

Banco de Chile

**Comments about the results for the first quarter of 2006
presented by
Arturo Tagle, Chief Financial Officer
May 11th, 2006**

Introduction

Good day to all of you and welcome to Banco de Chile's conference call on first quarter of 2006 results. We appreciate your interest to know about our recent performance.

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

If you now turn to slide number 2, the main tenets I will refer to have been outlined. In the first place, I intend to briefly go through the outcome and details of the first quarter results. I will later expand on how well our commercial efforts have prospered while focusing on the performance of those market segments and products we have raised as a priority. The last subject I intend to cover today relates to the final allocation of our 2005 net income through the dividend distribution program approved by our shareholder meeting.

Net Income

Let's now move on to our first topic. As far as net income for the quarter is concerned, and as can be seen on slide number 3, Banco de Chile's first three-month profit exceeded 45 billion pesos, involving a 15% quarter-on-quarter increase and a growth of more than 6% when compared to the equivalent year-ago period. This result adds to the upward trend we have been observing in the last years, and also confirms the Bank's quite relevant contribution to the banking system's total net profit of almost 20%, a larger share than our 17.9% participation in total net loans.

ROAE

This important bottom line result allowed us, as shown on slide number 4, to stand at the industry's forefront in terms of profitability, with a 25.1% return on average capital and reserves, quite above the 17.2% return for the remaining banks, excluding Banco de Chile. Although return on capital and reserves was slightly lower than the 26.3% that we obtained during the first quarter of 2005, it has to be taken into account that our total capital by the end of March 2006 was higher because of the 57.8 billion pesos increase in August 2005 and because the retention of 30.9 billion pesos of last year's income, as I will comment later.

All in all, for more than two years now, our bank has headed its peers in terms of return on capital. This also proved true in the scope of this year's first quarter when our Bank's return on average capital exceeded by 330 basis points that of its main competitors as a group.

1Q Results

Moving on to slide number 5, we may appreciate how the final result of these first three months was mostly the consequence of a year on year 10.7% increase in Operating Revenues, mainly driven by net interest income and gains associated to our investment portfolio. A higher interest rate environment allowed the Bank to obtain more earnings from assets funded with non interest bearing funds. Besides, as a result of a smaller increase in the monetary policy interest rate, the negative effect of assets and liabilities repricing was smaller than a year before. Those impacts were added to a favorable change in the asset mix and an almost 7% increase in average interest earning assets.

Conversely, after showing a compound annual growth rate of 16% during 2004 and 2005, fee income experienced a deceleration mainly as a consequence of a slowdown in the stock brokerage business, which had an extraordinary performance during the first part of 2005, added to a reduction in checking accounts overdraft fees, resulting from new regulations and Bank policies in place for one year now. However, it is important to remark the quite strong performances in other core sources of fee income, such as the year on year growth of 16% in credit cards fees and 9% in credit lines, together with a 16% increase in fees from mutual funds, 32% in insurance brokerage fees, as well as from the leasing business and financial advisory services to our corporate customers which, in both cases, more than doubled the performance of the respective 2005 quarter.

It is also worth mentioning that a lower net fee income was also partly consequence of the strong involvement with the sales process conducted, on a much extended level, all across the organization. In such a setting, those fees paid directly related to the effective expansion of our business volumes have sensibly experienced an increase. As such, some fees paid to the sales forces plus those related to the co-branding programs experienced a 31% year on year increment and roughly explain an amount equivalent to that of the total fee reduction.

Risk and provisions

On a different line, provisions for this year's first quarter grew by less than one billion pesos year on year, from the very low level posted 12 months ago, though quite in line with the important growth evidenced in our loan portfolio.

As can be appreciated in slide number 6, the non-consolidated ratio of net provisions to average loans of 0.3% for the period under coverage, equals that of the first quarter of 2005. It is worth mentioning however, that the dynamics of recoveries on previously charged-off loans has remained high - against more conservative predictions - though well in line with a very positive economic scenario. An unusually high copper price, increasing exports, a still low interest rate, and growing domestic consumption in response to lower unemployment rates have promoted a growing sentiment of economic confidence, establishing the foundations of this very active environment.

However, as a consequence of our portfolio rebalance strategy, focusing on lower end consumer segments and smaller companies, we could reasonably

expect this provisioning ratio to experience an increase. We can see in the slide how there is a wide gap when comparing this ratio to that of our peers and the system's. However, the quality of our portfolio and the very conservative risk management Banco de Chile has been carrying out for many years now, gives no indication at all of being close to bridging this gap.

In this context, an extraordinary low risk level has been observed for quite some time, with a 24% reduction in the amount of past due loans during the last 12 months. Thus, past due loans in the first quarter of 2006 involved only 0.8% of total loans on a non-consolidated basis. Though this is a better ratio than that of the system, it is fair to recognize that the industry as a whole seems to be in a very healthy shape as far as risk is concerned.

Operational Expenses

On its part, operating expenses for the quarter grew by 6.1 billion pesos year-on-year, as can be seen in slide number 7.

Though the expenses structure during the last couple of years has shown quite a stable base, some extraordinary effects have added to that structure, thus partly explaining the increase and, also, the higher consolidated efficiency ratio of 55.9%.

It is the case of additional administrative expenses resulting from the efforts displayed by our Bank to competently comply with the requirements imposed by the supervisors of our US offices. During the quarter under analysis, these costs account for roughly 30% of the year on year increase.

The remaining marginal effects are strongly involved with the emphasis the whole Bank has put into a comprehensive strengthening of the sales process, which I previously mentioned. To this objective, during the last quarter, more than one thousand employees have been incorporated to the Bank and its subsidiaries, and more than 60% of them have been assigned to the front end.

On the same note, additional expenses covering advertising and promotional campaigns have privileged sales growth to the retail market with a very successful outcome, as I will expand on later.

Neos Plan

One other component of the Bank's expense breakdown has been the strengthening of our distribution network. As can be seen on slide number 8, during the last 12 months, 23 new branches have been opened, 74% of them within the Banco CrediChile network, our lower-end retail arm, involving a 31% expansion of this net. Even more important has been the expansion of ATMs by a total of 233 units. For the whole of 2006, it is our goal to open 39 new branches, yet again, very oriented to emerging segments.

As we have seen, an important portion of our budget efforts stem from our awareness of the need of having stronger business platforms and structures. These should provide the required tools for capturing additional volumes under a more focused business model.

In this area, let me comment that during the first quarter of 2006, we took significant steps in our long term transformation project, called Plan Neos. In fact, since January the first portion of our loan portfolio was migrated into our new core banking system. We will be loading the remaining part of it - in separate lots - until the end of this year. At the same time, after we introduce a new platform to deal with our individual customers at the branch level as well as at our call centers, in January this year, and until next June, we started the deployment of this new platform to serve middle market and large size companies. We are very confident that Plan Neos will strengthen the Bank's competitive capacity and will continue allowing us to move toward more efficient internal procedures.

Business segments & Loan growth

Turning to slide number 9, we may appreciate the behavior of the business pillars upon which core volumes on loans and services will be built. Feeding the tube with more than twice the number of new checking accounts than those flowing in twelve months ago; more than 16 thousand new debtors adding quarterly to our quite stable client base, 82% above our year-ago performance; and increasing our credit card stock in one year by 28%, are all strong foundations for a consistent, though prudent, business enhancing.

Slide number 10, highlights some results of this bottom-up strategy. The figures show how Banco de Chile was able to excel the system's growth rate and thus gain market share in most of the credit areas where we are focusing on. In a year on year basis, consumer loans grew by more than 22%, adding 10 basis points to the Bank's consumer credit market share. Still stronger was the performance of commercial loans which increased its share by 40 basis points and foreign trade loans – the most volatile part of the loan portfolio - growing its participation by 220 basis points.

As a consequence, total loans - net of interbank facilities - grew by almost 15%, adding 20 basis points to the Bank's overall market share, all in a non-consolidated basis.

The important increase of credit volumes, not only in Banco de Chile but also at industry level, speaks of the banking penetration process which has been going on in our country, not only in the corporate market, but also in the retail markets, involving micro entrepreneurs and individuals as well.

The recognition of this scenario has led us to strengthen our business strategy, persevering in the purpose of gearing our portfolio to those segments with better risk-return ratios.

The new business model that has structured our commercial areas in two main markets - retail and wholesale –has provided a greater focus to each segment, and a more effective allocation of our sales efforts, as can be seen in slide number 11.

We have consistently expanded in those more profitable segments, as is the

case of consumer loans carried through our CrediChile network, which increased by 5.4% in the last quarter.

As expected, the behavior in the wholesale segments was different. The growth rate for both corporate sub-segments showed a deceleration during the first quarter compared to the previous periods. However, as I mentioned last time, as global activity keeps on steadily gaining pace, we were also able to open up to additional exposure in the corporate segments.

As far as the individuals and smaller companies covered through the Bank, growth rates have shown a quite stable performance. However, when considering only the evolution of consumer loans within this market, excluding mortgage loans, we find a 9.5% growth for the first quarter compared to the 2.9% shown in the slide.

Dividend program

This solid expansion has undoubtedly put some healthy pressure on our capital base. As you may recall, as a consequence of the process finalized last August, which contemplated the replacement of 2.5% of our shares to the market, our Total Capital was increased to over 12% of Risk Adjusted Assets. However, at the end of the year, it had already dropped to only 11%.

Dividend Yield

It is fair to say, however, that future additional capital requirements will not only derive from sustained business dynamism. Aiming to strengthen financial systems, new Basle II regulations, related to market and operational risks, are to be put in place in the next 10 to 15 months, involving higher capital requirements to equal business volumes. Capital increases, through periodical capital injections or through partial profit retentions, should then be considered.

It is in this context that the Board of Directors, as can be seen in slide number 12, proposed and received the approval of our Shareholder Meeting, for a combined dividend program involving a cash dividend in the equivalent of 70% of the 2005 per share net income, plus a dividend in the form of shares for the remaining 30%. This last portion was valued at the price of \$32.35 pesos per share resulting from the weighted average of the share price of 2005 last 60 days, less the per share income of the period.

Final Remarks

As per this mechanism, our shareholders obtained 1.85 pesos per share in cash, or 2.07 dollars in gross terms in the case of ADR holders, plus the equivalent of roughly 0.80 pesos in the form of Banco de Chile shares, valued at the mentioned price.

Consequently, the Combined Dividend Yield for 2006, which includes cash and shares, amounts to 7.2%, while the cash portion by itself sustains a quite solid 5% yield. The proposed formula not only allows our shareholders to keep their high dividend return, but also to increase their participation in our company and, at the same time, provide for a larger capital base to support the expected growth rates.

In terms of Total Capital ratio, the effect of this capitalization increased the ratio by roughly 35 basis points.

As far as the dividend corresponding to SM-Chile, the Bank's parent company, who is responsible for the repayment of the obligation with the Central Bank, through its subsidiary SAOS, it was fully paid in cash as per the decision of the Central Bank.

After the Central Bank's decision, the total capital increase amounted 30.98 billion pesos, a 6% increase in paid-in capital. The 958 million of new shares distributed represent a 1.4% of the Bank's total shares.

Let me finish, adding that to strengthen the Bank's capital base and to sustain future growth, we will continue combining capital with quasi-capital securities. In this line, we are planning to issue additional subordinated bonds in the very near future.

Banco de Chile

Chile's name for banking



Results for the
First Quarter of 2006



hosted by
Arturo Tagle
CFO



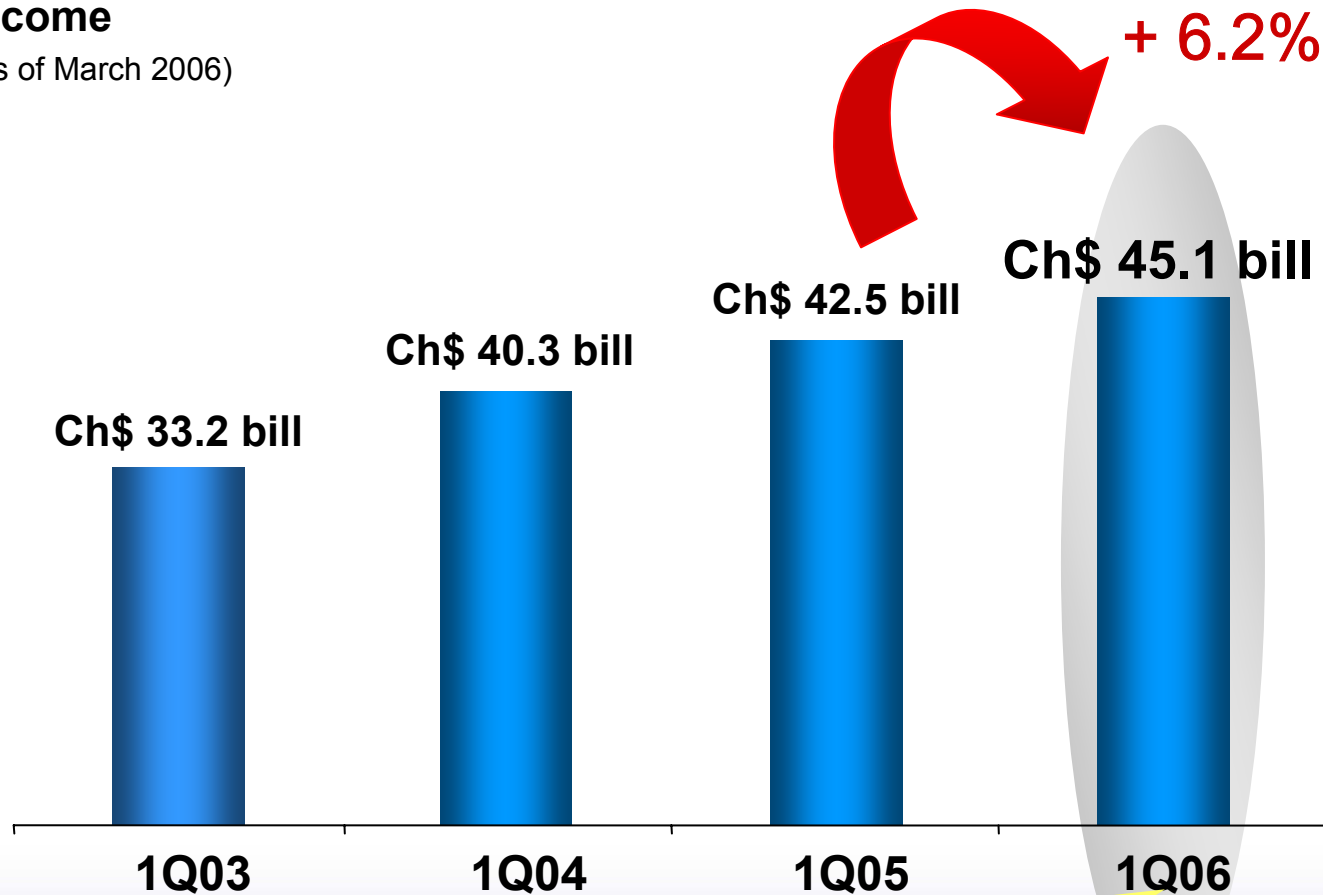
May 11, 2006

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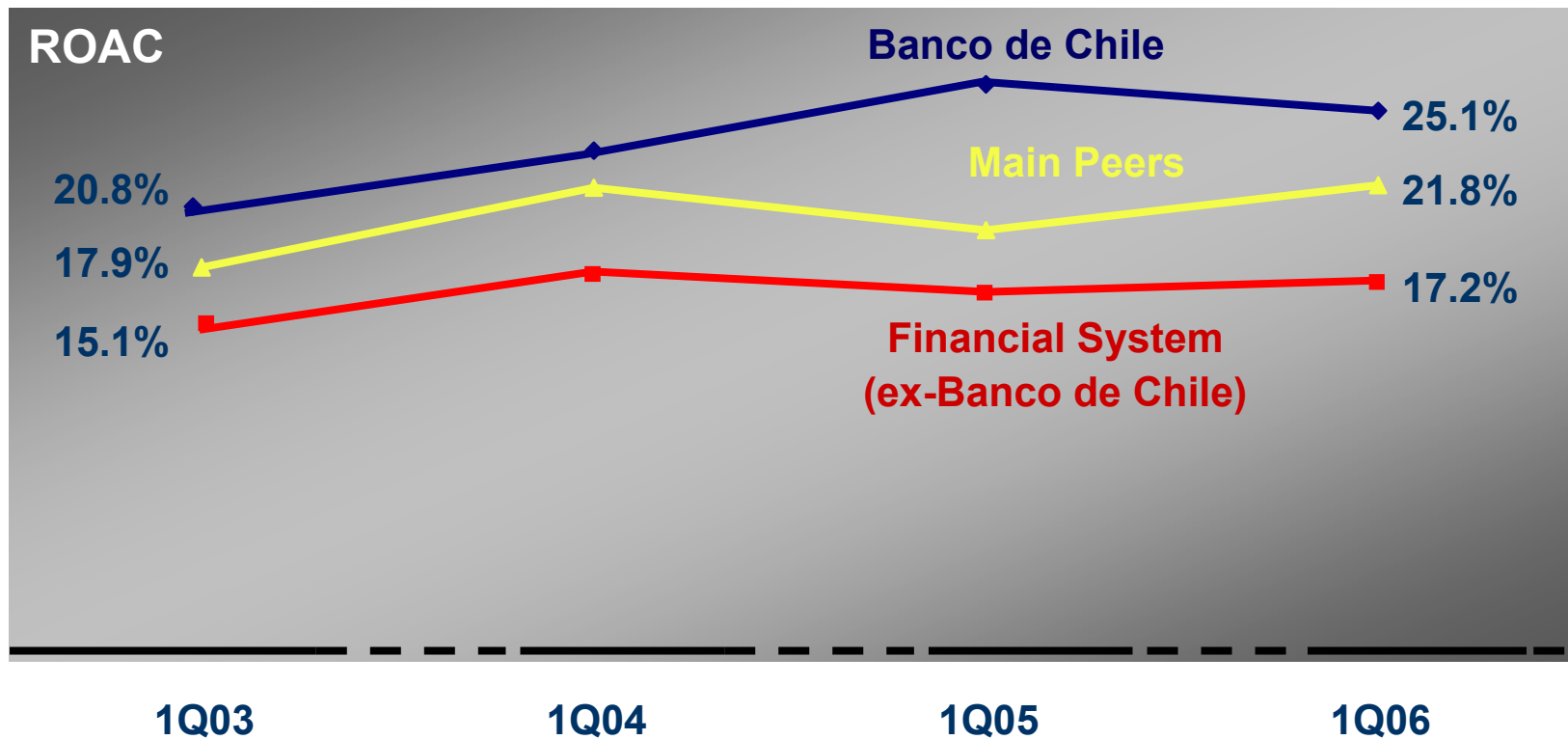
Strong Net Income trend

Net Income
(Ch\$ as of March 2006)



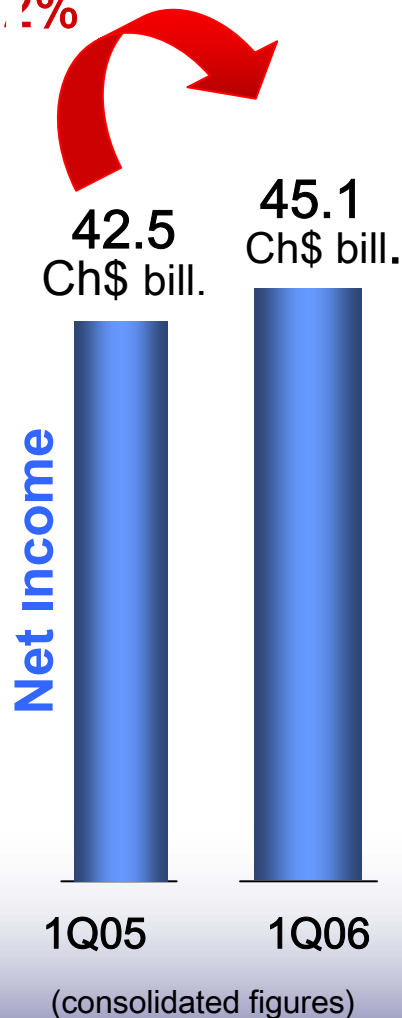
Banco de Chile contributes by 19,8% to the system's bottom line

Banco de Chile: leader among peers

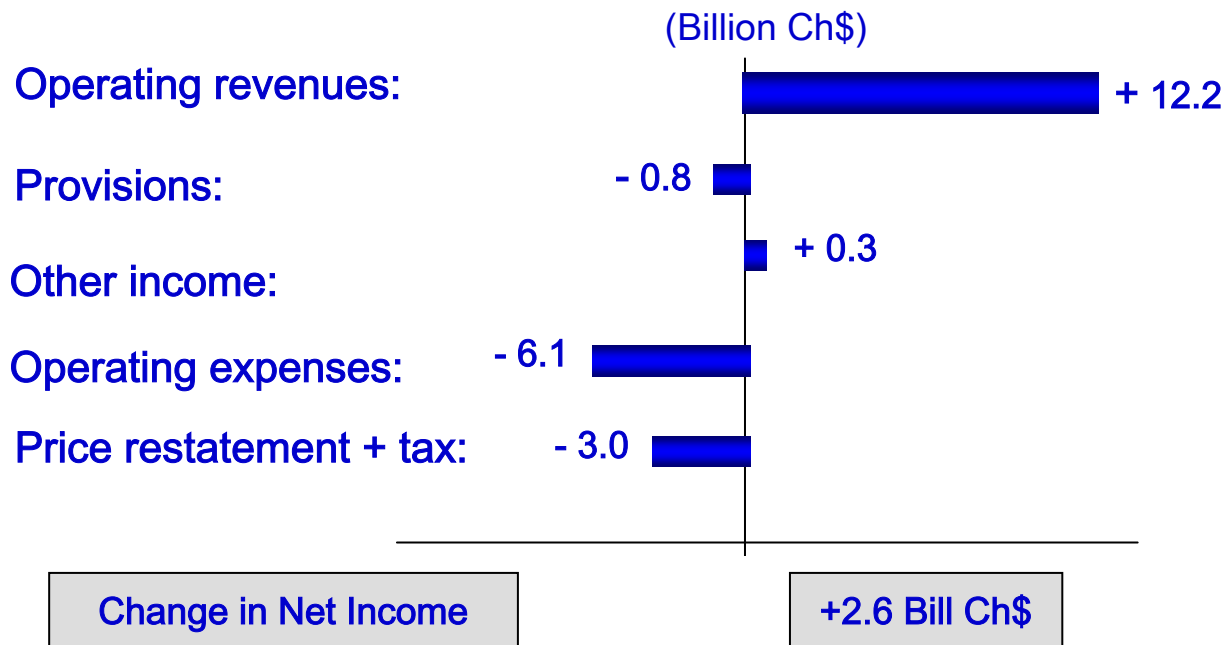


1Q06: driven by interest income and investment gains

+6.2%

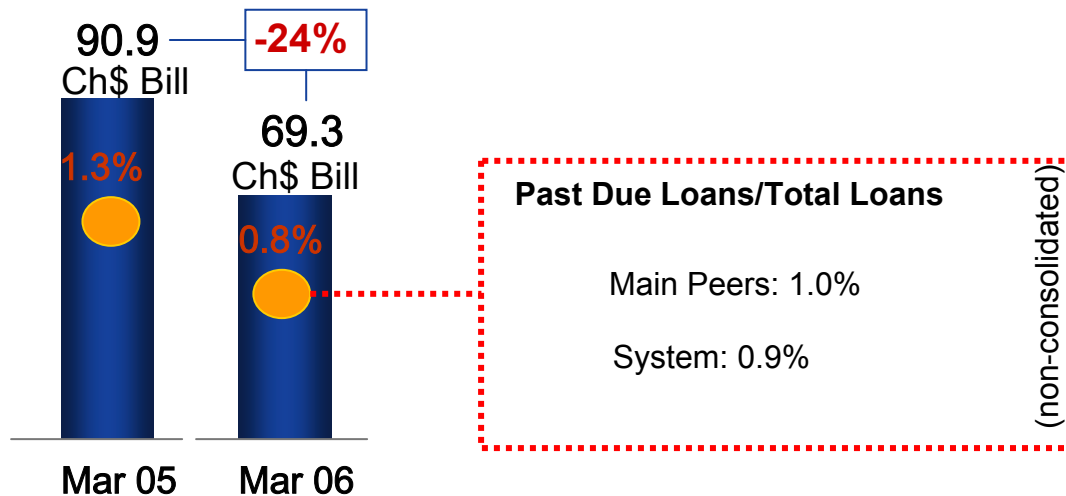


1Q06: changes over 1Q05

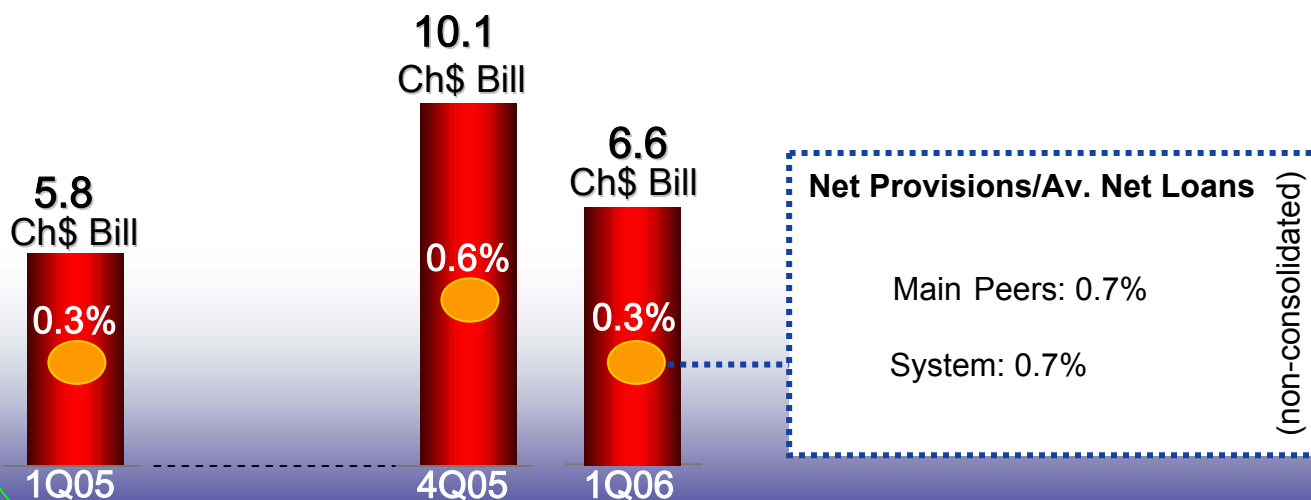


Credit quality: results of a conservative approach

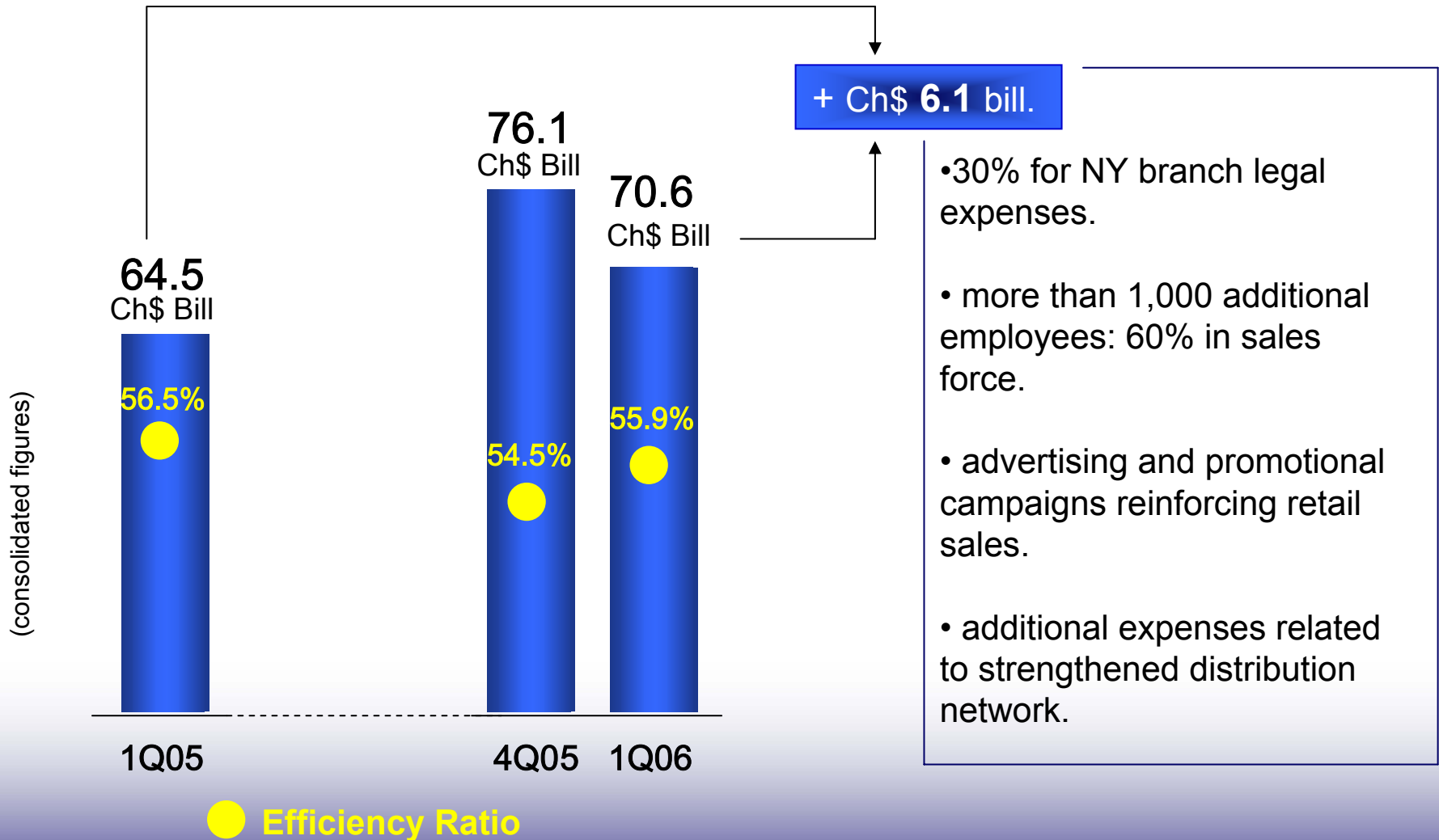
Past Due Loans



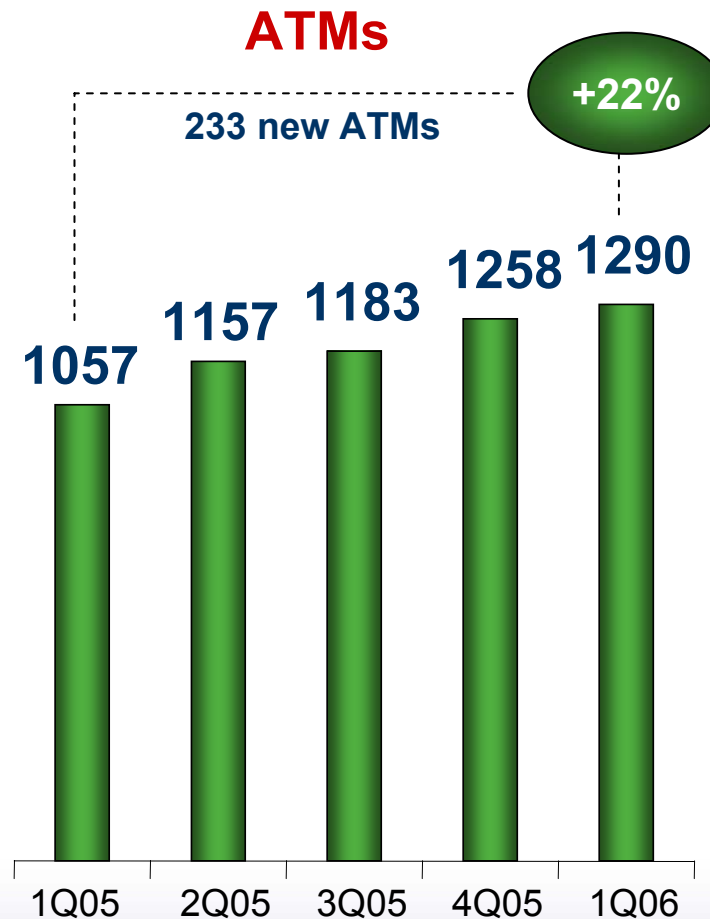
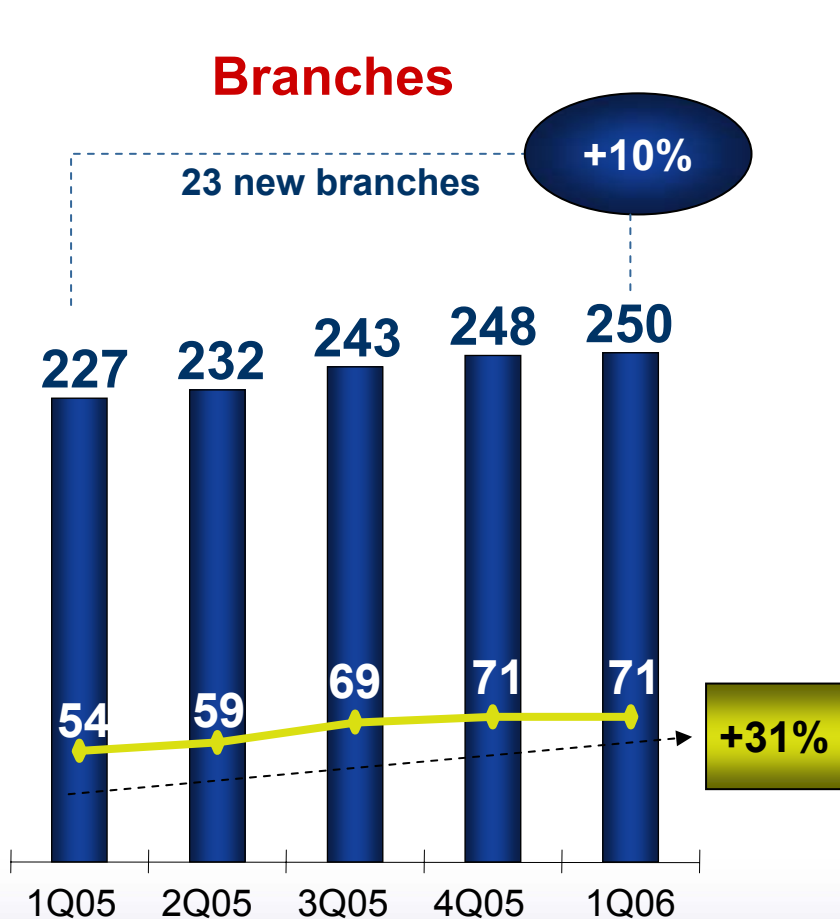
Provisions For Loan Losses



Expenses focused on increased sales



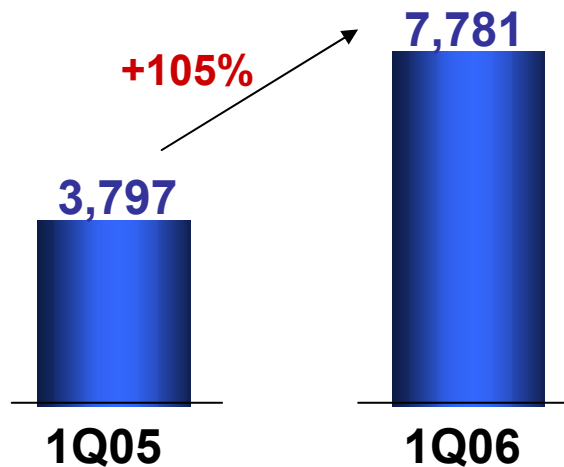
Network investment favoring retail



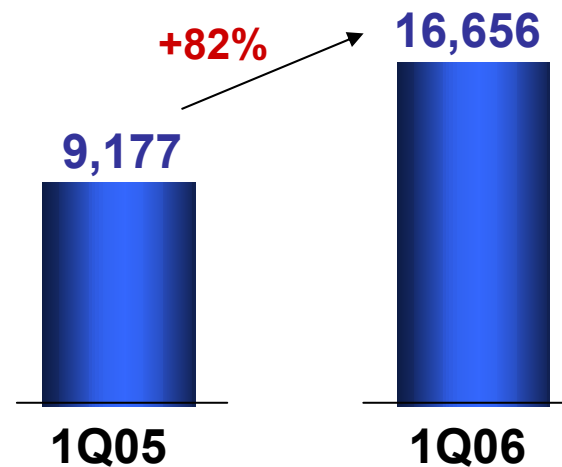
 Banco CrediChile

Strong Sales Momentum

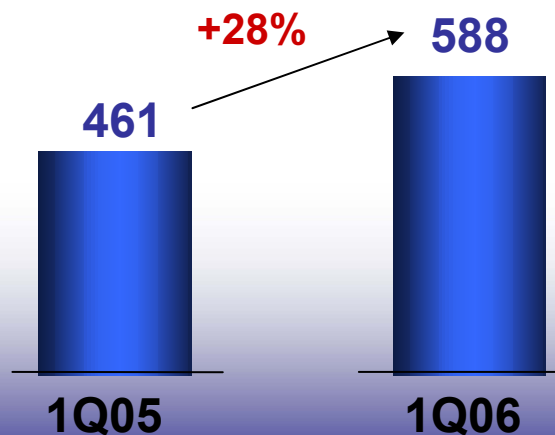
Number of New Checking Account



Number of New Debtors



Credit Cards Stock (in thousand)



Focused market share increase

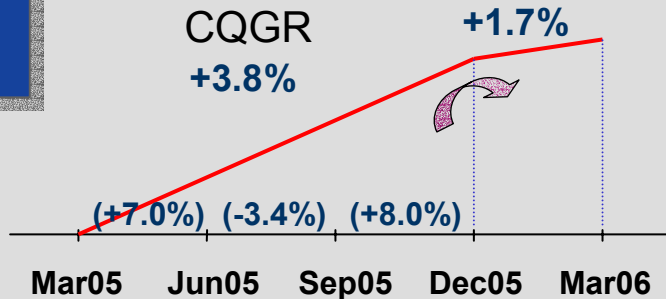
	YoY real growth (at March 2006)	Market Share (as of March 2005)	Market Share (as of March 2006)	YoY Market Share Increase
Total Loans Net of Interbank	+15.0%	17.7%	17.9%	+20 bp
Consumer	+22.1%	16.1%	16.2%	+10 bp
Commercial	+16.8%	18.4%	18.8%	+40 bp
Foreign Trade	+14.7%	16.9%	19.1%	+220 bp
Leasing	+23.6%	21.3%	21.3%	+0 bp

(non consolidated figures)

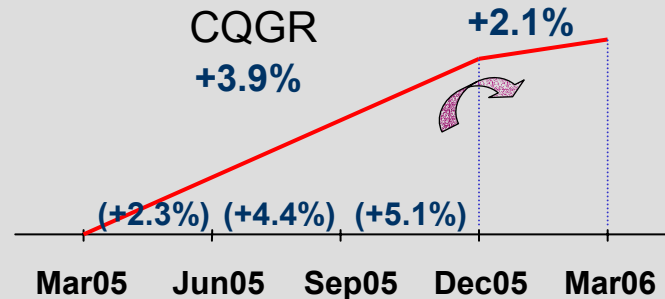
Fostering higher-yielding segments

Wholesale Segment

Large Corporations

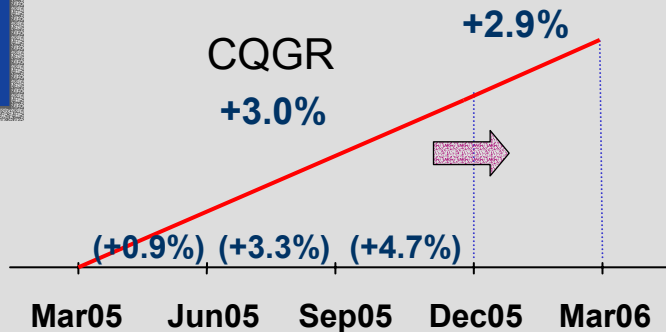


Large & MSized Companies

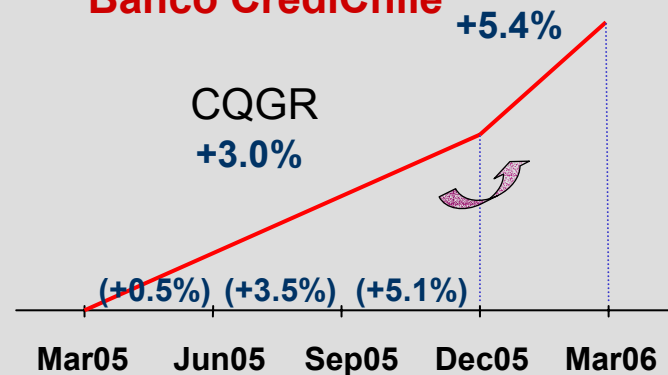


Retail Segment

Individuals & Smaller Co.



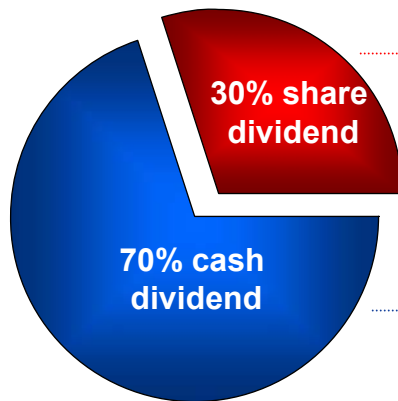
Banco CrediChile



A high-yielding dividend program

100% of 2005 total net income:
Ch\$ 180,724 Mill to be allocated

57.17% to regular shareholders (CH\$ 103,320 Million)



- Amount: Ch\$ 30,984 million
- Priced at: Ch\$ 32.35 per share
- Share distribution rate: 0.02461 per share
- Cash equivalent per share: Ch\$ 0.7961
- Total number of shares to be issued:
957,781,060 shares, fully paid-in

- Amount: Ch\$ 72,336 million
- Dividend per share: Ch\$ 1.8582

Total equivalent
per share: Ch\$ 2.65

42.83%: Cash dividend to SAOS (CH\$ 77,404 Million)

FORWARD-LOOKING INFORMATION

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

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

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

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

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