the preceding article is agreed, the Shareholders Meeting shall elect a Liquidation Committee comprised of three members to proceed to effect the liquidation of the Company, who shall have the authorities, obligations, and responsibilities stipulated in the law, subjecting themselves in their performance to the provision of the Chilean Corporations Law and its Regulations. The Shareholders Meeting shall establish the duration of the functions of the Liquidation Committee, and shall determine the compensation of its members.

**TITLE X
AUDITING THE MANAGEMENT.**

26th Article:

The Ordinary Shareholders Meeting shall annually appoint independent external auditors, in order for them to examine the accounting, inventory, balance sheets, and financial statements of the company, and who shall have the obligation to report in writing to the next Ordinary Shareholders Meeting on the performance of their duties.

**TITLE XI
JURISDICTION.**

27th Article:

Differences that arise among shareholders in their capacity as such, or between them and the Company or its managers, either during the life of the Company or during its liquidation, shall be submitted for resolution to an arbitrator who shall have the ability to establish procedural rules for the proceeding and who shall be bound by the law as to decisions on the merits of the case, who must be named by joint agreement of the parties or by the Ordinary Courts, alternatively, in case of a disagreement on his appointment. The decision rendered by the arbitrator shall be subject to a motion for appeal and cassation on the merits. Such arbitrator shall be, or have been, at the time of the appointment, an attorney who is or has served as an auxiliary judge on the Court of Appeals of Santiago or the Supreme Court, for no less than one year. The arbitration established in this clause is without prejudice to, if a conflict occurs, the petitioner's being able to remove the matter from the jurisdiction of the arbitrator and submit it for a decision by the ordinary courts.

TRANSITIONAL ARTICLES

First Transitional Article:

The Bank's capital is the amount of \$543,355,216,954 divided into 69,037,564,665 registered shares, with no par value, which is paid in as follows:

- a) With the amount of \$512,370,999,663 divided into 68,079,783,605 registered shares with no par value which corresponds to the subscribed and paid capital of Banco de Chile at December 31, 2005, including the revaluation of shareholders' equity at that date; and
- b) With the amount of \$30,984,217,291 which is paid in through the issuance of 957,781,060 shares issued without payment, with no par value, paid with the fiscal year 2005 profit which was not distributed as dividends

as agreed by the Ordinary Shareholders Meeting which was held on March 23, 2006. The new shares to be issued shall be distributed to shareholders at the rate of 0.02461 shares issued without payment for each share they hold at the corresponding date pursuant to the law.

Second Transitional Article:

The Ordinary Shareholders Meeting of the Bank shall be held by no later than March 31 of each year.

LIST OF SUBSIDIARIES
Banco de Chile

1. Banchile Administradora General de Fondos S.A.
2. Banchile Factoring S.A.
3. Banchile Corredores de Seguros Limitada
4. Banchile Corredores de Bolsa S.A.
5. Banchile Asesoría Financiera S.A.
6. Banchile Securitizadora S.A.
7. Promarket S.A.
8. Socofin S.A.
9. Banchile Trade Services Limited

With the exception of Banchile Trade Services Limited, which was incorporated in Hong Kong, all of the subsidiaries numerated above have their jurisdiction of incorporation in the Republic of Chile.

I, Pablo Granifo, certify that:

1. I have reviewed this annual report on Form 20-F of Banco de Chile;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: June 26, 2006

/s/ Pablo Granifo
Name: Pablo Granifo
Title: Chief Executive Officer

I, Arturo Tagle, certify that:

1. I have reviewed this annual report on Form 20-F of Banco de Chile;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: June 26, 2006

/s/ Arturo Tagle

Name: Arturo Tagle

Title: Chief Financial Officer

Certification
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), each of the undersigned officers of Banco de Chile (the "Company"), does hereby certify, to such officer's knowledge, that:

The Annual Report on form 20-F for the year ended December 31, 2005 (the "Form 20-F") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 20-F fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: June 26, 2006 /s/ Pablo Granifo
Pablo Granifo
Chief Executive Officer

Dated: June 26, 2006 /s/ Arturo Tagle
Arturo Tagle
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to Banco de Chile and will be retained by Banco de Chile and furnished to the Securities and Exchange Commission or its staff upon request.