

Banco de Chile

Comments about the results for the second quarter of 2006
presented by
Arturo Tagle, Chief Financial Officer
August 9th, 2006

Introduction

Good day to all of you and thanks for participating in today's call. We appreciate your time and interest in the discussion of our recent results. As the operator has already mentioned, a slide presentation, that may allow you to more easily follow some of my comments, can be viewed at our web page, bancochile.cl.

If you now turn to slide number 2 of the presentation, you will find the main ideas I would like to emphasize regarding our performance and future plans. In the first place, I intend to briefly go through the outcome and details of Banco de Chile second quarter results focusing on the main drivers for achieving excellent profitability. I will later expand on the very satisfactory results of our sales efforts in expanding our client base as well as our core products. This brings us to the last point where I will briefly elaborate on how we are balancing the market share and profitability equation on a longer term horizon.

Net Income

After the remarkable quarterly performance shown during the last years, to be fair not isolated from a quite favourable economic scenario, slide number 3 pictures how this 2006 second quarter result once again proved to set a record as the largest bottom line ever achieved by Banco de Chile. With a 2% increase over the year ago previous record net income, and a quarter on quarter 20.7% growth, this results involves a compound annual growth rate of 13.5% for the last three years. The 55.3 billion Chilean pesos earned by the Bank contributed by more than 24% to the system's total profit, thus again exceeding our share in total loans. To this final result, the net profits of the subsidiaries, the foreign branches and the bank itself have come together. Bearing this in mind, the bottom line figure seems even more interesting as the Core Bank's net income has grown at an even faster pace, as can be seen in slide number 4. With a 12-month increase of more than 12%, the final result coming from the Bank's core business, excluding subsidiaries and foreign branches, accumulates a yearly compound growth rate of 24% for the last three years. This speaks well of the consistency of our policies regarding credit quality, asset mix, expense control and funding optimizing.

Though subject to more volatility, mostly coming from our stock broker subsidiary, the net income obtained by our group of subsidiary companies has also fared well contributing, during the past quarter, with some 8% to the global net income line. Conversely, and as has been the case during some of the past quarters, our US branches showed a negative result driven by additional compliance and operational costs which I will further comment going forward.

ROAC

Consistent with the overall very positive bottom line results, and as shown in slide number 5, Banco de Chile has been able to maintain its leading position in terms of profitability. Posting, for the first half of 2006, a 29.8% annual return on average capital, our bank stands as the most profitable bank among its peers, not only as an average but also individually, and well above the rest of the system's 17% average return for the first six months.

Let me now briefly go through the most relevant figures regarding the composition of this second quarter net income as compared to the first three-month period.

Income Structure

On slide number 6 we can see how net financial income accounts for more than 80% of Operating Revenues. Following the new accounting standards concerning the valuation of securities portfolio and derivative instruments, in place since June, and amply described in our press release, we have now calculated net financial income by adding, to the net interest profit, the results from foreign exchange transactions – as we already did previous to the accounting changes – and also, and this is something new enabled by the modified accounting procedures, the results from derivative instruments. In this way, net financial income better reflects all revenues and expenses associated to the asset-liability structure.

As far as the effective impact of the accounting change, in Banco de Chile's case it was quite reduced, and involved a minor positive effect in results of 230 million pesos, accounted for in the line of gains from derivative instruments and gains in financial instruments, plus an increase in capital and reserves of 960 million pesos.

2Q Results

Slide number 7 points out the main positive and counter effects over the same quarterly comparison.

Net income for the quarter exceeded the previous one by 9.5 billion pesos. Higher net financial income was the dominant driver with more than 23 billion pesos above that of the previous period. The strong inflation rate growth of more than 160 basis points experienced during the quarter, together with an increase of almost 3% in average interest

earning assets led to an important boost of 82 basis points in our net financial margin.

As regards to liabilities, a 3.5% increase in non-interest bearing liabilities was experienced, added to a 3.8% growth in interest bearing liabilities mostly responding to the 200 million dollar issue of subordinated notes used to prepay, in better conditions, other foreign borrowings. Additionally, time deposits have been showing interesting increases proving that under better interest rate conditions, part of the savings flow back to banks switching from foreign and local mutual funds, while the inclination towards savings is fostered.

As a whole, total operating revenues showed an increase of more than 16 billion pesos, resulting from a negative change of 7 billion pesos in trading and securities valuation results which partially compensated the large increase in net financial income already discussed, and the minor increase in fees which remained mostly flat.

The “other income” line added 5.3 billion pesos to the comparable bottom line mainly consequence of a non-recurring tax release and higher income from the sale of assets received as payment, while provision expenses showed no major changes though I will expand on credit quality later on.

Operational Expenses

With a negative change of 3.6 billion pesos compared to the previous quarter, regular operating expenses have stood in line with our budget as can be seen in slide number 8.

Looking at the first six months, the respective 7.6% growth in operating expenses, as compared to the first half of 2005, can be explained by a 4.7% increase coming from the core Bank, a 2.5% increase of our subsidiaries' expenses and a relevant 59.7% growth of those expenses derived from our US branches, which alone represent an additional amount of 4.7 billion pesos.

This last sum is based in enhanced advisory and personnel expenses following the Bank's commitment to fully satisfy the compliance requirements established by US regulations.

On its part, expenses coming from the core Bank, are mostly devoted to foster sales and to the incorporation of new clients. World class tools in client base management and customer search, have been implemented as well as additional investments in our distribution network. Marketing efforts oriented to promoting consumer segment sales and housing mortgages have also involved additional costs which, in view of the last market figures that will be revised further on, also seem to be paying in.

Network Expansion

Turning to slide number 9, you may observe the important effort been made in empowering our distribution network, where those locations focused in the retail markets have been privileged. With an increase of 30 new locations in the last twelve months, 70% of them respond to the lower end consumer market and other retail points of sales. During the recently closed second quarter, 11 new points have been inaugurated.

Equally significant has been the 15% enlargement of our ATM network with 175 new machines along the last 12 month period.

Customer Base Increase

The results of our strong sales focus based on servicing our clients, providing timely responses and enhancing our customer base, can be appreciated in slide number 10. Strong incentives have been placed promoting a three step growth strategy involving, firstly, the acquisition of new clients, secondly, the increase in the usage of products and services by our current customers and, on a very relevant note, the prevention of client desertion.

The chart shows how an important change of scale in product and client incorporation has been verified. From a figure of less than 10 thousand new debtors incorporated during the second quarter of 2005, twelve months later, the number of net new debtors leaped to more than 16 thousand, a 69% increase. Similarly important has been the increase in new checking accounts whose quarterly net flow has grown by 78% year on year, involving more than 12 thousand net new accounts per quarter. We have previously mentioned the importance given to credit cards in our retail business. This product has grown by 35% along one year, now involving a stock of more than 660 thousand plastics.

Part of this success can be credited to the day by day improvement of our technology platform and systems, along with the implementation process of our Neos Project. In this line, I am very satisfied with the final implementation, recently completed in early July, of a comprehensive front-end platform, equally endowed for all of Banco de Chile account officers, throughout all of our branches and covering every market segment. This is indeed a relevant achievement as, for the first time, we now count on equivalent resources to service all of our clients, not only in the remote call centres and telemarketing platforms, but also in our physical points of sales. This upscale tool can manage and elaborate on cross-selling and up-selling, as well as manage commercial campaigns, among other functionalities.

Business Segments & Loan Growth

Let us now address the Bank's performance regarding its loan portfolio. Please turn to slide number 11.

Consistent with our goal of expanding our business in those more profitable segments, as the previously addressed tenets have already shown, and though we can observe a consistent growth in all market segments as a response to being a global bank and taking advantage of all business opportunities, a stronger focus was set as regards to the retail market. With an overall yearly growth of more than 14% in this higher yielding market segment, it compares favourably to the 12% increase observed in the wholesale market. Moreover, the lower end consumer segment, involving higher net profitability, has shown a still larger increase of more than 15%. Similarly, in the wholesale market, the better yielding sub segment of middle market companies has grown the most, showing a 16.3% increase.

Gaining Market Share

In slide number 12, the results of our commercial strategy during the second three month period is shown, both in overall terms and also in some specific loan products which the Bank has been fostering for some time now. In spite of the stringent competitive environment we have increased our market share in total loans with an interesting 18 basis point growth in the month of June. Similarly, commercial loans have posted a market share increase of 21 and 13 basis points in May and June, respectively, while our efforts and campaigns towards housing mortgages gave an initial 7 basis points hike to our mortgage market share during the month of June. It is interesting to note that we excelled the quarterly performance of many of our important competitors during the analyzed period.

It now seems relevant to emphasize how this important change in asset mix, favouring higher yielding segments, has been achieved without jeopardizing asset quality.

Asset Quality

Moreover, and as we can see in slide number 13, Banco de Chile's conservative approach shows in the 22% reduction in past due loans in a yearly period. As a consequence, past due loans, as of last June, amounted to only 0.75 % of the Bank's total loans and represented only 16.4% of the system's past due portfolio.

Additionally, as can be seen in slide number 14, the Bank's results have also benefited from this conservative credit strategy as the required provision expense verified during the last periods, and particularly during the last six months, has shown the lowest levels among its peers, with a 0.3% of total net loans. However, this low provision requirement only responds to a healthy portfolio and to the adequate stock of provisions that the Bank has accumulated due to our conservative approach. As

can be seen in the chart, allowances stand to 1.6% of net loans, while covering 2.1 times our past due portfolio, both figures above those of our peers and of the system as an average.

Market Share
vs.
Profitability

To finish up, let me share with you some insight on growth expectations going forward. Within the global commercial equation, not only credit quality has to be balanced but also market share and profitability. We have seen that the asset quality component has been successfully protected and we aim to keep it up with a long term view which incorporates assessment on eventual changes in the overall conditions. Having said this, balancing market share and profitability is also a challenge, moreover when standing in such a competitive environment.

As shown in slide number 15, Banco de Chile's goal has been to move towards a portfolio mix that assures a growing business base and an adequate return to our capital. While persevering in our fundamentals, the Bank has been able to outperform the system and its main peers in terms of market share yield, with more than 3 billion pesos of quarterly return per each 100 basis points of market share. It is also very reassuring to confirm that the gap has widened in our favour when compared to our peers and the system as an average. We are certain that Banco de Chile will be able to keep up with these successful results.

Banco de Chile

Chile's name for banking



**Results for the
Second Quarter of 2006**



hosted by
**Arturo Tagle
CFO**



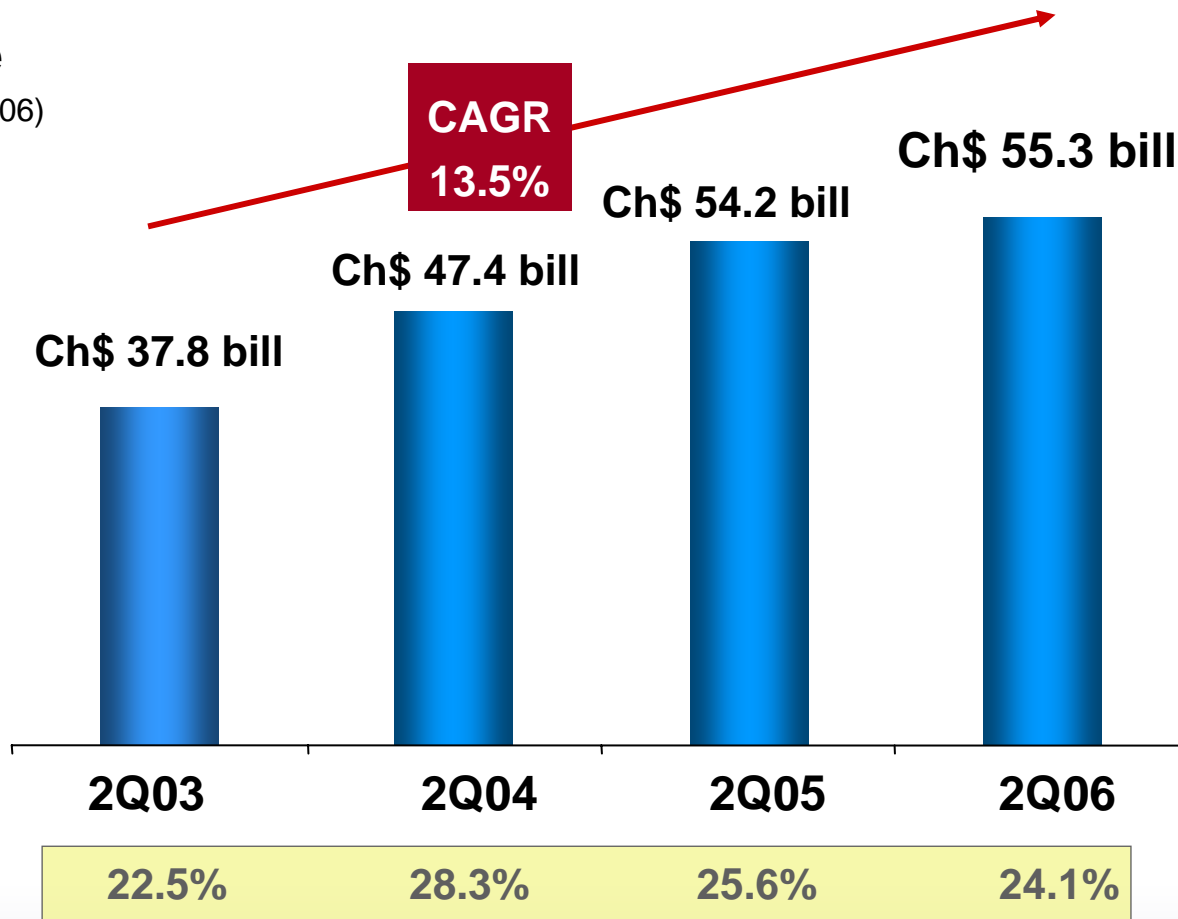
August 9, 2006

CONTENTS

- **Results for 2Q'06: recurrently excelling in profitability**
- **Fostering sales and client base expansion**
- **Positive performance in core lending maintaining outstanding asset quality**
- **The market share and profitability equation: a long term balance**

Strong net income trend

 **Net Income**
(Ch\$ as of June 2006)



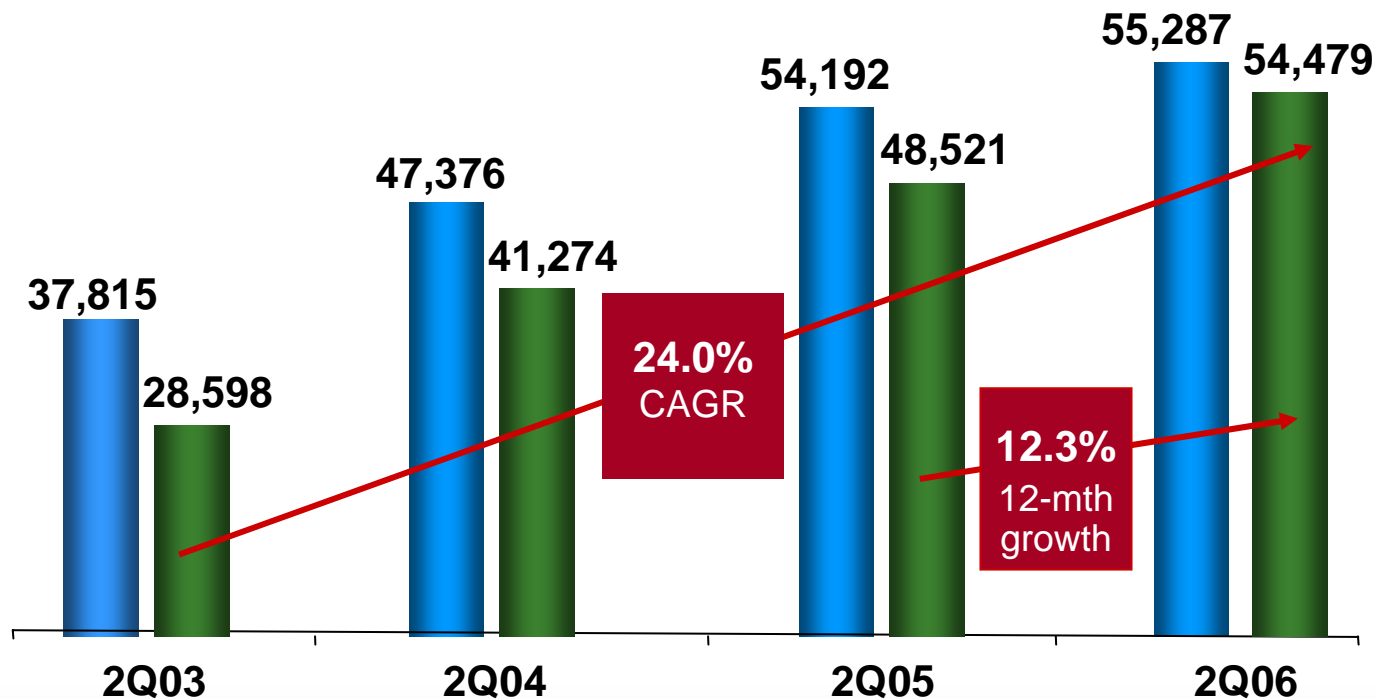
Banco de Chile's contribution
to the system's bottom line

Stronger performance in Core Bank net income

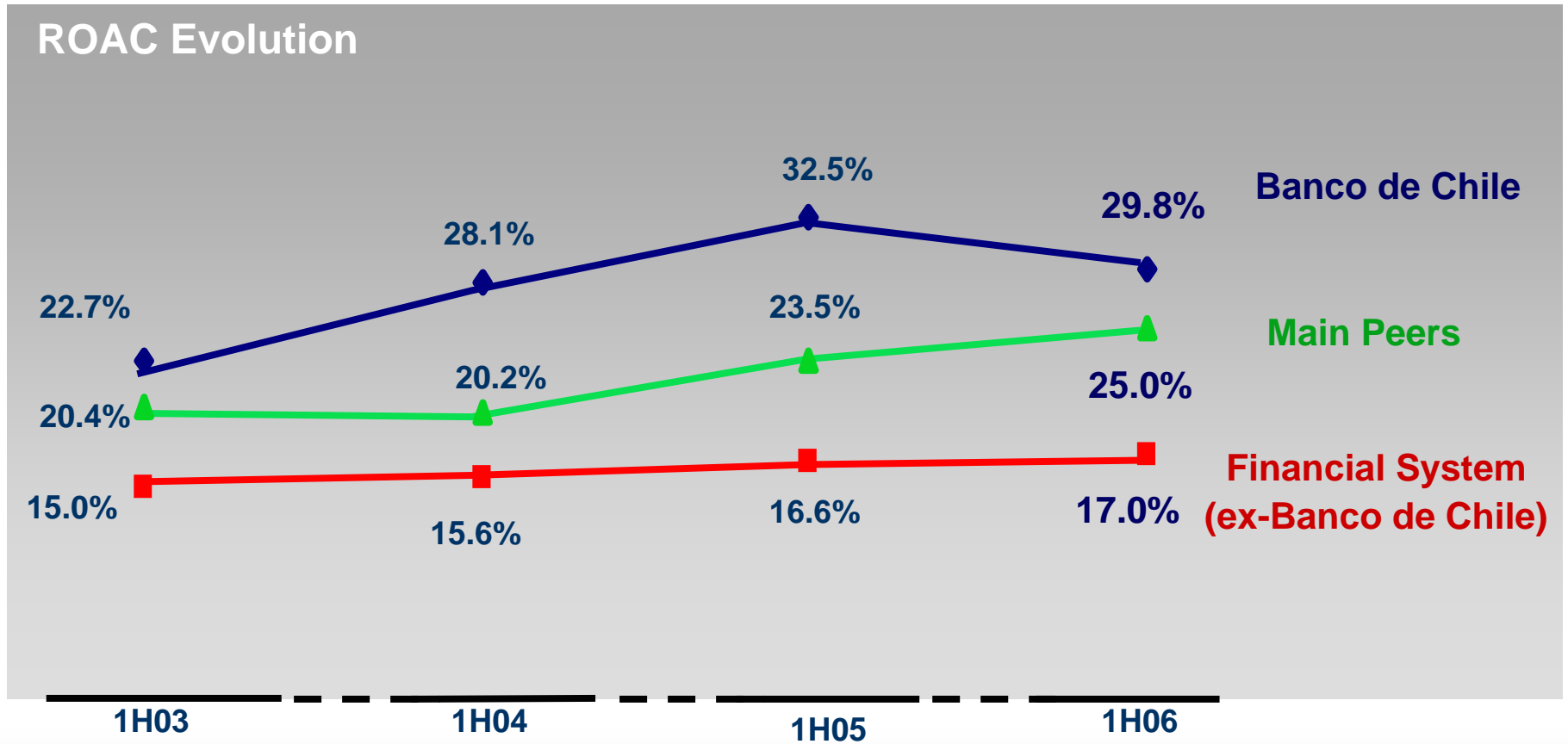
(Million Ch\$ as of June 2006)

 Total Net Income

 Net Income from Core Bank



Consistently high profitability

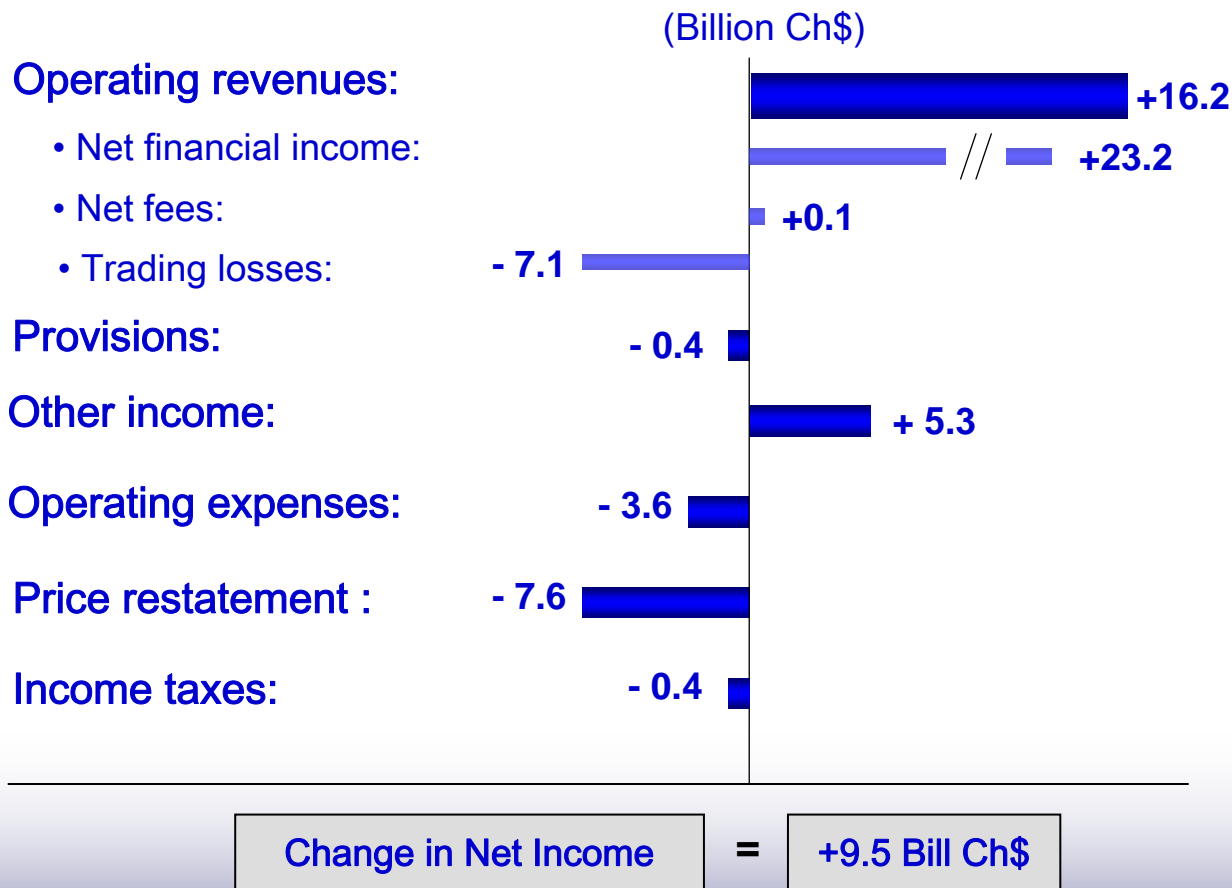
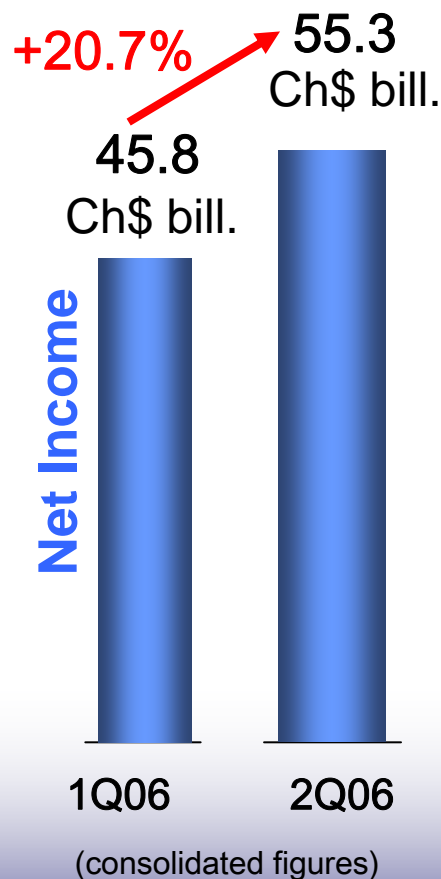


Banco de Chile, leader among peers

Income statement structure

Million Ch\$	1Q06	2Q06	% Change 2Q06/1Q06
Net financial income	93,391	116,676	24.9%
Fees and income from services	32,440	32,453	0.0%
Gains on financial instruments, net	2,354	(4,786)	-
Operating revenues	128,185	144,343	12.6%
Provision for loan losses	(6,732)	(7,086)	5.3%
Other income and expenses	(266)	5,093	-
Operating Expenses	(71,637)	(75,255)	5.1%
Loss from price-level restatement	1,691	(5,939)	-
Income taxes	(5,429)	(5,869)	8.1%
Net Income	45,812	55,287	20.7%

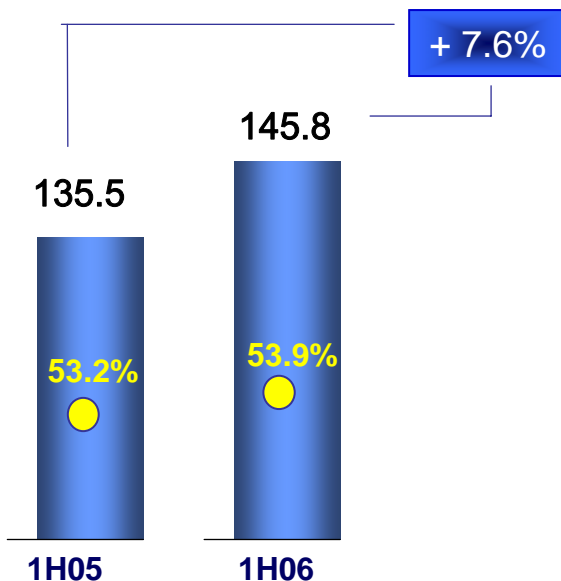
2Q06: changes over 1Q06



Budgeted expenses have fostered sales (Billion Ch\$)

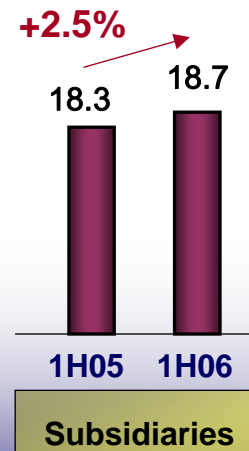
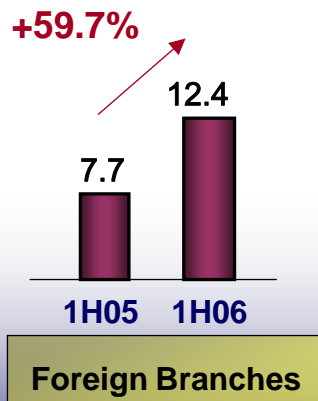
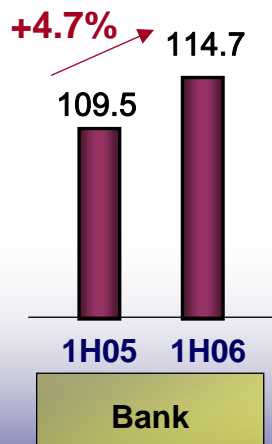
Operating Expenses

● Efficiency Ratio



- Advisory & personnel expenses in US branches.
- Technology expenses focused on enhancing client base.
- Marketing expenses fostering low end consumer and mortgages.
- Personnel & rental expenses for enlarged network.

(consolidated figures)

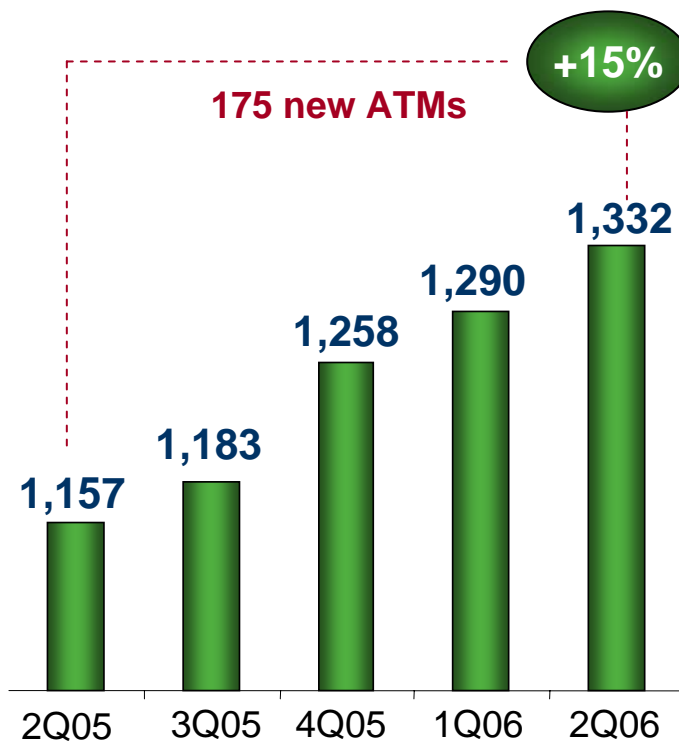


Sales locations

	Jun 05	Mar 06	Jun 06
Chile + Edwards Branches	173	179	182
CrediChile Branches + Points of Sale	59	72	80
Total	232	251	262

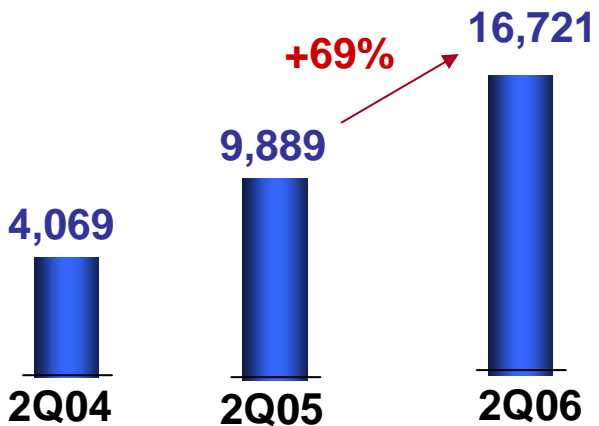
11 new locations (Mar 06 vs Jun 05)
 30 new locations (Jun 06 vs Jun 05)

ATMs

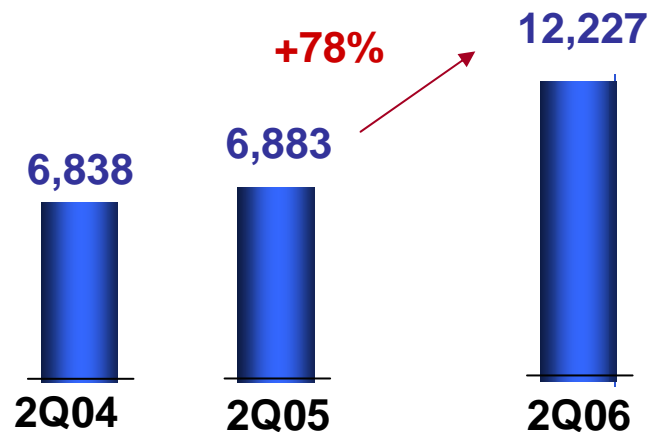


Strong sales momentum

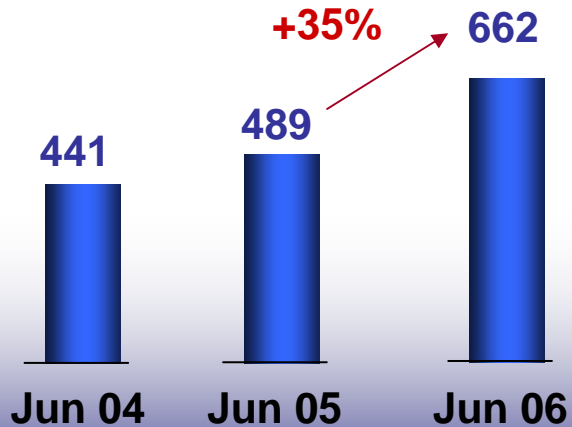
Number of New Debtors (net)



Number of New Checking Accounts (net)



Credit Card Stock (in thousand)



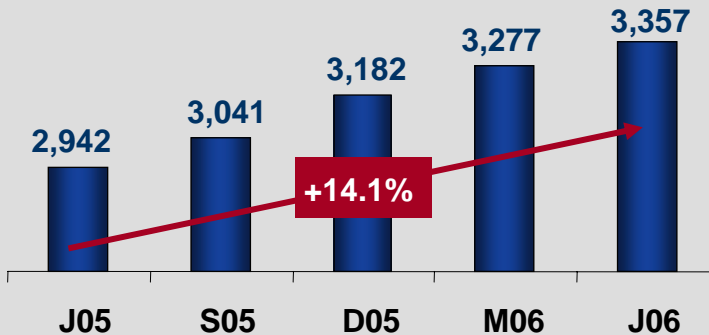
Consistent and focused loan growth

(Billion Ch\$)

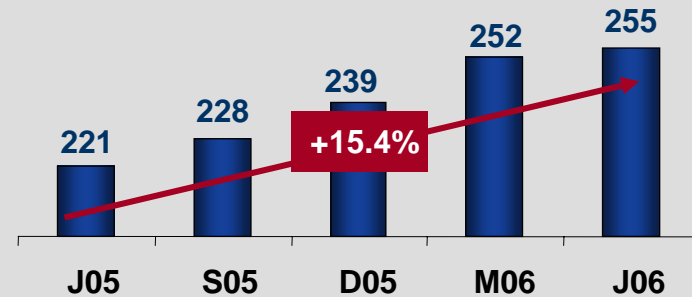
Retail Segment

+14.2% YoY

Individuals & Smaller Co.



Banco CrediChile



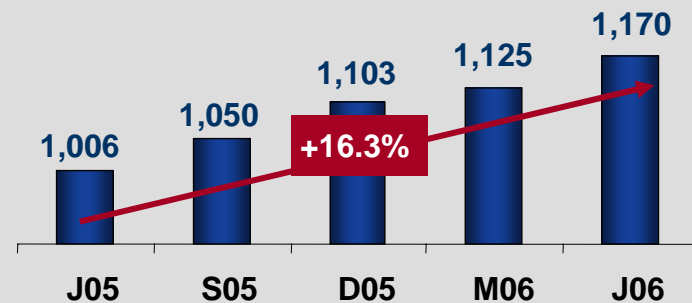
Wholesale Segment

+12.3% YoY

Large Corporations



Middle Market Companies



Market share gains resulting from consistent policy

Total Loans Net of Interbank

	2Q06	April	May	June
BCH	+3 bp	-10	-5	+18
SAN	-11 bp	+14	-16	-9
BCI	+17 bp	-2	+19	0
BBVA	-21 bp	-3	-11	-7

(Change in basis points)

**BCH Market Share
June 06
17.9%**

Commercial Loans

	2Q06	April	May	June
BCH	+12 bp	-22	+21	+13
SAN	-44 bp	+29	-30	-43
BCI	+9 bp	-5	+13	+1
BBVA	-34 bp	-3	-14	-17

(Change in basis points)

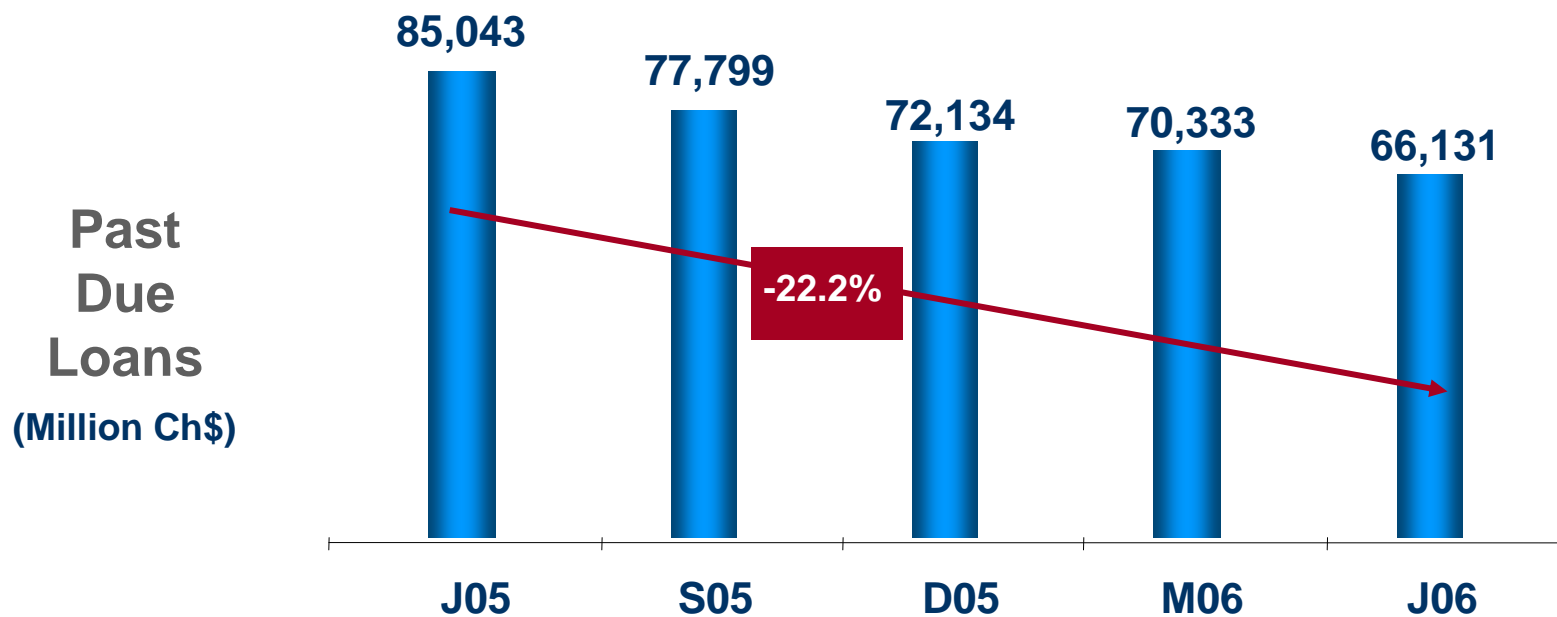
**BCH Market Share
June 06
18.9%**

Housing Mortgages

	2Q06	April	May	June
BCH	+2 bp	-1	-4	+7
SAN	+32 bp	+16	+13	+3
BCI	-13 bp	-3	-4	-6
BBVA	-12 bp	0	-6	-6

(Change in basis points)

**BCH Market Share
June 06
14.2%**



Past Due / Total Loans

1.09%

0.99%

0.87%

0.83%

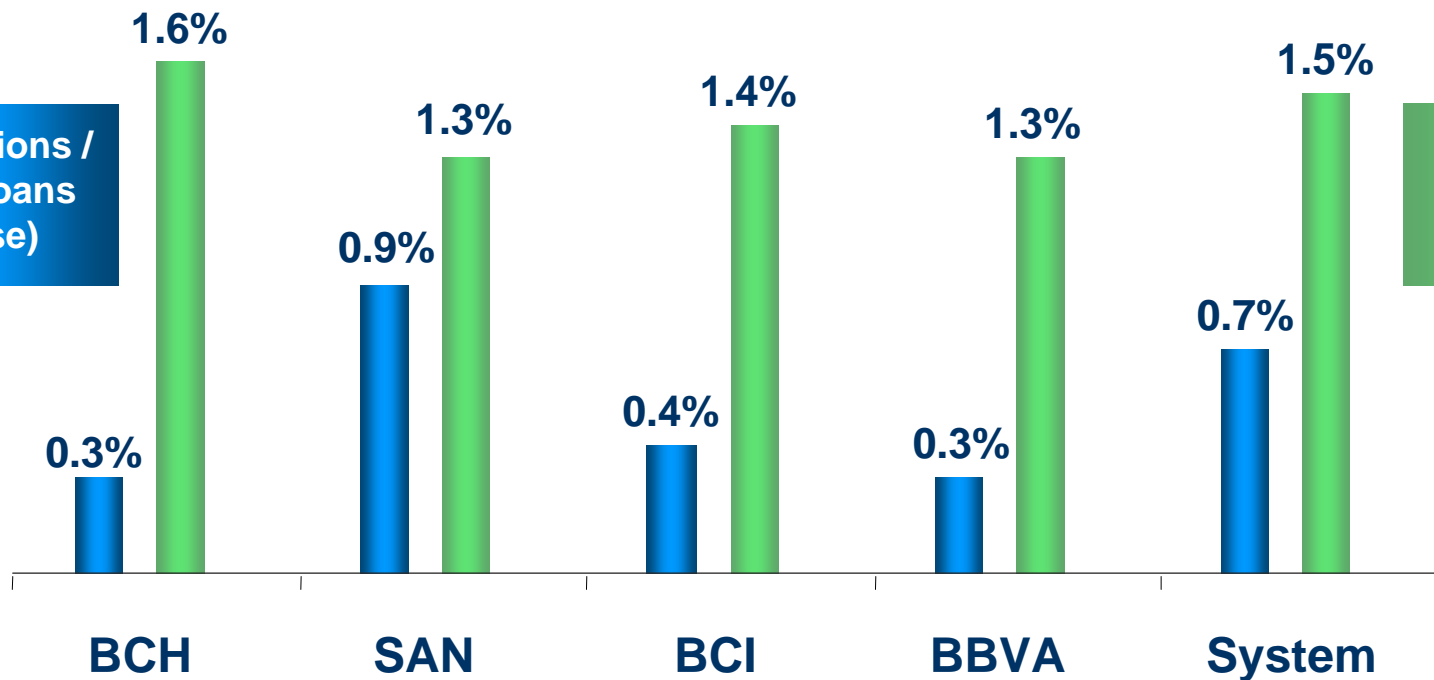
0.75%

Asset Quality: benefiting from a conservative approach

(As of June 2006)

**Net Provisions /
Av. Net Loans
(expense)**

**Allowances /
Net Loans
(stock)**



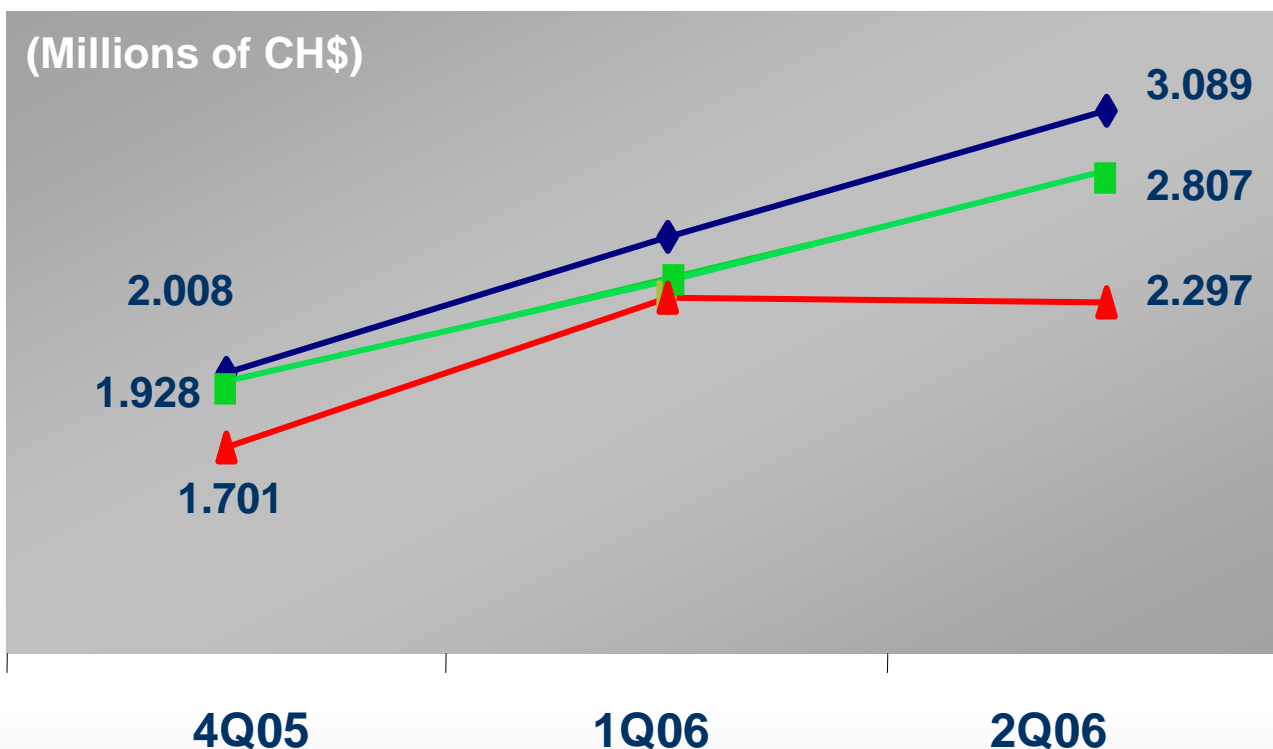
**Allowances /
Past Due
(coverage)**

211%	163%	147%	118%	185%
-------------	-------------	-------------	-------------	-------------

Balancing market share and profitability

Improved asset mix contributes to increased market share profitability

Net Income per 1% of Market Share



1H2006
Change

Banco de Chile

+ 51.3%

Main Peers
(SAN, BCI, BBVA)

+ 45.6%

System

+ 35.0%

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.

CONTACTS

- Arturo Tagle, CFO
- Jacqueline Barrio, Director of IR
- José Miguel Barros, IR Officer

ir@bancochile.cl
www.bancochile.cl