INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS

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, 2004 and 2005 consolidated financial statements have been restated for general price-level changes and expressed in constant Chilean pesos of December 31, 2006 purchasing power.

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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, 2005 and 2006 and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2006. 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, 2005 and 2006 and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2006, 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 accounting principles generally accepted in the United States of America (see Note 28 to the consolidated financial statements).

Ernst + Young

ERNST & YOUNG LIMITADA
Santiago, Chile, January 25, 2007
(except for Note 28 for which the date is June 8, 2007)

BANCO DE CHILE AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Restated for general price - level changes and expressed in millions of constant Chilean pesos as of December 31, 2006 and thousands of U.S. dollars)

		As of December 31,		
	NOTE	2005 MCh$	2006 MCh$	2006 ThUS$ (Note 1 (q))
ASSETS				
CASH AND DUE FROM BANKS	3			
Non-interest bearing		652,015	865,513	1,619,507
Interbank deposits-interest bearing		21,139	353,560	661,565
Total cash and due from banks		**673,154**	**1,219,073**	**2,281,072**
INVESTMENTS PURCHASED UNDER AGREEMENTS TO RESELL		**47,676**	**53,314**	**99,759**
FINANCIAL INVESTMENTS	4			
Trading securities		1,367,455	1,197,372	2,240,466
Available for sale		25,162	40,066	74,970
Held to maturity		15,739	16,003	29,944
Total financial investments		**1,408,356**	**1,253,441**	**2,345,380**
LOANS, NET	5			
Commercial loans		3,584,631	3,970,909	7,430,176
Consumer loans		882,291	1,072,324	2,006,482
Mortgage loans		684,424	581,218	1,087,547
Foreign trade loans		562,336	677,296	1,267,324
Interbank loans		25,537	43,019	80,495
Leasing contracts	6	464,356	539,176	1,008,880
Other outstanding loans		1,363,056	1,762,225	3,297,391
Past due loans		72,847	61,685	115,422
Contingent loans		738,770	987,314	1,847,415
Allowance for loan losses	7	(144,272)	(144,979)	(271,278)
Total loans, net		**8,233,976**	**9,550,187**	**17,869,854**
DERIVATIVE INSTRUMENTS	13	**—**	**50,501**	**94,495**
OTHER ASSETS				
Bank premises and equipment, net	8	145,441	151,677	283,811
Investments in other companies	9	7,310	7,693	14,395
Assets received in lieu of payment, net		10,669	10,799	20,207
Other	10(a)	386,461	463,601	867,467
Total other assets		**549,881**	**633,770**	**1,185,880**
TOTAL ASSETS		**10,913,043**	**12,760,286**	**23,876,440**

The accompanying notes 1 to 28 are an integral part of these consolidated financial statements

BANCO DE CHILE AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(Restated for general price - level changes and expressed in millions of constant Chilean pesos as of December 31, 2006 and thousands of U.S. dollars)

	NOTE	As of December 31, 2005 MCh$	2006 MCh$	2006 ThUS$ (Note 1 (q))
LIABILITIES AND SHAREHOLDERS' EQUITY				
DEPOSITS				
Non-interest bearing				
Current accounts		1,548,060	1,738,972	3,253,882
Bankers' drafts and other deposits		494,691	503,239	941,637
Total non-interest bearing		**2,042,751**	**2,242,211**	**4,195,519**
Interest bearing				
Savings accounts and time deposits		4,710,131	5,788,816	10,831,757
Total deposits		**6,752,882**	**8,031,027**	**15,027,276**
OTHER INTEREST BEARING LIABILITIES	11			
Central Bank credit lines for renegotiations of loans		1,436	824	1,542
Other Central Bank borrowings		—	—	—
Total Central Bank borrowings		**1,436**	**824**	**1,542**
Investments sold under agreements to repurchase		276,435	306,855	574,172
Mortgage finance bonds		568,191	477,637	893,732
Bonds		331,522	554,272	1,037,127
Subordinated bonds		311,696	405,942	759,579
Borrowings from domestic financial institutions		92,054	88,261	165,150
Foreign borrowings		675,384	591,573	1,106,923
Other obligations		34,452	26,432	49,458
Total other interest bearing liabilities		**2,291,170**	**2,451,796**	**4,587,683**
DERIVATIVE INSTRUMENTS	13	**61,277**	**69,955**	**130,897**
OTHER LIABILITIES				
Contingent liabilities	10(c)	739,109	988,359	1,849,370
Other	10(b)	277,220	384,516	719,488
Minority interest		1	2	4
Total other liabilities		**1,016,330**	**1,372,877**	**2,568,862**
SHAREHOLDERS' EQUITY	15			
Capital and reserves		606,865	639,383	1,196,383
Net Income for the year		184,519	195,248	365,339
Total Shareholders' equity		**791,384**	**834,631**	**1,561,722**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**10,913,043**	**12,760,286**	**23,876,440**

The accompanying notes 1 to 28 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, 2006 and thousands of U.S. dollars)

	NOTE	2004 MCh$	2005 MCh$	2006 MCh$	2006 ThUS$ (Note 1 (q))
		Years ended December 31,			
INTEREST REVENUE AND EXPENSE					
Interest revenue		597,371	697,784	777,654	1,455,109
Interest expense		(227,283)	(316,677)	(372,244)	(696,525)
Net interest revenue		**370,088**	**381,107**	**405,410**	**758,584**
PROVISION FOR LOAN LOSSES	7-19	**(42,073)**	**(22,491)**	**(36,228)**	**(67,788)**
FEES AND INCOME FROM SERVICES	17				
Income from fees and other services		173,701	187,678	192,447	360,098
Other services expenses		(40,453)	(47,501)	(58,906)	(110,222)
Total fees and income from services, net		**133,248**	**140,177**	**133,541**	**249,876**
OTHER OPERATING INCOME (LOSS)					
Gains from trading activities		21,452	14,511	40,741	76,233
Losses from trading activities		(46,955)	(30,731)	(8,160)	(15,269)
Foreign exchange transactions, net		19,092	24,155	(10,802)	(20,212)
Total other operating income (loss), net		**(6,411)**	**7,935**	**21,779**	**40,752**
OTHER INCOME AND EXPENSES					
Non-operating income	17	5,104	8,024	16,717	31,279
Non-operating expenses	17	(16,797)	(15,081)	(13,842)	(25,901)
Equity participation in net income (loss) in investments in other companies	9	461	696	1,031	1,929
Minority interest		(1)	—	(1)	(2)
Total other income and expenses		**(11,233)**	**(6,361)**	**3,905**	**7,305**
OPERATING EXPENSES					
Personnel salaries and expenses		(143,877)	(153,779)	(157,958)	(295,563)
Administrative and other expenses		(94,088)	(111,262)	(122,812)	(229,800)
Depreciation and amortization		(16,900)	(17,277)	(19,767)	(36,987)
Total operating expenses		**(254,865)**	**(282,318)**	**(300,537)**	**(562,350)**
NET LOSS FROM PRICE-LEVEL RESTATEMENT	1(b)	**(7,897)**	**(11,690)**	**(8,526)**	**(15,953)**
INCOME BEFORE INCOME TAXES		**180,857**	**206,359**	**219,344**	**410,426**
INCOME TAXES	21	**(19,414)**	**(21,840)**	**(24,096)**	**(45,087)**
NET INCOME		**161,443**	**184,519**	**195,248**	**365,339**

The accompanying notes 1 to 28 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, 2006 and thousands of U.S. dollars)

	Years ended December 31,			
	2004 MCh$	2005 MCh$	2006 MCh$ (Note 1 (n))	2006 ThUS$ (Note 1 (q))
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income	161,443	184,519	195,248	365,339
Items that do not represent cash flows:				
Depreciation and amortization	16,900	17,277	19,767	36,987
Provisions for loan losses	77,757	56,170	64,328	120,367
Provisions for assets received in lieu of payment	940	586	(1,990)	(3,724)
Net change in trading investments	336,319	228,071	123,054	230,253
Equity participation in net (income) loss in investments in other companies	(461)	(696)	(1,031)	(1,929)
Net gain on sales of assets received in lieu of payment	(5,807)	(5,179)	(3,739)	(6,996)
Net gain on sales of bank premises and equipment	(230)	(100)	(54)	(101)
Net loss from price-level restatement	7,897	11,690	8,526	15,953
Minority interest	1	—	1	2
Other charges not representing cash flows	9,781	10,775	28,313	52,978
Net change in interest accruals	3,460	(63,043)	25,241	47,230
NET CASH PROVIDED BY OPERATING ACTIVITIES	**608,000**	**440,070**	**457,664**	**856,359**
CASH FLOWS FROM INVESTING ACTIVITIES				
Net increase in loans	(530,481)	(943,629)	(1,057,026)	(1,977,857)
Net (increase) decrease in investments purchased under agreements to resell	3,550	(20,813)	(6,601)	(12,352)
Purchases of bank premises and equipment	(13,021)	(18,656)	(22,141)	(41,429)
Proceeds from sale of bank premises and equipment	1,423	298	116	217
Investments in other companies	(309)	(1,700)	—	—
Sale of investments in other companies	12	20	7	13
Dividends received from investments in other companies	775	572	629	1,177
Proceeds from sale of assets received in lieu of payment	17,678	15,175	9,206	17,226
Net changes in other assets and liabilities	(159,415)	(281,722)	(273,278)	(511,345)
NET CASH USSED IN INVESTING ACTIVITIES	**(679,788)**	**(1,250,455)**	**(1,349,088)**	**(2,524,350)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Net increase in current accounts	208,054	93,575	222,735	416,771
Net increase (decrease) in savings accounts and time deposits	242,178	923,483	1,158,438	2,167,614
Net increase (decrease) in bankers drafts and other deposits	35,624	(217,288)	18,772	35,125
Net increase (decrease) in investments sold under agreements to repurchase	(82,021)	(80,045)	36,159	67,659
Increase in mortgage finance bonds	141,791	521,720	50,704	94,875
Repayment of mortgage finance bonds	(337,035)	(731,684)	(118,446)	(221,631)
Proceeds from bond issues	184,390	172,841	329,500	616,545
Repayments of bond issues	(10,539)	(14,533)	(11,949)	(22,358)
Net increase (decrease) in short-tem borrowings	122,963	(378,769)	246,923	462,031
Proceeds from issuance of long-term borrowings	248,210	723,535	510,095	954,466
Repayment of long-term borrowings	(455,374)	(335,470)	(835,507)	(1,563,361)
Sale of repayment of shares	—	58,847	—	—
Repurchase of shares	(55,809)	—	—	—
Dividends paid	(138,090)	(155,828)	(149,730)	(280,168)
NET CASH PROVIDED BY FINANCING ACTIVITIES	**104,342**	**580,384**	**1,457,694**	**2,727,568**
EFFECT OF PRICE-LEVEL RESTATEMENT ON CASH AND DUE FROM BANKS	**(19,479)**	**(38,899)**	**(20,351)**	**(38,079)**
NET INCREASE (DECREASE) IN CASH AND DUE FROM BANKS	**13,075**	**(268,900)**	**545,919**	**1,021,498**
CASH AND DUE FROM BANKS AT BEGINNING OF YEAR	**928,979**	**942,054**	**673,154**	**1,259,574**
CASH AND DUE FROM BANKS AT END OF YEAR	**942,054**	**673,154**	**1,219,073**	**2,281,072**
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:				
Cash paid during the year for:				
Interest paid	252,560	290,703	356,316	666,722
Income taxes paid	34,319	32,807	35,456	66,344

The accompanying notes 1 to 28 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, 2006 and thousands of U.S. dollars)

	Number of shares Millions	Paid in share capital MCh$	Reserves MCh$	Other Accounts MCh$	Net Income MCh$	Total MCh$
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 (1)	—	—	—	—	(130,550)	(130,550)
Common stock repurchased (2)	(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, 2006		523,130	27,403	1,515	161,443	713,491
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 (3)	—	—	—	—	(152,623)	(152,623)
Placement of shares (4)	1,702.0	—	57,637	—	—	57,637
Accumulated deficit development period (5)	—	—	(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
Balance as of December 31, 2005 restated in constant Chilean pesos as of December 31, 2006		523,130	85,645	(1,910)	184,519	791,384
Balance as of January 1, 2006	68,079.8	512,370	83,884	(1,871)	180,724	775,107
Transfer to retained earnings	—	—	10	—	(10)	—
Capitalization of retained earnings (6)	957.8	30,984	—	—	(30,984)	—
Dividends paid (6)	—	—	—	—	(149,730)	(149,730)
Adjustment to fair value as result of adoption of Circular 3,345 (7)	—	—	960	—	—	960
Price-level restatement	—	11,411	1,321	—	—	12,732
Net change in unrealized gains (losses) on permanent financial investments (*)	—	—	—	(11)	—	(11)
Net adjustment for translation differences (* *)	—	—	—	325	—	325
Net Income for the year	—	—	—	—	195,248	195,248
Balance as of December 31, 2006	**69,037.6**	**554,765**	**86,175**	**(1,557)**	**195,248**	**834,631**

(1) On March 18, 2004, the Ordinary General Shareholders' Meeting agreed to distribute a dividend for a total of MCh$130,550 (in historical pesos).

(2) 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.

(3) On March 17, 2005, the Ordinary General Shareholders' Meeting agreed to distribute a dividend for a total of MCh$152,623 (in historical pesos).

(4) 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).

(5) 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.

(6) On March 23, 2006, at the Extraordinary Shareholders' Meeting of Banco de Chile, the shareholders agreed to increase the

Bank's capital, through the capitalization of 30% of total income for the year 2005. On March 28, 2006, the Central Bank of Chile communicated its decision of opting for the cash payment of all income payable to it as creditor of the subordinated debt. Consequently, the amount capitalized was MCh$30,984 (in historical pesos), through the issuance and distribution of 957.8 million shares. This implied the distribution of a dividend totaling MCh$149,730 (in historical pesos).

(7) Relates to the valuation difference generated by the application of Circular No. 3,345, for those financial instruments and derivatives in force as of December 31, 2005 (See Note 2).

(*) These balances are presented net of the deferred taxes originated from adjustments to the market value of the available for sale securities of the New York Branch.

(**) Relates to the valuation of investments in branches abroad (See Note 1 (r)).

The accompanying notes 1 to 28 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, 2006)

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, regulated by the Chilean Superintendencia de Bancos e Instituciones Financieras (the "Superintendency of Banks and Financial Institutions"). Starting in 2001, Banco de Chile is regulated by the United States Securities and Exchange Commission ("SEC"), as Banco de Chile is listed on the New York Stock Exchange ("NYSE"), through its American Depository Receipt ("ADR") program, which are also listed on the London Stock Exchange. Banco de Chile's shares are also listed on the Latin American 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, 2005 and 2006 are as follows:

Subsidiary	Interest Owned %					
	2005			2006		
	Direct	Indirect	Total	Direct	Indirect	Total
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.	99.96	—	99.96	99.96	—	99.96
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, 2006)

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, 2005 have been restated in Chilean pesos of general purchasing power as of December 31, 2006 ("constant pesos"), to reflect changes in the CPI from the financial statement dates to December 31, 2006. 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, 2006, as follows:

Year	Change in Index
2004	3.6%
2005	2.1%

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:

Year	Index (*)	Change in Index
2004	117.28	2.5
2005	121.53	3.6
2006	124.11	2.1

* 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, 2006)

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, 2006.

	Year ended December 31,		
	2004 MCh$	2005 MCh$	2006 MCh$
Shareholders' equity	(12,679)	(18,712)	(12,732)
Bank premises and equipment	3,194	4,771	2,941
Investment in other companies	63	220	140
Other, net	1,525	2,031	1,125
Net loss from price-level restatement	**(7,897)**	**(11,690)**	**(8,526)**

(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$
2004	17,317.05
2005	17,974.81
2006	18,336.38

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 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, 2006)

1. Summary of Significant Accounting Policies (continued)

(d) Interest revenue and expense recognition (continued)

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.

(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.

Financial derivative contracts, which include foreign currency and U.F. forwards, interest rate forwards, currency and interest rate swaps, currency and interest rate options and other financial derivative instruments, are recorded in the balance sheet at cost (including transaction costs) at inception and subsequently measured at their fair value. The fair value is obtained from market quotes, discounted cash flows models and options valuation models, as and where applicable. Derivative contracts are reported as an asset when their fair value is positive and as a liability when negative under the line item "Derivative instruments".

Certain derivatives embedded in other financial instruments are treated as separate derivatives when their risk and characteristics are not closely related to those of the main contract and this contract is not recorded at its fair value with its unrealized gains and losses included in income.

At inception, a derivative contract must be designated by the Bank as a derivative instrument for investing or hedging purpose.

Changes in the fair value of derivative contracts maintained for investing purpose are included under "Gains from trading activities" or "Losses from trading activities", as and when applicable, in the Consolidated Statement of Income.

Should a derivative instrument be classified as a hedge, it can be: (1) a hedge of the fair value of existing assets or liabilities or firm commitments, or (2) a hedge of cash flows related to existing assets or liabilities or forecasted transactions. A hedge relationship for hedge accounting purpose must comply with all of the following conditions: (a) at the inception, the hedge relationship has been formally documented; (b) it is expected that the hedge would be highly effective; (c) the effectiveness of the hedge can be measured in a reasonable manner; and (d) the hedge is highly effective with respect to the hedged risk on an ongoing basis and throughout the entire hedge relationship.

Certain derivatives transactions which do not qualify for hedge accounting are treated and reported as derivatives for investing purposes even though they provide an effective hedge on the risk of net positions.

When a derivative instrument hedges the risk of changes in the fair value of an existing asset or liability, the hedged asset or liability is recorded at its fair value with respect to the specific hedged risk. Gains or losses from fair value adjustments, both the hedged item and the derivative instrument, are recognized in 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, 2006)

1. Summary of Significant Accounting Policies (continued)

(e) Foreign currency and derivative activities (continued)

Should the hedged item in a fair value hedge be a firm commitment, changes in the fair value of the commitment with respect to the hedged risk are recorded as an asset or liability against net income for the year. Gains or losses from fair value adjustments of the hedging derivative are recorded in income. When an asset or liability is acquired as a result of the commitment, the initial recognition of the asset or liability acquired is adjusted to incorporate the accumulated effect of the valuation at fair value of the firm commitment which was previously recorded in the balance sheet.

When a derivative hedges the risk of changes in the cash flows of existing assets or liabilities or forecasted transactions, the effective portion of changes in the fair value related to the hedged risk is recorded in equity net of taxes. Any ineffective portion is directly recorded in income. The accumulated amounts recorded in equity are transferred to income at the moment that the hedge item affects income.

When a interest rate fair value hedge is performed on a portfolio basis and the hedged item is an amount instead of individualized assets or liabilities, gains or losses from fair value adjustments, both the hedged portfolio and the derivative instrument, are recorded in income but the fair value adjustment of the hedged portfolio is reported in the balance sheet under “Other assets” or “Other liabilities”, according to the position of the portfolio hedged at a moment in time.

Until December 31, 2005, forward contracts were recorded at the exchange rate in force at the close of each month and, in accordance with the standards issued by the Chilean Superintendency of Banks and Financial Institutions, initial differences generated by this type of operations were recognized as deferred assets or liabilities and amortized over the term of the related contract. All other derivative instruments were reported at their market value.

(f) Financial investments

- Trading securities:

  Trading securities are securities acquired having the intention of generating profits as result of short-term prices fluctuation or as result of brokerage activities, or are part of a portfolio on which a short-term profit generating pattern exists.

  Trading securities are stated at their fair market value as of the balance sheet date. Gains or losses from their fair market value adjustments, as well as gains or losses from trading activities, are included in “Gains (losses) from trading activities” in the Consolidated Statement of Income. Accrued interest and readjustments are reported as “Interest revenue”.

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, 2006)

1. Summary of Significant Accounting Policies (continued)

(f) Financial investments (continued)

All purchases and sales of trading securities that must be delivered within the period established by market regulations or conventions are recorded using the trade date, which is the date on which the purchase or sale of the asset is committed. Any other purchase or sale is treated as a derivative (forward) until liquidation occurs.

Until December 31, 2005, investment securities were classified as permanent and non-permanent. Non-permanent investments with a secondary market were adjusted at their market value in accordance with the specific instructions issued by the Chilean Superintendency of Banks and Financial Institutions. These instructions required that changes in non-permanent investments market value were recorded in income.

- Investments held to maturity and available for sale securities:

Investments held to maturity include only those securities for which the Bank has the ability and intention of keep them until maturity. The remaining investments are considered as available for sale securities.

At inception, both investments are recorded at cost, including transaction costs.

Available for sale securities are subsequently measured at their fair value based on market prices or valuation models. Unrealized gains or losses as result of fair value adjustments are recorded in equity. When an available for sale securities is disposed of or impaired, the accumulated fair value adjustment recorded in equity is transferred to income and reported under the line item “Gains from trading activities” or “Losses from trading activities” when applicable.

Investments held to maturity are recorded at their cost plus accrued interest and readjustments less impairment provisions made when the carrying amount exceeds the estimated recovery amount.

Interest and readjustments of investments held to maturity and available for sale securities are included under the line item “Interest revenue.”

Investment securities which are subject to hedge accounting are adjusted according to the rules for hedge accounting.

Purchases and sales of investment securities that must be delivered within the period established by market regulations or conventions are recorded using the trade date, that is the date on which the purchase or sale of the asset is committed. Any other purchase or sale is treated as a derivative (forward) until liquidation occurs.

Until December 31, 2005, investment securities were classified as permanent and non-permanent. Investment securities classified as permanent investments were adjusted at their market value in accordance with the specific instructions issued by the Chilean Superintendency of Banks and Financial Institutions. These instructions required that changes in permanent investments market value were recorded in the equity line item “Unrealized gains and losses on available for sale securities”.

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, 2006)

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.

Property, plant and equipment	Estimated Useful Life
Land and buildings	5-50
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, where 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$410,855 (MCh$316,999 in 2005), 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.

(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.

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, 2006)

1. Summary of Significant Accounting Policies (continued)

(k) Intangibles (continued)

As of December 31, 2006, intangible assets amount to MCh$22,636 (MCh$14,592 in 2005), corresponding to investments in software and MCh$19 (MCh$5 in 2005) 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:

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

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, 2006)

1. Summary of Significant Accounting Policies (continued)

(l) 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 (3 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 Chilean pesos as of December 31, 2006)

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.

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, 2004, 2005 and 2006 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, 2004, 2005 and 2006, the obligation has been discounted using the real interest rate of 7%, 6% 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, 2006)

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, 2006 of Ch$534.43 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

For comparative purposes, certain line items of the 2005 consolidated financial statements have been reclassified according to the new accounting standards for financial investments and derivatives. However, the valuation criteria applied in 2005 have not been changed.

The main lines items reclassified are as follows:

Consolidated Balance Sheet.

- Financial investments, based on the Bank's intention and ability to maintain those securities were reclassified in the following categories: Trading securities, Available for sale and Held to maturity.
- Financial derivatives were reclassified from "Other liabilities" to "Derivative instruments".
- Investments in mutual funds units were reclassified from "Other financial investments" to "Other assets".

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, 2006)

1. Summary of Significant Accounting Policies (continued)

(s) Reclassifications (continued)

Consolidated Statement of Income.

Gains and losses from derivative instruments have been reclassified to "Gains from trading activities, net" or "Losses from trading activities", as applicable. In prior periods, these gains or losses were reported following the instruments that generate them, in the following line items:

- "Gains from foreign exchange transactions, net" or "Losses from foreign exchange transactions, net": forward, currency futures and interest rate swaps accrued interest.
- "Other operating income": U.F. Chilean pesos forwards.
- "Gains from trading activities" or "Losses from trading activities": Fair value adjustments of interest rate swaps.

Readjustments generated by transactions linked to foreign currency, were reclassified from "Interest revenue" and "Interest expense" to "Gains from foreign exchange transactions, net" or "Losses from foreign exchange transactions, net", as applicable.

Gains or losses generated by investments in mutual funds units were reclassified from "Interest revenue" to "Other operating income."

(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

In accordance with Circular No. 3,345 issued by the Chilean Superintendency of Banks and Financial Institutions, beginning on June 30, 2006, the Bank effectively adopted the new accounting criteria for the measurement, classification and recording of trading and investment securities, derivative instruments, hedge accounting and asset derecognition.

The above mentioned Circular, required retrospective application as of December 31, 2005, recognizing the cumulative effect in equity during 2006. This resulted in a credit of MCh$960 (in historical pesos) to a "Reserves" account within equity in 2006. On other hand, for the investment securities and derivatives portfolio held during 2006, the application of this new standard generated a higher income of MCh$778, which is included in the line item "Gains from trading activities".

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$207,729 and MCh$224,534 as of December 31, 2005 and 2006, 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 Chilean pesos as of December 31, 2006)

4. Financial Investments

(a) Trading Securities:

The detail of securities classified as trading is as follows:

	As of December 31, 2005 MCh$	As of December 31, 2006 MCh$	Weighted Average Nominal Rate as of December 31,2006 %
Instruments issued by the Chilean Government and the Central Bank of Chile			
Instruments issued by the Central Bank of Chile	696,140	492,748	4.49%
Other government instruments	20,142	436	3.46
Subtotal	**716,282**	**493,184**	**4.49**
Other Financial Instruments			
Promissory notes for deposits in Chilean banks	179,577	256,633	5.30
Other foreign instruments issued	309,093	241,278	5.49
Bonds from other Chilean companies	100,268	97,712	6.83
Instruments issued by foreign Governments or Central Banks	13,112	54,749	6.76
Mortgage bonds of Chilean banks	34,425	49,938	4.57
Other instruments issued in Chile	1,187	3,878	4.41
Bonds from Chilean banks	13,511	—	—
Subtotal	**651,173**	**704,188**	**5.63**
Total	**1,367,455**	**1,197,372**	**5.16%**

Instruments issued by the Chilean Government and the Central Bank of Chile include instruments sold under agreements to repurchase to customers and financial institutions, amounting to MCh$91,901 and MCh$55,824 as of December 31, 2005 and 2006, respectively. Other Financial Instruments include instruments sold under agreements to repurchase to customers and financial instruments, amounting to MCh$157,447 and MCh$217,824 as of December 31, 2005 and 2006, respectively.

(b) Investment Securities:

The detail of instruments classified as available for sale securities and as investments held to maturity is 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 Chilean pesos as of December 31, 2006)

4. Financial Investments (continued)

(b) Investment Securities (continued):

(i) Available for sale

	As of December 31, 2005 MCh$	As of December 31, 2006 MCh$	Weighted Average Nominal Rate as of December 31, 2006 %
Other Financial Instruments:			
Instruments issued by foreign Governments or Central Banks	23,534	40,066	4.45%
Bonds from Chilean companies	1,628	—	—
Total	**25,162**	**40,066**	**4.45%**

(ii) Held to maturity

	As of December 31, 2005 MCh$	As of December 31, 2006 MCh$	Weighted Average Nominal Rate as of December 31, 2006 %
Other Financial Instruments:			
Instruments issued by foreign Governments or Central Banks	15,739	16,003	5.09%
Total	**15,739**	**16,003**	**5.09%**

As of December 31, 2005 and 2006, the portfolio of available for sale securities include a net unrealized loss of MCh$4 and MCh$9 in 2005 and 2006, respectively, recorded in equity.

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, 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.

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, 2006)

5. Loans (continued)

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 confirmed 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,	
	2005 %	2006 %
Financial services	19.22	20.53
Residential mortgage loans	17.99	17.85
Manufacturing	8.90	8.25
Commerce	9.75	10.17
Agriculture, livestock, forestry, agribusiness, fishing	5.48	4.95
Consumer loans	11.63	12.41

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

6. Leasing Contracts

Banco de Chile's scheduled cash flows to be received from leasing contracts have the following maturities as of December 31, 2006:

	As of December 31, 2006		
Maturity	Total Receivable MCh$	Unearned Income MCh$	Net lease Receivable MCh$
Due within one year	191,144	(25,667)	165,477
Due after 1 year but within 2 years	133,637	(18,542)	115,095
Due after 2 years but within 3 years	94,911	(12,880)	82,031
Due after 3 years but within 4 years	57,680	(9,124)	48,556
Due after 4 years but within 5 years	40,713	(6,669)	34,044
Due after 5 years	111,021	(17,048)	93,973
Total leasing contracts	**629,106**	**(89,930)**	**539,176**

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, 2006)

6. Leasing Contracts (continued)

Leased assets consist principally of real estate, industrial machinery, vehicle, and computer equipment. The allowance for uncollectible lease receivable was MCh$6,231 as of December 31, 2006 (MCh$5,979 as of December 31, 2005), 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:

	2004 MCh$	2005 MCh$	2006 MCh$
Balance as of January 1,	194,561	162,664	144,272
Price-level restatement (1)	(4,873)	(5,805)	(2,950)
Charge-offs	(104,781)	(68,757)	(60,671)
Provisions established	79,404	57,795	64,836
Provisions released	(1,647)	(1,625)	(508)
Balance as of December 31,	**162,664**	**144,272**	**144,979**

(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, 2006.

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

	Years ended December 31,		
	2004 MCh$	2005 MCh$	2006 MCh$
Provisions established	79,404	57,795	64,836
Provisions released	(1,647)	(1,625)	(508)
Loan loss recoveries	(35,684)	(33,679)	(28,100)
Net charges to income	**42,073**	**22,491**	**36,228**

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,	
	2005 MCh$	2006 MCh$
Land and buildings	97,619	99,148
Machinery and equipment	39,369	46,344
Furniture and fixtures	5,295	3,055
Vehicles	852	841
Others	2,306	2,289
Bank premises and equipment, net	**145,441**	**151,677**

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

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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9. Investments in other companies

As of December 31, 2004, 2005 and 2006, 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,						
	2004		2005		2006		
	Investment MCh$	Income (Loss) MCh$	Investment MCh$	Income (Loss) MCh$	Investment MCh$	Income (Loss) MCh$	Ownership Interest 2006 %
Servipag Ltda.	1,040	161	1,257	216	1,513	256	50.00
Soc. Operadora de Tarjetas de Crédito Nexus S.A.	1,127	182	1,168	186	1,219	237	25.81
Administrador Financiero de Transantiago S.A. (1)	—	—	1,297	71	1,197	(95)	20.00
Redbanc S.A.	935	146	931	142	943	153	25.42
Transbank S.A.	915	140	915	141	915	141	17.44
Bolsa de Comercio de Santiago (Stock Exchange)	590	96	597	105	628	148	4.17
Soc. Operadora Cámara Compensación de Pagos de Alto Valor S.A. (2)	292	(18)	287	(6)	345	58	11.52
Centro de Compensación Automatizado S.A. (CCA S.A.)	200	33	217	35	240	40	33.33
Sociedad Interbancaria de Depósito de Valores S.A	230	36	186	35	188	41	17.60
Artikos Chile S.A. (3)	46	(175)	120	(187)	164	43	50.00
Bolsa de Valores de Chile (Stock Exchange)	138	3	144	7	153	9	5.00
Empresa de Tarjetas Inteligentes S.A.(4)	—	(143)	—	(49)	—	—	—
Total investments in other companies accounted for under the equity method	5,513	461	7,119	696	7,505	1,031	
Other investments carried at cost	212	—	191	—	188	—	
Total investments in other companies	**5,725**	**461**	**7,310**	**696**	**7,693**	**1,031**	

(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 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.

On January 5, 2006, Banco de Chile decreased its participation to 11.52% as a result of not concurrence to a capital increase in "Sociedad Operadora Cámara Compensación de Pagos de Alto Valor S.A.".

(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.".

(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)
(Restated for general price - level changes and expressed in millions of constant Chilean pesos as of December 31, 2006)

10. Other Assets and Other Liabilities

(a) Other assets

	As of December 31,	
	2005 MCh$	2006 MCh$
Mutual funds	24,427	99,510
Amounts receivable under spot foreign exchange transaction	78,151	77,628
Credit card charges in process	68,257	63,426
Deferred income tax assets	64,264	54,488
Assets held for leasing	22,568	40,214
Payments from counterparties to be settled	52,294	36,766
Intangibles (software and licenses for trademark use)	14,597	22,655
Deferred fees	9,464	14,220
Transactions in process	6,993	8,313
Notes receivable	11,708	6,600
VAT fiscal credit	5,789	6,030
Recoverable taxes	1,831	4,916
Assets to be securitized	—	4,860
Accounts receivable for assets received in lieu of payment sold	1,332	2,309
Prepaid expenses	1,715	1,855
Additional consideration paid in the purchase of mortgage bonds	1,799	1,150
Materials and supplies	637	640
Accounts receivable for financial investments sold	2,035	—
Other	18,600	18,021
Total other assets	**386,461**	**463,601**

(b) Other liabilities

	As of December 31,	
	2005 MCh$	2006 MCh$
Accounts payable	86,523	156,151
Amounts payable under spot foreign exchange transaction	52,167	81,406
Payments to counterparties to be settled	48,989	44,604
Notes payable	19,984	25,154
Deferred tax liabilities	22,343	20,750
Accrued staff vacation expense	10,929	12,233
Transactions in process	2,122	7,882
Unearned interest on leasing transactions	6,816	6,464
Provision for staff severance indemnities and personnel expenses	6,930	6,436
VAT payable	4,324	5,931
Administration and credit card contract provision	3,818	5,500
Deferred fees	4,224	3,769
Allowance of income taxes, net	2,621	—
Legal contingencies provision	879	1,386
Other	4,551	6,850
Total other liabilities	**277,220**	**384,516**

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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, 2005			As of December 31, 2006		
	Long-term MCh$	Short-term MCh$	Total MCh$	Long-term MCh$	Short-term MCh$	Total MCh$
Central Bank Credit lines for renegotiation of loans	1,436	—	1,436	824	—	824
Mortgage finance bonds	568,191	—	568,191	477,637	—	477,637
Bonds	331,522	—	331,522	554,272	—	554,272
Subordinated bonds	311,696	—	311,696	405,942	—	405,942
Borrowings from domestic financial institutions	—	92,054	92,054	—	88,261	88,261
Foreign borrowings	661,107	14,277	675,384	319,173	272,400	591,573
Investments sold under agreements to repurchase	—	276,435	276,435	—	306,855	306,855
Other obligations	1,366	33,086	34,452	2,848	23,584	26,432
Total other interest bearing liabilities	**1,875,318**	**415,852**	**2,291,170**	**1,760,696**	**691,100**	**2,451,796**

(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 3.00%. The maturities of the outstanding amounts are as follows:

	As of December 31, 2006 MCh$
Due within 1 year	824
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)	**824**
Total short-term (Other Central Bank borrowings)	**—**
Total Central Bank borrowings	**824**

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, 2006)

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 4.56% as of December 31, 2006.

The maturities of outstanding mortgage bond amounts as of December 31, 2006 are as follows:

	As of December 31, 2006 MCh$
Due within 1 year	66,944
Due after 1 year but within 2 years	49,487
Due after 2 years but within 3 years	48,606
Due after 3 years but within 4 years	47,341
Due after 4 years but within 5 years	44,838
Due after 5 years	220,421
Total mortgage finance bonds	**477,637**

(c) Bonds

The maturities of outstanding bond amounts as of December 31, 2006 are as follows:

	As of December 31, 2006 MCh$
Due within 1 year	119,694
Due after 1 year but within 2 years	116,688
Due after 2 years but within 3 years	116,687
Due after 3 years but within 4 years	53,318
Due after 4 years but within 5 years	32,989
Due after 5 years	114,896
Total bonds	**554,272**

Bonds are linked to the UF Index and carried an average real annual interest rate of 4.06% as of December 31, 2006, 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

Our currently outstanding subordinated bonds are linked to the UF index with interest and principal payments due semi-annually. The discount on the issuance of the currently outstanding subordinated bonds is amortized over the life of the bond. As of December 31, 2006, the effective real interest rate was 6.77% 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)

The bonds are intended to finance loans having a maturity greater than one year. As of December 31, 2006 the outstanding maturities of the bonds, which are considered long-term, are as follows:

(d) Subordinated bonds (continued)

	As of December 31, 2006 MCh$
Due within 1 year	32,404
Due after 1 year but within 2 years	25,723
Due after 2 years but within 3 years	25,723
Due after 3 years but within 4 years	25,723
Due after 4 years but within 5 years	25,723
Due after 5 years	270,646
Total subordinated bonds	**405,942**

On June 15, 2006, we issued U.S.$200,000,000 of 6.25% subordinated notes due 2016. The notes pay interest semi-annually, and were issued pursuant to an exemption from registration under Regulation S and Rule 144A of the United States' Securities Act.

Subordinated bonds are considered in the calculation of "effective equity" for the purpose of determining our minimum capital requirements.

(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 4.96% and have the following outstanding maturities as of December 31, 2006.

	As of December 31, 2006 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	**88,261**
Total borrowings from domestic financial institutions	**88,261**

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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, 2006 are as follows:

	As of December 31, 2006 MCh$
Due within 1 year	306,746
Due after 1 year but within 2 years	5,393
Due after 2 years but within 3 years	7,034
Due after 3 years but within 4 years	—
Due after 4 years but within 5 years	—
Due after 5 years	—
Total long-term	**319,173**
Total short-term	**272,400**
Total foreign borrowings	**591,573**

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 5.85% as of December 31, 2006.

(g) Other obligations

	As of December 31,	
	2005 MCh$	2006 MCh$
Other long-term obligations:		
Obligations with Chilean government	1,366	2,848
Total other long-term obligations	**1,366**	**2,848**
Other short-term obligations	33,086	23,584
Total other obligations	**34,452**	**26,432**

As of December 31, 2006, other obligations had the following maturities:

	As of December 31, 2006 MCh$
Due within 1 year	184
Due after 1 year but within 2 years	376
Due after 2 years but within 3 years	531
Due after 3 years but within 4 years	546
Due after 4 years but within 5 years	379
Due after 5 years	832
Total long-term	**2,848**
Total short-term	**23,584**
Total other obligations	**26,432**

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, 2006.

	As of December 31, 2006 MCh$
Due within 1 year	7,964
Due after 1 year but within 2 years	6,499
Due after 2 years but within 3 years	4,971
Due after 3 years but within 4 years	4,071
Due after 4 years but within 5 years	2,262
Due after 5 years	5,278
Total obligations arising from lease commitments	**31,045**

The rental expense on the premises was MCh$7,489, MCh$8,529 and MCh$10,100 for the years ended December 31, 2004, 2005 and 2006, respectively, and is included in the Consolidated Statements of Income under “Administrative and other expenses”.

13. Derivative Instruments

(a) The Bank uses derivative instruments for investing and hedging purposes

	Notional amount of contract with final expiration date in						Fair value			
	Less than 3 months		Over 3 months/ Less than 1 year		Over 1 year		Assets		Liabilities	
	2005 MCh$	2006 MCh$	2005 MCh$	2006 MCh$	2005 MCh$	2006 MCh$	2005 MCh$	2006 MCh$	2005 MCh$	2006 MCh$
Derivatives held for hedging purposes										
Interest rate swaps	—	—	—	—	—	106,886	—	3,298	—	—
Total derivatives held for hedging purposes	—	—	—	—	—	106,886	—	3,298	—	—
Derivatives held for investing purposes										
Currency forwards	1,073,498	1,345,767	1,966,270	1,816,854	964,741	492,535	—	22,519	43,454	29,211
Interest rate swaps	40,117	—	483,014	—	210,042	815,006	—	4,343	(534)	3,490
Currency and rate swaps	—	—	36,692	23,989	105,002	120,247	—	19,915	18,357	36,705
Call options	—	—	—	4,169	4,620	678,632	—	426	—	549
Total derivatives held for investing purposes	1,113,615	1,345,767	2,485,976	1,845,012	1,284,405	2,106,420	—	47,203	61,277	69,955
Total derivative instruments	**1,113,615**	**1,345,767**	**2,485,976**	**1,845,012**	**1,284,405**	**2,213,306**	**—**	**50,501**	**61,277**	**69,955**

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

(b) 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 and hedging purposes as of December 31, 2005 and 2006.

	Fair values as of December 31,	
	2005 MCh$	2006 MCh$
Contract to purchase and sell foreign exchange	(42,202)	(6,692)
Currency and interest rate swaps and options	(17,823)	(12,762)

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$14,669 as of December 31, 2006. 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, 2006, are set forth in the following table:

	As of December 31, 2006 MCh$
Basic Capital	639,383
3% of total assets net of provisions	(385,856)
Excess over minimum required equity	253,527
Net capital base as a percentage of the total assets, net of provisions	4.97%
Effective equity	1,010,928
8% of risk-weighted assets	(757,995)
Excess over minimum required equity	252,933
Effective equity as a percentage of the risk-weighted assets (*)	10.67%

(*) 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.

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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 2004, 2005 and 2006 in constant Chilean pesos of December 31, 2006 are as follows:

	Paid during the year ended December 31,		
	2004 MCh$	2005 MCh$	2006 MCh$
Dividends relating to prior year net income	138,090	155,828	149,730

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,					
	2004		2005		2006	
	Loans MCh$	Collateral Pledged MCh$	Loans MCh$	Collateral Pledged MCh$	Loans MCh$	Collateral Pledged MCh$
Operating companies	117,206	47,613	113,334	49,388	144,738	69,557
Investment companies	18,006	2,478	8,426	127	10,865	121
Individuals (1)	3,100	2,781	3,746	3,166	3,845	3,596
Total	**138,312**	**52,872**	**125,506**	**52,681**	**159,448**	**73,274**

(1) Includes only debt obligations that are equal to or greater than UF3,000, equivalent to approximately MCh$55 as of December 31, 2006.

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

	2005 MCh$	2006 MCh$
Balance as of January 1,	138,312	125,506
New loans	52,523	74,233
Repayments	(60,523)	(37,709)
Price-level restatement (1)	(4,806)	(2,582)
Balance as of December 31,	**125,506**	**159,448**

(1) Reflects the effect of restatement of beginning balances to constant pesos of December 31, 2006.

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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, 2004, 2005 and 2006, 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$92 as of December 31, 2006.

	Years ended December 31,					
	2004		2005		2006	
	Expense MCh$	Revenue MCh$	Expense MCh$	Revenue MCh$	Expense MCh$	Revenue MCh$
Redbanc S.A.	2,969	—	3,538	—	3,870	—
Empresa Nacional de Telecomunicaciones S.A.	2,422	—	2,289	—	3,345	—
Operadora de Tarjetas de Crédito Nexus S.A.	2,185	—	2,625	—	3,145	—
Entel Telefonía Local S.A.	296	—	798	—	1,733	—
Sonda S.A.	—	—	611	—	868	—
Entel PCS Telecomunicaciones S.A.	231	—	225	—	463	—
Depósito Central de Valores, Depósitos de Valores S.A.	275	—	418	—	440	—
Soc. Operadora de la Cámara Com. Pagos Alto Valor S.A.	—	—	38	—	353	—
Banchile Cía de Seguros de Vida S.A.	256	—	263	—	308	—
Bolsa de Comercio de Santiago Bolsa de Valores	90	—	211	—	303	—
Plaza Oeste S.A.	—	—	246	—	279	—
Artikos S.A.	14	—	121	—	204	—
Asociación de Bancos e Instituciones Financieras	112	—	108	—	136	—
Plaza El Trébol S.A.	—	—	56	—	96	—
Línea Aérea Nacional Chile S.A.	—	114	—	114	—	116
Subtotal	**8,850**	**114**	**11,547**	**114**	**15,543**	**116**
Transactions between 1,000 and 5,000 UF:						
Services expenses	195	—	148	—	273	—
Rental income.	—	—	127	—	149	—
Subtotal	**195**	**—**	**275**	**—**	**422**	**—**
Total	**9,045**	**114**	**11,822**	**114**	**15,965**	**116**

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)
(Restated for general price - level changes and expressed in millions of constant Chilean pesos as of December 31, 2006)

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, 2004, 2005 and 2006 are summarized as follows:

	Years ended December 31,					
	2004		2005		2006	
	Income MCh$	Expenses MCh$	Income MCh$	Expenses MCh$	Income MCh$	Expenses MCh$
Fees and income from services						
Mutual funds management	21,627	(1,936)	26,007	(2,334)	27,307	(2,341)
Sight accounts and ATMs	20,935	(9,794)	22,875	(9,495)	24,592	(10,108)
Insurance	15,293	(182)	20,579	(160)	24,429	(201)
Checking accounts and overdrafts	25,787	—	24,212	—	24,072	—
Credit cards	16,823	(5,028)	17,921	(6,279)	21,430	(7,867)
Stock brokerage	13,601	(820)	15,448	(32)	11,127	(626)
Cash management services	8,559	(10)	9,795	(235)	10,865	(94)
Collection of over-due loans	9,064	—	8,838	—	9,883	—
Credit lines	7,137	—	7,425	—	8,078	—
Credit	5,730	—	9,764	—	4,567	—
Foreign trade and currency exchange	3,606	—	3,407	—	3,863	—
Letters of credit, guarantees, collaterals and other contingent loans	5,445	—	4,848	—	3,839	—
Income and revenue from assets received in lieu of payment	5,808	(1,710)	5,178	(1,586)	3,740	(1,408)
Financial advisory services	2,678	—	942	—	2,844	—
Custody and trust services	1,480	—	1,799	—	2,076	—
Collection services	3,767	—	2,580	—	1,944	—
Leasing	1,719	(91)	1,623	(313)	1,467	(199)
Factoring	670	(53)	631	(8)	869	(7)
Fees from sales force	—	(11,840)	—	(15,331)	—	(22,253)
Teller services expenses	—	(3,584)	—	(4,043)	—	(4,606)
Cobranding	—	(3,843)	—	(5,939)	—	(6,977)
Other	3,972	(1,562)	3,806	(1,746)	5,455	(2,219)
Total	**173,701**	**(40,453)**	**187,678**	**(47,501)**	**192,447**	**(58,906)**
Non-operating income and expenses						
Gains on sales of assets received in lieu of payment	891	—	4,478	—	9,541	—
Prior year tax differences	5	—	—	—	3,343	—
Rental income	2,492	—	2,402	—	2,396	—
Gains from sale of shares	—	—	—	—	447	—
Recoveries of expenses	617	—	301	—	258	—
Foreign trade income	154	—	134	—	110	—
Income from sale of fixed assets	314	—	125	—	71	—
Dividends received	59	—	93	—	55	—
Leasing income	80	—	57	—	6	—
Indemnity of sinesters	1	—	5	—	—	—
Charge-offs assets received in lieu of payment	—	(8,694)	—	(11,053)	—	(9,832)
Charge-offs	—	(1,404)	—	(1,311)	—	(1,360)
Write-offs for frauds	—	(1,124)	—	(557)	—	(558)
Legal contingencies provision	—	(193)	—	(20)	—	(537)
Expenses on charge-offs for leasing	—	(256)	—	(367)	—	(199)
Advertising expenses	—	(56)	—	(63)	—	(70)
Charge-offs and provisions related to fixed assets	—	(46)	—	(25)	—	(17)
Provision for recovered leased assets	—	(1,538)	—	(1,084)	—	(15)
Reversal of adjustments and interest from previous years	—	(131)	—	(49)	—	(13)
Tax expenses from previous years	—	(2,377)	—	—	—	—
Provision and charge-offs other assets	—	(432)	—	—	—	—
Other	491	(546)	429	(552)	490	(1,241)
Total	**5,104**	**(16,797)**	**8,024**	**(15,081)**	**16,717**	**(13,842)**

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, 2006)

18. Board of Directors Compensation

As agreed at the Shareholders Meeting, during 2005 and 2006 Banco de Chile and its subsidiaries have paid, and charged to income, the following compensation to their Directors:

	Remunerations		Fees for attending Board meetings		Fees for attending Committees and Subsidiary Board meetings (1)		Consulting		Total	
Name of Director	2005 MCh$	2006 MCh$	2005 MCh$	2006 MCh$	2005 MCh$	2006 MCh$	2005 MCh$	2006 MCh$	2005 MCh$	2006 MCh$
Fernando Cañas Berkowitz	295	315	39	42	173	234	—	—	507	591
Andrónico Luksic Craig	129	131	16	8	—	—	—	—	145	139
Jorge Awad Mehech	43	44	26	22	94	82	—	—	163	148
Jacob Ergas Ergas	43	44	24	15	68	56	—	—	135	115
Thomas Fürst Freiwirth	43	44	26	19	58	67	—	—	127	130
Guillermo Luksic Craig	43	44	15	9	5	—	—	—	63	53
Rodrigo Manubens Moltedo	43	44	22	19	91	93	415	8	571	164
Gonzalo Menéndez Duque	43	44	29	22	132	118	—	—	204	184
Máximo Pacheco Matte	43	44	28	17	3	3	—	—	74	64
Francisco Pérez Mackenna	43	44	25	19	57	54	—	—	125	117
Segismundo Schulin-Zeuthen Serrano	61	44	34	19	90	40	—	—	185	103
Edmundo Eluchans Urenda	43	7	23	3	34	4	—	—	100	14
Jorge Ergas Heymann	43	43	21	20	39	38	—	—	103	101
Jorge Díaz Vial	3	36	2	17	2	35	—	—	7	88
Máximo Silva Bafalluy	4	—	6	—	18	—	—	—	28	—
Other subsidiaries directors	—	—	—	—	93	115	—	—	93	115
Total	**922**	**928**	**336**	**251**	**957**	**939**	**415**	**8**	**2,630**	**2,126**

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

19. Loan Loss Recoveries

	Years ended December 31,		
	2004 MCh$	2005 MCh$	2006 MCh$
Loan portfolio previously charged-off	29,997	33,174	28,063
Loans reacquired from Central Bank	5,687	505	37
Total	**35,684**	**33,679**	**28,100**

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)
(Restated for general price - level changes and expressed in millions of constant Chilean pesos as of December 31, 2006)

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, 2005 and 2006 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, 2005			As of December 31, 2006		
	Payable in Foreign Currency MCh$	Payable in Chilean Pesos MCh$	Total MCh$	Payable in Foreign Currency MCh$	Payable in Chilean Pesos MCh$	Total MCh$
ASSETS						
Cash and due from banks	361,001	—	361,001	820,972	—	820,972
Loans	759,346	15,701	775,047	890,800	10,691	901,491
Contingent loans	295,018	—	295,018	407,535	—	407,535
Trading securities	491,992	12,195	504,187	376,208	9,273	385,481
Held to maturity and available for sale	40,901	—	40,901	56,069	—	56,069
Leasing contracts	—	40,945	40,945	—	52,194	52,194
Other assets	421,818	—	421,818	100,050	—	100,050
Total assets	**2,370,076**	**68,841**	**2,438,917**	**2,651,634**	**72,158**	**2,723,792**
LIABILITIES						
Deposits	1,170,166	281	1,170,447	1,165,879	209	1,166,088
Contingent liabilities	296,235	—	296,235	409,278	—	409,278
Borrowings from domestic financial institutions	92,047	—	92,047	125,369	—	125,369
Foreign borrowings	675,235	—	675,235	591,503	—	591,503
Other liabilities	177,855	92	177,947	414,389	240	414,629
Total liabilities	**2,411,538**	**373**	**2,411,911**	**2,706,418**	**449**	**2,706,867**
NET (LIABILITIES) ASSETS	**(41,462)**	**68,468**	**27,006**	**(54,784)**	**71,709**	**16,925**

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, 2006)

21. Income Taxes

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

	Balance as of December 31, 2005 (1) MCh$	2006 Deferred taxes MCh$	Balance as of December 31, 2006 MCh$
Deferred tax assets			
Allowances for loan losses	25,634	207	25,841
Obligations with repurchase agreements	11,829	(2,908)	8,921
Leasing equipment	6,808	(3,464)	3,344
Assets at market value	1,202	(363)	839
Personnel provisions	2,170	166	2,336
Staff vacations	1,813	214	2,027
Accruals interest and readjustments from past due loans	2,196	(734)	1,462
Staff severance indemnities	951	8	959
Charge-offs from financial investment	66	(66)	—
Other adjustments	10,273	(1,514)	8,759
Total	**62,942**	**(8,454)**	**54,488**
Deferred tax liabilities			
Investments with repurchase agreements	10,842	(1,931)	8,911
Depreciation and price-level restatement of fixed assets	6,225	(235)	5,990
Transitory assets	2,292	866	3,158
Other adjustments	2,524	167	2,691
Total	**21,883**	**(1,133)**	**20,750**

(1) For presentation purposes, deferred income tax balances as of December 31, 2005 are presented on a historical basis. For comparison purposes, price-level restated amounts for 2005 correspond to MCh$64,264 for net deferred tax assets and MCh$22,343 for net deferred tax 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, 2006)

21. Income Taxes (continued)

"Income taxes" as presented in the Consolidated Statements of Income for the years ended December 31, 2004, 2005 and 2006 are summarized as follows:

	Years ended December 31,		
	2004 MCh$	2005 MCh$	2006 MCh$
Current income tax provision	(21,388)	(15,396)	(15,872)
Amortization of complementary accounts	(494)	—	—
Deferred tax effect for the year	3,281	(4,892)	(7,321)
Non-deductible expenses Art. 21	(813)	(1,552)	(903)
Income taxes expense	**(19,414)**	**(21,840)**	**(24,096)**

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$879 and MCh$1,386 as of December 31, 2005 and 2006, 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$1,258,375 and MCh$1,733,916 and the amounts of subscribed leasing contracts are MCh$62,726 and MCh$95,655 as of December 31, 2005 and 2006, respectively.

(c) Obligations regarding the New York and Miami Branches

In September 2004, the Federal Agencies of the Office of the Comptroller of the Currency (OCC) and the Federal Reserve Bank of Atlanta reviewed our New York and Miami branches respectively, in order to evaluate, among other matters, their compliance with the requirements of the U.S. Bank Secrecy Act and other U.S. regulations pertaining to anti money laundering. As a consequence of said reviews and on the date of February 1, 2005, the Bank agreed with the OCC to the issuance of a Consent Order and with the Federal Reserve Bank of Atlanta to the issuance of a Cease and Desist Order. In agreement with these orders, an action plan was developed to include the elaboration and maintenance of programs designed to strengthen compliance with aforementioned regulations. The activities contained in the action plan, which was approved by the regulatory authorities, included specific time periods for their execution.

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, 2006)

22. Commitments and contingencies (continued)

(c) Obligations regarding the New York and Miami Branches (continued)

Implementation of activities related to re-documentation of client folders and to certain specific activities of the internal controls program of the branch, has required a period of time superior to that which was anticipated in the time estimates of said plan. Both activities have had advanced significantly during year 2006 and it is likely that they will be completed during fiscal year 2007.

(d) Contingency for Lawsuit in the Courts of New York

On or about November 30, 2005, the Fundacion Presidente Allende – an entity organized in accordance with the laws of Spain – filed a civil claim against Banco de Chile and others for an amount not less than US$7 million and punitive damages for US$100 million. On September 28, 2006, the Court of the Southern District of New York dismissed all claims related to the above referenced lawsuit.

The Fundacion appealed this decision, and on January 18, 2007 requested to discontinue the aforementioned appeal.

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,	
	2005 MCh$	2006 MCh$
Securities held in safe custody	3,533,471	3,677,291
Amounts to be collected on behalf of domestic third parties	174,140	255,645
Amounts to be collected on behalf of foreign third parties	257,969	209,206
Total fiduciary activities	**3,965,580**	**4,142,142**

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.

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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24. Concentrations of Credit Risk (continued)

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, 2005 and 2006 are as follows:

Bank	Counterparty Risk As of December 31, 2005 MCh$	2006 MCh$
Banco del Estado de Chile	6,521	40,467
Banco Santander- Chile	15,607	16,179
Corpbanca	11,459	14,177
BBVA Banco Bhif	12,407	8,254
Banco de Crédito e Inversiones	6,071	6,691
BankBoston N.A.	2,337	4,083
Banco Bice	2,828	3,611
Banco Falabella	3,589	3,171
Banco Ripley	1,862	2,891
ABN Amro Bank (Chile)	306	2,585
Banco Security	8,398	2,445
Scotiabank Sud Americano	993	1,407
Banco del Desarrollo	—	765
Citibank N.A.	84	652
HSBC Bank Chile	—	637
JP Morgan Chase Bank	701	293
Deutsche Bank (Chile)	—	254
Banco Paris	—	211
Banco Monex	—	137
Banco Internacional	23	131
Banco Penta	84	—

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.

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, 2004, 2005 and 2006, Banco de Chile sold loans totaling MCh$68,127, MCh$20,232 and MCh$28,265, respectively, however, Banco de Chile does not generally 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, 2005 and 2006, Banco de Chile purchased loans amounting to MCh$61,470 and MCh$161,997 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$10,497, MCh$2,452 and MCh$772 for the years ended December 31, 2004, 2005 and 2006, respectively.

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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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, 2006.

	As of December 31, 2006					
	Due within 1 year MCh$	Due after 1 year but within 3 years MCh$	Due after 3 years but within 6 years MCh$	Due after 6 years MCh$	Total 2006 MCh$	Total 2005 MCh$
ASSETS						
Loans (1)	3,984,666	1,591,890	978,382	2,048,764	8,603,702	7,514,069
Securities (2)	1,253,441	—	—	—	1,253,441	1,408,356
Derivative instruments	23,506	18,327	4,217	4,451	50,501	—
Total	**5,261,613**	**1,610,217**	**982,599**	**2,053,215**	**9,907,644**	**8,922,425**
LIABILITIES						
Deposit and other obligations (3)	5,782,020	173,940	—	—	5,955,960	4,568,900
Mortgage finance bonds	66,944	98,093	133,106	179,494	477,637	568,191
Bonds	152,098	284,821	175,523	347,772	960,214	643,218
Chilean Central Bank borrowings:						
Central Bank credit lines for renegotiations of loans	824	—	—	—	824	1,436
Borrowings from domestic financial institutions	88,261	—	—	—	88,261	92,054
Foreign borrowings	579,146	12,427	—	—	591,573	675,384
Other obligations	23,768	907	1,224	533	26,432	34,452
Derivative instruments	29,787	36,936	2,078	1,154	69,955	61,277
Total	**6,722,848**	**607,124**	**311,931**	**528,953**	**8,170,856**	**6,644,912**

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

(2) Excludes unrealized gains on available for sale securities included in equity of MCh$4 and MCh$9 for the years ended December 31, 2005 and 2006 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.

27. Subsequent Events

At the Extraordinary Shareholders' Meeting of the subsidiary Banchile Factoring S.A. held on January 9, 2007, the shareholders agreed to increase this subsidiary's paid-in capital by MCh$18,379. This increase was paid in full by Banco de Chile and therefore the Bank now has ownership of 99.75% in the aforementioned subsidiary.

Management is not aware of any other significant subsequent events occurring between December 31, 2006 and the date of issuance of these consolidated financial statements which affect or may affect the Bank's consolidated financial statements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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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 Nº64, "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 (q) 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.

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.

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, 2006)

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

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

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

The above mentioned 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 (q), below.

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 of 1982-1983. A detailed discussion of this matter is included below.

Background

During the 1982-1983 economic crisis, the Chilean banking system experienced significant instability requiring that the Chilean Central Bank and the Chilean government provide assistance to most Chilean private sector banks, including Banco de Chile. During this period, Banco de Chile experienced significant financial difficulties. In 1985 and 1986, Banco de Chile increased its capital and sold shares representing 88% of its capital to more than 30,000 new shareholders. As a result, no single shareholder held a controlling stake in our company. In 1987, the Chilean Superintendency of Banks returned the control and administration of the bank to our shareholders. Subsequent to the crisis, like most major Chilean banks, Banco de Chile sold certain of its non-performing loans to the 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 1989, pursuant to Law No. 18,818, banks were permitted to repurchase the portfolio of non-performing loans for a price equal to the economic value of such loans, provided that the bank assume a subordinated obligation equal to the difference between the face value and economic value of such loans. In November 1989, Banco de Chile repurchased its portfolio of non-performing loans from the Central Bank and assumed the Central Bank's subordinated debt relating to our nonperforming loans.

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, 2006)

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

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

In November 1996, pursuant to Law No. 19,396, which established a new treatment for subordinated debts in the Chilean banking system, the former Banco de Chile's shareholders approved a reorganization by which the former Banco de Chile was converted to a holding company named SM-Chile. In turn, SM-Chile created a new wholly owned banking subsidiary named Banco de Chile (the "Bank") 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, Sociedad Administradora de la Obligacion Subordinada SAOS S.A., ("SAOS"). Pursuant to a prior agreement with the Central Bank, SAOS assumed a new repayment obligation in favor of the Central Bank that replaced the Central Bank subordinated debt in its entirety. In exchange for assuming the Central Bank indebtedness, SAOS received from SM-Chile, a holding company that beneficially owns SAOS and Banco de Chile, 63.6% of Banco de Chile shares as collateral for this indebtedness.

Subsequently, as a result of Banco de Chile merger with Banco de A. Edwards, the percentage of Banco de Chile's shares held by SAOS decreased to 42.0%. As a result of the share dividend paid in May 2006, the percentage further decreased to 41.4%.

Business purpose of the reorganization

The business purpose of this reorganization transaction, including the formation of the holding company SAOS, was to structure the repayment of the subordinated debt that had neither a fixed term nor a repayment schedule to the Chilean Central Bank. Although Banco de Chile utilized a reorganization alternative, the law provided a range of options for the banks with subordinated debt with the Chilean Central Bank to modify the payment conditions for the subordinated obligations; depending on whether or not under the original conditions they were able to serve such debt within a 40 year-term. Those banks that were unable to repay their subordinated obligation within this period, were permitted to agree with Chilean Central Bank, to either repay the subordinated obligation in 40 fixed, annual, consecutive and equal installments, or to adopt a scheme for bidding shares, plus the transfer of shares in settlement to Banco Central de Chile.

Nature of the Variable Interest in SAOS

Banco de Chile believes that SAOS is a variable interest entity ("VIE") under FIN46(R) and its parent company SM-Chile has a variable interest in SAOS. In performing its analysis, the Bank identified the Chilean Central Bank, and the consolidated group SM-Chile, which includes Banco de Chile, as having variable interests in SAOS as a result of being debt and equity holders, respectively, which will absorb portions of SAOS' expected losses and residual returns. Banco de Chile does not have an obligation to absorb any portions of the expected losses nor will it receive portions of SAOS' expected residual returns.

Terms of the agreement between Banco de Chile and SAOS and the payments of dividends

The Central Bank indebtedness, for which SAOS is solely responsible and for which there is no recourse to Banco de Chile nor SM-Chile, was equal to the unpaid principal of the Central Bank subordinated debt that it replaced but had terms that differed in some respects, the most important of which included a rescheduling of the debt for a term of 40 years providing for equal annual installments and a pledge of Banco de Chile's shares as collateral for such debt. The Central Bank indebtedness bears interest at a rate of 5.0% per year and it is denominated in UF. Dividends received from Banco de Chile are the sole source of SAOS' revenue, which must be applied to repay this indebtedness. According to Chilean Corporations Law 18.046 banks must generally distribute a cash dividend in an amount equal to at least 30% of its net income each year, as

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, 2006)

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

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

determined in accordance with Chilean GAAP, unless and except to the extent the Bank has unabsorbed prior year losses. [1]

Under SAOS' agreement with the Central Bank, Banco de Chile has no particular obligation to distribute dividends to its shareholders. If the Bank decides to retain and capitalize all or part of its annual net income in order to finance future growth, and to distribute stock dividends to its shareholders, the Central Bank may require Banco de Chile to pay the portion of the net income corresponding to shares owned by SAOS in cash to SAOS. If Banco de Chile distributes stock dividends and the Central Bank does not require it to pay that portion in cash, the shares received by SAOS must be sold by SAOS within the following 12 months. The shareholders of SM-Chile will have a right of first refusal with respect to that sale.

To the extent distributed dividends are not sufficient to pay the amount due on this indebtedness; SAOS is permitted to maintain a cumulative deficit balance with the Central Bank that SAOS commits to pay with future dividends. If the cumulative deficit balance exceeds an amount equal to 20% of Banco de Chile's paid-in capital and reserves, the Central Bank may require SAOS to sell a sufficient number of Banco de Chile's stock owned by SAOS to the public in order to pay the entire accumulated deficit amount.

Decision making function in SAOS

Pursuant to the law under which it was established, the only function that SAOS has is to hold the subordinated debt and the ownership interest in Banco de Chile. As such no decision making is necessary as it functions on an "autopilot mechanism". Consequently, no fees other than minor costs related to legal, accounting and other compliance functions are paid related to the decision making function.

Investment at risk in SAOS

Although Banco de Chile has no investment at risk in SAOS, SM-Chile S.A., its parent company has investment at risk in SAOS' equity, as it is the sole owner of the common stock of SAOS. As defined in paragraph 5(a) of FIN 46(R), there is insufficient investment at risk to permit SAOS to finance its activities without additional subordinated financial support due to SM-Chile having had negative equity under US GAAP at the time of the reorganization. Under US GAAP the reorganization pursuant to Law No. 19,396 would have been accounted for at the book values of the underlying assets and liabilities.

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1 Law N° 20,109 enacted June 24, 2006 amended Article 56 of the General Banking Law. Prior to such amendment, banks were permitted to distribute less than such minimum amount in any given year if the holders of at least two-thirds of the bank's outstanding shares so determined.

BANCO DE CHILE AND SUBSIDIARIES

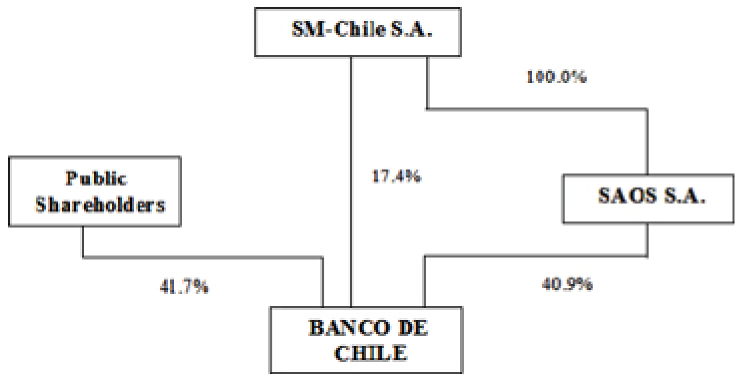
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Restated for general price - level changes and expressed in millions of constant Chilean pesos as of December 31, 2006)

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

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

Distribution of voting rights and control among the parties involved

As of the date of these financial statements, the organizational and ownership chart is as follows:



Related parties

For purposes of the analysis under FIN 46(R) the Bank considered variable interests in SAOS held by its related parties at the time that SAOS was formed. For purposes of this Interpretation, the term *related parties* included only SM-Chile as there were no other parties identified under FASB Statement No. 57, *Related Party Disclosures*, or other parties that were acting as de facto agents or de facto principals of the variable interest holder.

Banco de Chile believes that the party most closely associated with SAOS, by virtue of its involvement with the reorganization with the subordinated debt is the Chilean Central Bank; and notwithstanding that Banco de Chile does not have a variable interest in SAOS, as it forms part of the consolidated group SM-Chile, in accordance with FIN 46(R) Banco de Chile has performed a comprehensive qualitative and quantitative analysis of the expected losses of the VIE SAOS at the time of the reorganization. Based on the allocation of SAOS' expected losses and residual returns to its variable interest holders, the Bank has concluded that substantially all of the expected losses and rewards attributable to SAOS will be absorbed by SM-Chile.

As a result of the analysis performed the Bank concluded, under the provisions of FIN46(R), that SAOS should not be consolidated by the Bank as SM-Chile is the primary beneficiary.

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, 2006)

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

(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	131,807
Incremental fair value of identified intangible assets (1)(2)	34,108
Fair value increment of identified net assets acquired	(49,183)
Fair value of Banco de A. Edwards	116,732
Purchase price	
Market value of Banco de Chile shares issued	(320,047)
Direct costs of acquisition	(1,286)
Goodwill	(204,601)

(1) Core deposit intangibles resulting from the acquisition amounted to MCh$30,374 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$3,734 and is being amortized over 10 years.

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)

(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	134,311
Financial investments	198,448
Loans, net	1,150,888
Intangibles	34,108
Other	92,183
Total assets acquired	**1,609,938**
Deposits	912,834
Other interest bearing liabilities	500,814
Other liabilities	79,558
Total liabilities assumed	**1,493,206**
Net assets acquired	**116,732**

Of the MCh$34,108 of acquired intangible assets, MCh$30,374 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$3,734 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, 2006. 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 (n) to this note, respectively, were MCh$391,942 MCh$204,601 and MCh$2,030, 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 Chilean pesos as of December 31, 2006)

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

(c) Amortization of Goodwill and Intangible Assets (continued)

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

Business Segments	MCh$
Wholesale	352,378
Retail Market	166,310
International	43,437
Treasury	11,552
Subsidiaries	24,896
Total goodwill	**598,573**

(d) 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.

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, 2006)

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

(d) Deferred Income taxes (continued)

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

(e) 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 (q) below.

(f) Repurchase agreements

The Bank enters into repurchase agreements as a source of financing. In this regard, up to December 31, 2005 under Chilean GAAP the Bank's investments that have been sold subject to repurchase agreements were 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. Beginning January 1, 2006 the bank no longer reclassifies these investments to the investment collateral under agreements to repurchase category; therefore, no presentation differences arise for the current period, that require reclassifications for purposes of the Article 9 consolidated balance sheets included in paragraph (s) below.

(g) 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.

(h) 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$739,109 and MCh$988,359 as of December 31, 2005 and 2006, respectively. This reclassification is included in the Article 9 consolidated financial statements 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, 2006)

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

(h) Contingent assets and liabilities (continued)

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 (z), below.

(i) 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 (1).

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:

i) Commercial loans and leasing operations considered not 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").

ii) Commercial loans and leasing operations 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.

iii) Allowance for loan losses for mortgage and consumer loans were determined using risk matrix models including historical loan charge-offs net of recoveries and other variables to adjust changes in trends and conditions.

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, 2006)

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

(i) Allowance for loan losses (continued)

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 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,	
	2005 MCh$	2006 MCh$
U.S. GAAP loan loss reserve	105,133	121,544
Less: Chilean GAAP loan loss allowance as required by the Superintendency of Banks	(144,272)	(144,979)
U.S. GAAP adjustment	**(39,139)**	**(23,435)**

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

2) Recognition of income

As of December 31, 2004, 2005 and 2006 the recorded investment in loans for which impairment had been recognized in accordance with SFAS No.114 totaled MCh$474,263, MCh$387,203 and MCh$361,861, respectively, with a corresponding valuation allowance of MCh$99,340 MCh$72,769 and MCh$67,060, respectively. For the years ended December 31, 2004, 2005 and 2006 the average recorded investment in impaired loans was MCh$533,748, MCh$417,877 and MCh$365,492, respectively. For the years ended December 31, 2004, 2005 and 2006, the Bank recognized interest on impaired loans MCh$41,254, MCh$45,048 and MCh$27,210. 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 (g) above. As of December 31, 2005 and 2006, 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 2005, such recoveries are presented as a reduction of the provision for loan losses.

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)

(i) Allowance for loan losses (continued)

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

	2004 MCh$	2005 MCh$	2006 MCh$
Allowance for loan losses in accordance with U.S. GAAP, as of January 1	163,151	122,519	105,133
Price-level restatement (1)	(4,873)	(5,805)	(2,950)
Charge-offs	(104,781)	(68,757)	(60,671)
Loan loss recoveries	35,684	33,679	28,100
Allowances for loan losses established	34,985	25,122	52,440
Allowances for loan losses released	(1,647)	(1,625)	(508)
Balances as of December 31,	**122,519**	**105,133**	**121,544**

(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, 2006.

4) Charge-offs

As discussed in Note 1 (1) 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.

5) Loan Purchases

On a non-recurring basis, the Bank acquires non-impaired loans directly from the market of from other financial institutions, mainly to meet its customer requirements. Under Chilean GAAP, loans purchased are recorded at fair value (price paid) when acquired, classified and recorded in the loan portfolio line item to which it relates and any discount or premium is recognized as an adjustment to interest income using the effective interest rate method. The Bank does not purchase loans that are deemed impaired at the acquisition date.

Under US GAAP, the Bank applies the requirements of the Statement of Financial Accounting Standards No. 91 (“SFAS 91”), “Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases to non-impaired loans”. When discounts or premiums are attributable to the credit quality of the purchased loan, the accounting treatment for this differences is prescribed by the Statement of Position (SOP) No. 03-3, “Accounting for Certain Loans or Debt Securities Acquired in a Transfer” (SOP 03-3).

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, 2006)

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

(i) Allowance for loan losses (continued)

SFAS 91 states that any purchase premiums or discounts on loans shall be recognized as an adjustment of yield generally by the effective interest method based on the contractual terms of the loan. SOP 03-3 requires acquired loans to be recorded at fair value and prohibits carrying over valuation allowances in the initial accounting for acquired impaired loans. Furthermore SOP 03-3 limits the yield that may be accreted (accretable yield) to the excess of the undiscounted expected cash flows over the investor's initial investment in the loan. The excess of the contractual cash flows over expected cash flows (nonaccretable yield) may not be recognized as an adjustment of yield, loss accrual or valuation allowance. Subsequent increases in cash flows expected to be collected are recognized prospectively through an adjustment of the loan's yield over its remaining life. Decreases in expected cash flows are recognized as impairments.

Considering that the Bank is not engaged in the purchase of impaired loans and the accounting treatment between Chilean and US GAAP for discounts or premiums as result of the acquisition of non-impaired loans does not differ, no differences arise.

During the years ended December 31, 2004, 2005, and 2006, Banco de Chile purchased non-impaired loans amounting to MCh$ 5,379, MCh$61,470 and MCh$ 161,997.

(j) Investment securities

Under Chilean GAAP, until December 31, 2005 investment securities were classified as permanent and non-permanent. Non-permanent investments with a secondary market were adjusted at their market value in accordance with the specific instructions issued by the Chilean Superintendency of Banks and Financial Institutions. These instructions required that changes in non-permanent investments market value were recorded in income.

Investment securities classified as permanent investments were adjusted at their market value in accordance with the specific instructions issued by the Chilean Superintendency of Banks and Financial Institutions. These instructions required that changes in permanent investments market value were recorded in a separate component of shareholders' equity, net of taxes.

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 until 2005 under Chilean GAAP were 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".

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, 2006)

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

(j) Investment securities (continued)

Under Chilean GAAP, securities maintained by the Bank's branches abroad classified as "held-to-maturity" were 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.

(1) Under Chilean GAAP, the unrealized holdings gains (losses) related to investments classified as permanent until 2005 have been included in Shareholders' equity, which does not differ from the treatment of "available-for-sale" investments under U.S. GAAP.

As stated in Note 2 to these financial statements, beginning 2006 the Bank adopted Circular No.3,345 (the " Circular"), as issued by the Superintendency of Banks. This circular established new accounting and classification criteria for investments securities and derivative instruments, among other. The new accounting criteria and classification rules are broadly similar to US GAAP, therefore, beginning 2006 no differences arise for investment securities. See Note 1(f) for further details on Chilean GAAP accounting rules on investment securities.

The following are required disclosures for investments classified as available-for-sale in accordance with SFAS Nº115 and the presentation requirements of Article 9 (see paragraph (s) 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, 2004, 2005 and 2006 are as follows:

	Years ended December 31,		
	2004 MCh$	2005 MCh$	2006 MCh$
Proceeds on sale of investments resulting in gains	1,527	—	—
Realized gains	28	—	—
Proceeds on sale of investments resulting in losses	—	—	—
Realized losses	—	—	—

The carrying value and market value of securities available-for-sale as of December 31, 2005 and 2006 are as follows:

	Years ended December 31,							
	2005				2006			
	Carrying Value MCh$	Gross Unrealized Gains MCh$	Gross Unrealized Losses MCh$	Estimated Fair Value MCh$	Carrying Value MCh$	Gross Unrealized Gains MCh$	Gross Unrealized Losses (*) MCh$	Estimated Fair Value MCh$
Available-for-sale Instruments:								
U.S. Government debt securities	23,533	1	—	23,534	40,075	—	(9)	40,066
Chilean private sector debt securities	1,624	4	—	1,628	—	—	—	—
Total	**25,157**	**5**	**—**	**25,162**	**40,075**	**—**	**(9)**	**40,066**

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, 2006)

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

(j) Investment securities (continued)

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

	As of December 31, 2006			
	Within one year MCh$	After one year but within five years MCh$	After five years but within 10 years MCh$	Total MCh$
Available-for-sale Instruments:				
U.S. Government debt securities	40,066	—	—	40,066
Estimated fair value	**40,066**	**—**	**—**	**40,066**

(*) Investments with unrealized losses are disclosed and segregated in accordance with paragraph 21 of EITF 03-01. The unrealized losses were caused by interest rate increases. The contractual terms of these investments do not permit the issuer to settle the securities at a price less than the amortized cost of the investment. Because the Bank has the ability and intends to hold investment until recovery of its investment, which may be maturity, the Bank does not consider these investments to be other than temporary impaired as of December 31, 2006.

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

	Years ended December 31,					
	2005			2006		
	Amortized Cost MCh$	Unrealized Losses MCh$	Estimated Fair Value MCh$	Amortized Cost MCh$	Unrealized Losses MCh$	Estimated Fair Value MCh$
Held-to-maturity Instruments:						
U.S. Government debt securities	15,740	(1)	15,739	16,003	—	16,003
Total	**15,740**	**(1)**	**15,739**	**16,003**	**—**	**16,003**

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

	As of December 31, 2006			
	Within one year MCh$	After one year but within five years MCh$	After five years MCh$	Total MCh$
Held-to-maturity Instruments:				
U.S. Government debt securities	16,003	—	—	16,003
Estimated fair value	**16,003**	**—**	**—**	**16,003**

(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, 2004 and 2005 the Bank recognized in income unrealized holding losses of MCh$759 and MCh$3,319 respectively, and December 31, 2006 recognized in income unrealized holding gains of MCh$4,142 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.

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, 2006)

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

(k) Derivatives

The Bank enters into derivative transactions for its own account and to meet customers' risk management needs. Banco de Chile and its subsidiaries protect themselves against variations in the foreign exchange and interest rate 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 their clients.

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.

Until December 31, 2005, forward contracts were recorded at the exchange rate in force at the close of each month and, in accordance with the standards issued by the Chilean Superintendency of Banks and Financial Institutions, initial differences generated by this type of operations were recognized as deferred assets or liabilities and amortized over the term of the related contract. All other derivative instruments were reported at their market value.

Beginning 2006, as a result of the adoption of Circular N°3,345 under Chilean GAAP all financial derivative contracts, which include foreign currency and U.F. forwards, interest rate forwards, currency and interest rate swaps, currency and interest rate options and other financial derivative instruments, are recorded in the balance sheet at cost (including transaction costs) at inception and subsequently measured at their fair value. The fair value is obtained from market quotes, discounted cash flows models and options valuation models, as and where applicable. Derivative contracts are reported as an asset when their fair value is positive and as a liability when negative under the line item "Derivative instruments". The losses recognized in income associated with these contracts for the years ended December 31, 2004 and 2005 were MCh$21,226 and MCh$19,493 respectively, and the gains recognized in income associated with these contracts for the year ended December 31, 2006 was MCh$25,202.

Until 2005, Chilean accounting rules did not considered the existence of embedded derivatives and, therefore, were not reflected in the financial statements. Beginning 2006, certain derivatives embedded in other financial instruments are treated as separate derivatives when their risk and characteristics are not closely related to those of the main contract and this is not recorded at its fair value with its unrealized gains and losses included in income. The above mentioned circular did not included service type contracts when evaluating for embedded derivatives.

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, 2006)

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

(k) Derivatives (continued)

Beginning 2006, certain derivatives transactions which do not qualify for hedge accounting under the new accounting rules set by the above mentioned circular are treated and reported as derivatives for investing purposes even though they provide an effective hedge on the risk of net positions.

See further details about the Chilean accounting treatment of derivate instruments in note 1(e).

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.

As a result of the new accounting rules adopted in 2006, as set by the circular, no significant differences arise when applying SFAS 133 to derivatives accounting, other than the recognition of certain derivatives embedded in service type contracts.

Fair Value Hedge

During 2006, Banco de Chile has entered into an interest rate swap agreement for hedging its interest rate risk exposure related to the subordinated debt issue during 2006. The interest rate swap agreement modifies the Bank's exposure to interest risk by converting its subordinated note's fixed-rate debt to a floating interest. This agreement involves the payment of a fixed rate amount in exchange for floating rate interest payments over the life of the agreement without exchanging any underlying principal.

During the year ended December 31, 2006, Banco de Chile recognized in the line item "Gains from trading activities" a net gain of MCh$ 841 related to the ineffective portion of its hedging instruments.

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 (q) 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, 2006)

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

(l) 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$55,356 and MCh$58,574 as of December 31, 2005 and 2006, respectively, under U.S. GAAP. The effects of these adjustments on the shareholders' equity of the Bank are included in paragraph (q) below.

(m) 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 (q) below.

(n) 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$15,085. Under Chilean GAAP, the Bank recorded goodwill in the amount of MCh$1,326 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 (q) 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, 2006)

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

(o) 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 (q), below.

(p) 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 (q) 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, 2006)

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

(q) 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,			
	2004 MCh$	2005 MCh$	2006 MCh$	2006 ThUS$
Net income in accordance with Chilean GAAP	**161,443**	**184,519**	**195,248**	**365,339**
U.S. GAAP adjustments:				
Push Down accounting (Note 28(a))				
Fair value of intangibles	(12,809)	(10,679)	(13,371)	(25,019)
Fair value of loans	(1,589)	(634)	(993)	(1,858)
Fair value of premises	(240)	(303)	(238)	(445)
Fair value of other	(79)	(354)	221	414
Acquisition of Banco Edwards (Note 28(b))				
Fair value of intangibles	(4,023)	(3,319)	(2,637)	(4,934)
Fair value of loans	846	683	548	1,025
Fair value of other interest bearing liabilities	4,574	4,335	4,159	7,782
Fair value of deposits	(27)	—	—	—
Fair value of premises	(9)	(9)	(9)	(17)
Fair value of other	87	83	79	148
Investments in other companies (Note 28 (e))	28	88	(104)	(195)
Deferred income taxes (Note 28 (d))	507	—	—	—
Allowance for loan losses (Note 28 (i))	8,735	(1,006)	(15,704)	(29,385)
Derivatives (Note 28 (k))	(1,270)	(4,988)	(404)	(756)
Held-to-Maturity investments (Note 28 (j))	4	49	69	129
Assets received in lieu of payment (Note 28 (m))	1,082	2,891	1,640	3,069
Staff severance indemnities (Note 28(o))	204	(1,256)	(436)	(816)
Deferred tax effect of the above U.S. GAAP adjustments (Note 28 (d))	(2,067)	2,467	4,768	8,922
Accumulated deficit development period (Note 28 (p))	—	(192)	—	—
Net income in accordance with U.S. GAAP	**155,397**	**172,375**	**172,836**	**323,403**
Other comprehensive income, net of tax (Note 28(u))	**(2,582)**	**(3,377)**	**314**	**587**
Unrealized holding gains (losses) on available-for-sale securities, net of tax	(201)	(80)	(11)	(21)
Adjustment for translation differences	(2,381)	(3,297)	325	608
Comprehensive income in accordance with U.S. GAAP	**152,815**	**168,998**	**173,150**	**323,990**

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, 2006)

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

(q) 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,		
	2005 MCh$	2006 MCh$	2006 ThUS$
Shareholders' Equity in accordance with Chilean GAAP	**791,384**	**834,631**	**1,561,722**
U.S. GAAP adjustments:			
Push Down accounting (Note 28(a))			
Goodwill	412,297	412,297	771,471
Goodwill accumulated amortization (Note 28(c))	(20,355)	(20,355)	(38,087)
Fair value of intangibles	187,775	187,775	351,356
Amortization of fair value of intangibles	(68,274)	(81,645)	(152,770)
Fair value of loans	993	—	—
Fair value of premises	12,008	12,008	22,469
Amortization of fair value of premise	(1,209)	(1,447)	(2,708)
Fair value of other	(221)	—	—
Acquisition of Banco Edwards (Note 28 (b))			
Goodwill	204,601	204,601	382,840
Fair value of intangibles	34,108	34,108	63,821
Amortization of fair value of intangibles	(18,872)	(21,509)	(40,247)
Fair value of loans	(4,039)	(3,491)	(6,532)
Fair value of other interest bearing liabilities	(32,247)	(28,088)	(52,557)
Fair value of premises	93	93	174
Amortization of fair value of premises	(38)	(47)	(88)
Fair value of other	(615)	(536)	(1,003)
Investments in other companies (Note 28 (e))	659	555	1,038
Allowance for loan losses (Note 28 (i))	39,139	23,435	43,850
Derivatives (Note 28 (k))	1,440	66	123
Held-to-Maturity investments (Note 28 (j))	50	119	223
Assets received in lieu of payment (Note 28 (m))	5,053	6,693	12,524
Minimum Dividend (Note 28 (l))	(55,356)	(58,574)	(109,601)
Goodwill – Leasing Andino Acquisition (Note 28 (n))	2,030	2,030	3,798
Staff severance indemnities (Note 28 (o))	(5,132)	(5,568)	(10,419)
Deferred tax effect of the above U.S. GAAP adjustments (Note 28 (d))	(25,501)	(20,733)	(38,794)
Shareholders' Equity in accordance with U.S. GAAP	**1,459,771**	**1,476,418**	**2,762,603**

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, 2006)

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

(q) 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, 2005 and 2006:

	Years ended December 31,		
	2005 MCh$	2006 MCh$	2006 ThUS$
Balance as of January 1,	1,400,759	1,459,771	2,731,454
Dividends paid	(161,910)	(153,285)	(286,819)
Mandatory dividends, previous date	48,433	55,356	103,579
Mandatory dividends, closing date	(55,356)	(58,574)	(109,601)
Unrealized gains on Available-for-sale investments, net of taxes	(80)	(11)	(21)
Placement of shares	58,847	—	—
Cumulative translation adjustment	(3,297)	325	608
Net income in accordance with U.S. GAAP	172,375	172,836	323,403
Balance as of December 31,	**1,459,771**	**1,476,418**	**2,762,603**

(r) 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,		
	2004 Ch$	2005 Ch$	2006 Ch$
Chilean GAAP (1)			
Earnings per share	2.41	2.75	2.84
Weighted average number of total shares outstanding (in millions)	66,932.70	67,091.30	68,821.29
U.S. GAAP (1)			
Earnings per share	2.32	2.57	2.51
Weighted average number of total shares outstanding (in millions)	66,932.70	67,091.30	68,821.29

(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)
(Restated for general price - level changes and expressed in millions of constant Chilean pesos as of December 31, 2006)

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

(s) 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, 2006 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, 2004, 2005 and 2006 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. Reclassification of fees relating to contingent loans from interest income under Chilean GAAP to other income under Article 9.
3. Elimination of the cash clearing account from cash and due from banks.[(1)]
4. Presentation of forward contracts classified based on the legal right to offset
5. Reclassification of assets under lease from other assets to Bank premises and equipment.
6. Presentation of deferred taxes on net basis.
7. Reclassification of Mutual Fund units from other assets to trading investments
8. Reclassification of the amortization of deferred sales forces fees related with loans origination from fees and income from services to interest and fees on loans
9. Reclassification of other non-operating income and expenses items to other income and expenses as result of being operational income and expenses for US GAAP purposes.
10. Inclusion of adjustments to U.S. GAAP described in Note 28(q).

(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 of 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 Chilean pesos as of December 31, 2006)

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

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

The following income statements presented for the years ended December 31, 2004, 2005 and 2006 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:

Income Statements

	Years ended December 31,		
	2004 MCh$	2005 MCh$	2006 MCh$
INTEREST INCOME:			
Interest and fees on loans	550,046	646,208	708,580
Interest on investments	59,787	54,957	65,985
Interest on deposits with banks	2,498	9,061	8,568
Interest under agreements to resell	11,624	9,502	12,495
Total interest income	**623,955**	**719,728**	**795,628**
INTEREST EXPENSE:			
Interest on deposits	(93,982)	(176,803)	(262,171)
Interest on investments sold under agreements to purchase	(8,262)	(10,098)	(12,375)
Interest on short-term debt	(5,891)	(5,855)	(8,866)
Interest on long-term debt	(114,599)	(117,879)	(83,389)
Interest on other borrowed funds	—	(1,706)	(1,284)
Price-level restatement (1)	(7,897)	(11,690)	(8,526)
Total interest expense	**(230,631)**	**(324,031)**	**(376,611)**
Net interest income	**393,324**	**395,697**	**419,017**
PROVISION FOR LOAN LOSSES	**(33,339)**	**(23,496)**	**(51,932)**
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	**359,985**	**372,201**	**367,085**
OTHER INCOME:			
Fees and income from services, net	105,674	117,567	113,287
Brokerage and securities income net gain (losses) on trading activities	(26,436)	(20,361)	34,160
Net gains (losses) on foreign exchange	19,092	24,155	(10,802)
Other income	6,675	11,507	19,505
Total other income	**105,005**	**132,868**	**156,150**
OTHER EXPENSES:			
Salaries	(143,877)	(153,779)	(157,958)
Net premises and equipment expenses	(24,638)	(26,119)	(30,114)
Administration expenses	(86,396)	(103,990)	(113,148)
Other expenses	(33,707)	(29,433)	(29,850)
Minority interest	(1)	—	(1)
Total other expenses	**(288,619)**	**(313,321)**	**(331,071)**
INCOME BEFORE INCOME TAXES	**176,371**	**191,748**	**192,164**
INCOME TAXES	**(20,974)**	**(19,373)**	**(19,328)**
NET INCOME FOR THE YEAR	**155,397**	**172,375**	**172,836**

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)

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

The following balance sheets presented as of December 31, 2005 and 2006 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,	
	2005 MCh$	2006 MCh$
ASSETS		
Cash and due from banks	507,019	693,418
Term Federal Funds	236,209	101,869
Interest bearing deposits in other banks	74,803	631,709
Investments under agreements to resell	47,676	53,314
Trading investments	1,102,058	916,983
Available-for-sale investments	25,162	40,066
Held-to-maturity investments	15,739	16,003
Subtotal	**2,008,666**	**2,453,362**
Loans	7,782,624	8,856,672
Unearned income	(78,273)	(89,930)
Allowance for loan losses	(105,133)	(121,544)
Loans, net	**7,599,218**	**8,645,198**
Premises and equipment, net	178,863	202,498
Goodwill	598,573	598,573
Other assets	460,030	417,360
TOTAL ASSETS	**10,845,350**	**12,316,991**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Non-interest bearing	1,897,754	2,070,115
Interest bearing	4,710,131	5,788,816
Total deposits	**6,607,885**	**7,858,931**
Short-term borrowings	139,417	384,245
Investments sold under agreements to repurchase	276,435	306,855
Other liabilities	454,275	501,756
Long-term debt	1,907,566	1,788,784
TOTAL LIABILITIES	**9,385,578**	**10,840,571**
Minority interest	**1**	**2**
Shareholder's equity:		
Common stock	523,130	554,765
Other Shareholders' equity	936,641	921,653
TOTAL SHAREHOLDERS' EQUITY	**1,459,771**	**1,476,418**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**10,845,350**	**12,316,991**

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) 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,	
	2005 MCh$	2006 MCh$
Total assets of the Bank under Chilean GAAP	10,913,043	12,760,286
Elimination of assets offset by liabilities:		
Cash clearing account	(144,997)	(172,096)
Contingent loans	(739,109)	(988,359)
Reclassification of forward contracts	77,018	3,357
Reclassification of deferred taxes	(22,343)	(20,750)
U.S. GAAP adjustments, net	761,738	734,553
Total assets as per Article 9 presentation	**10,845,350**	**12,316,991**

(t) 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,		
	2004 MCh$	2005 MCh$	2006 MCh$
Tax expense for the year under Chilean GAAP	(19,414)	(21,840)	(24,096)
U.S. GAAP Adjustments:			
Deferred tax effect of applying SFAS No. 109	507	—	—
Deferred tax effect of U.S. GAAP adjustments	(2,067)	2,467	4,768
Tax expense for the year under U.S. GAAP	**(20,974)**	**(19,373)**	**(19,328)**

BANCO DE CHILE AND SUBSIDIARIES

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

(t) Income taxes (continued)

Deferred tax assets (liabilities) are summarized as follows:

	Years ended December 31,	
	2005 MCh$	2006 MCh$
Deferred Tax Assets:		
Allowance for loan losses	19,519	21,858
Obligations with repurchase agreements	12,077	8,921
Leasing equipment	6,951	3,344
Deffered income taxes related to purchase accounting of Banco de A. Edwards	3,674	3,310
Personnel provisions	2,216	2,336
Staff vacations	1,851	2,027
Staff severance indemnities	1,844	1,906
Accrued interests and readjustments from risky loan portfolio	2,242	1,462
Assets at market value	1,227	839
Charge-offs from financial investment	67	—
Other adjustments	9,377	7,590
Total Deferred Tax Assets	**61,045**	**53,593**
Deferred Tax Liabilities:		
Deferred income taxes related to push down accounting adjustments	22,282	19,838
Investments sold under repurchase agreements	11,070	8,911
Depreciation and price-level restatement of fixed assets	6,356	5,990
Transitory assets	2,340	3,158
Other adjustments	2,577	2,691
Total Deferred Tax Liabilities	**44,625**	**40,588**
NET DEFERRED TAX ASSETS	**16,420**	**13,005**

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)

(t) 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,		
	2004 MCh$	2005 MCh$	2006 MCh$
Chilean taxes due at the applicable statutory rate (1)	29,983	32,597	32,668
Increase (decrease) in rates resulting from:			
Non-deductible expenses	5,213	4,105	4,660
Non-taxable income	(16,424)	(17,492)	(18,175)
Effect on tax and financial equity restatement (2)	(1,661)	(1,970)	(674)
Other	3,863	2,133	849
At effective tax rate	**20,974**	**19,373**	**19,328**

(1) The Chilean statuary first category (corporate) income tax rate is 17% for 2004, 2005 and 2006.

(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.

(u) 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, 2004, 2005 and 2006:

	Year ended December 31, 2006		
	Before-tax amount MCh$	Tax (expense) or benefit MCh$	Net-of-tax amount MCh$
Beginning balance	(3,655)	(916)	(4,571)
Price-level restatement (1)	113	(19)	94
Unrealized gains on securities available for sale:			
Unrealized gains arising during the period	(13)	2	(11)
Less: reclassification adjustment for gains included in income	—	—	—
Net unrealized gains	(13)	2	(11)
Adjustment for translation differences	325	—	325
Ending balance	**(3,230)**	**(933)**	**(4,163)**

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) Comprehensive Income (continued)

	Year ended December 31, 2005		
	Before-tax amount MCh$	Tax (expense) or benefit MCh$	Net-of-tax amount MCh$
Beginning balance	(314)	(923)	(1,237)
Price-level restatement (1)	52	(9)	43
Unrealized losses on securities available for sale:			
Unrealized losses arising during the period	(96)	16	(80)
Less: reclassification adjustment for losses included in net income	—	—	—
Net unrealized losses	(96)	16	(80)
Adjustment for translation differences	(3,297)	—	(3,297)
Ending balance	**(3,655)**	**(916)**	**(4,571)**

	Year ended December 31, 2004		
	Before-tax amount MCh$	Tax (expense) or benefit MCh$	Net-of-tax amount MCh$
Beginning balance	2,351	(971)	1,380
Price-level restatement (1)	(42)	7	(35)
Unrealized losses on securities available for sale:			
Unrealized losses arising during the period	(270)	46	(224)
Less: reclassification adjustment for losses included in net income	28	(5)	23
Net unrealized losses	(242)	41	(201)
Adjustment for translation differences	(2,381)	—	(2,381)
Ending balance	**(314)**	**(923)**	**(1,237)**

(1) Reflects the effect of inflation on the comprehensive income at the beginning of each period, adjusted to constant pesos of December 31, 2006.

(v) 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.

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) Segment information (continued)

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 segments during 2005. The internally reported segments are as follows:

Wholesale Market,

The Wholesale market business segment 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.

Retail Market,

The Retail market business segment 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, Mexico City and Beijing 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 measures 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.

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

(v) Segment information (continued)

- 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.

The following tables show the results of the Bank by operating segments for the three years ended December 31, 2006:

	Year ended December 31, 2006 (1)						
	Wholesale Market MCh$	Retail Market MCh$	Treasury MCh$	International Banking MCh$	Subsidiaries MCh$	Other (2) MCh$	Total MCh$
Operating Revenues	130,331	321,937	22,677	15,086	71,843	(1,144)	**560,730**
Provisions	5,794	(42,319)	—	(90)	(1,114)	1,501	**(36,228)**
Operating Expenses	(46,900)	(145,554)	(3,548)	(21,296)	(41,446)	(41,793)	**(300,537)**
Other income and expenses	(6,572)	(3,324)	(20)	(303)	(1,435)	7,033	**(4,621)**
Net income before taxes	**82,653**	**130,740**	**19,109**	**(6,603)**	**27,848**	**(34,403)**	**219,344**

	Year ended December 31, 2005 (1)						
	Wholesale Market MCh$	Retail Market MCh$	Treasury MCh$	International Banking MCh$	Subsidiaries MCh$	Other (2) MCh$	Total MCh$
Operating Revenues	120,975	291,006	19,226	14,123	71,546	12,343	**529,219**
Provisions	10,316	(31,546)	—	829	(972)	(1,118)	**(22,491)**
Operating Expenses	(48,659)	(138,478)	(2,748)	(21,022)	(41,409)	(30,002)	**(282,318)**
Other income and expenses	(16,273)	(4,020)	(397)	(159)	(2,086)	4,884	**(18,051)**
Net income before taxes	**66,359**	**116,962**	**16,081**	**(6,229)**	**27,079**	**(13,893)**	**206,359**

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

(v) Segment information (continued)

	Year ended December 31, 2004 (1)						
	Wholesale Market MCh$	Retail Market MCh$	Treasury MCh$	International Banking MCh$	Subsidiaries MCh$	Other (2) MCh$	Total MCh$
Operating Revenues	109,178	264,568	28,767	12,433	69,487	12,492	**496,925**
Provisions	(8,240)	(31,669)	—	(89)	(1,807)	(268)	**(42,073)**
Operating Expenses	(50,397)	(128,595)	(2,432)	(8,398)	(37,033)	(28,010)	**(254,865)**
Other income and expenses	(14,750)	(2,641)	(226)	(152)	(839)	(522)	**(19,130)**
Net income before taxes	**35,791**	**101,663**	**26,109**	**3,794**	**29,808**	**(16,308)**	**180,857**

(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.

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

(v) 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 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,		
	2004 MCh$	2005 MCh$	2006 MCh$
Total Interest Revenues			
Republic of Chile	583,600	678,636	753,257
U.S.A.	13,771	19,148	24,397
Hong Kong	—	—	—
Total Net Income			
Republic of Chile	157,572	190,000	199,473
U.S.A.	3,878	(5,618)	(4,420)
Hong Kong	(7)	137	195
Mortgage Loans			
Republic of Chile	867,235	684,424	581,218
U.S.A.	—	—	—
Hong Kong	—	—	—
Commercial Loans			
Republic of Chile	2,949,508	3,537,483	3,937,467
U.S.A.	83,383	47,148	33,442
Hong Kong	—	—	—
Income Taxes			
Republic of Chile	(19,538)	(21,781)	(23,990)
U.S.A.	123	(30)	(66)
Hong Kong	1	(29)	(40)
Bank Premises and equipment			
Republic of Chile	139,600	143,171	149,375
U.S.A.	732	2,270	2,302
Hong Kong	—	—	—
Total Assets			
Republic of Chile	9,550,660	10,347,194	12,290,366
U.S.A.	655,841	565,836	469,901
Hong Kong	2	13	19

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

(w) 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.

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

(w) 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,			
	2005		2006	
	Carrying Amount MCh$	Estimated fair value MCh$	Carrying Amount MCh$	Estimated fair value MCh$
ASSETS				
Cash and due from banks	507,019	507,019	693,418	693,418
Interest bearing deposits in other banks	74,803	74,803	631,709	631,709
Term federal funds	236,209	236,209	101,869	101,869
Accounts receivable under spot foreign exchange transactions (1)	78,151	78,151	77,628	77,628
Financial investments	1,190,635	1,190,634	1,026,366	1,026,366
Loans, net (2)	7,599,218	8,134,636	8,645,198	8,382,822
Derivative instruments	78,459	78,459	53,924	53,924
LIABILITIES				
Deposits	6,607,884	6,724,403	7,858,932	9,567,349
Accounts payable under spot foreign exchange transactions (1)	52,167	52,167	81,406	81,406
Investments sold under agreements to repurchase	276,435	276,435	306,855	306,855
Short term and long term borrowings	2,046,983	1,993,248	2,173,029	2,187,005
Derivative instruments	138,295	138,295	73,312	73,312

(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.

(x) Investments in other companies

As of December 31, 2004, 2005 and 2006, 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,						
	2004		2005		2006		
	Investment MCh$	Income (Loss) MCh$	Investment MCh$	Income (Loss) MCh$	Investment MCh$	Income (Loss) MCh$	Ownership Interest 2006 %
Servipag Ltda.	1,040	161	1,257	216	1,513	256	50.00
Soc. Operadora de Tarjetas de Crédito Nexus S.A	1,127	182	1,168	186	1,219	237	25.81
Administrador Financiero Transantiago S.A.	—	—	1,297	71	1,197	(95)	20.00
Redbanc S.A.	935	146	931	142	943	153	25.42
Centro de Compensación Automatizado S.A. (CCA S.A.)	200	33	217	35	240	40	33.33
Artikos Chile S.A.	46	(175)	120	(187)	164	43	50.00
Total investments in other companies accounted for under the equity method	3,348	347	4,990	463	5,276	634	
Other investments carried at cost	2,948	142	2,979	129	2,972	293	
Total investments in other companies	**6,296**	**489**	**7,969**	**592**	**8,248**	**927**	

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

(y) Bank premises and equipment, net

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

	As of December 31, 2005 MCh$	As of December 31, 2006 MCh$
Land and buildings	108,418	109,709
Machinery and equipment	39,369	46,344
Assets under lease	22,568	40,214
Furniture and fixtures	5,295	3,055
Other assets	2,361	2,335
Vehicles	852	841
Bank premises and equipment, net	**178,863**	**202,498**

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.

(z) Other assets and other liabilities

(1) Other assets

	As of December 31, 2005 MCh$	As of December 31, 2006 MCh$
Intangibles	134,736	118,728
Amounts receivable under spot foreign exchange transaction	78,151	77,628
Derivative instruments	78,459	53,924
Payments from counterparties to be settled	52,294	36,766
Intangibles (software and licenses for trademark use)	14,597	22,655
Assets received in lieu of payment	15,722	17,492
Deferred fees	9,464	14,220
Deferred income tax assets, net	16,420	13,005
Transactions in process	6,993	8,313
Investments in other companies	7,969	8,248
Notes receivable	11,708	6,600
VAT fiscal credit	5,789	6,030
Recoverable taxes	1,831	4,916
Assets to be securitized	—	4,860
Accounts receivable for assets received in lieu of payment sold	1,332	2,309
Prepaid expenses	1,715	1,855
Additional consideration paid in the purchase of mortgage bonds	1,799	1,150
Materials and supplies	637	640
Accounts receivable for financial investments sold	2,035	—
Other	18,379	18,021
Total other assets	**460,030**	**417,360**

BANCO DE CHILE AND SUBSIDIARIES

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

(z) Other assets and other liabilities (continued)

(2) Other liabilities

	As of December 31,	
	2005 MCh$	2006 MCh$
Accounts payable	86,523	156,151
Amounts payable under spot foreign exchange transaction	52,167	81,406
Derivative instruments, net	138,295	73,312
Provision for minimum dividend	55,356	58,574
Payments to counterparties to be settled	48,989	44,604
Notes payable	19,984	25,154
Accrued staff vacation expense	16,061	17,801
Transactions in process	2,122	7,882
Leasing deferred gains	6,816	6,464
Provision for staff severance indemnities and personnel expenses	6,930	6,436
VAT	4,324	5,931
Administration and credit card contract provision	3,818	5,500
Deferred fees	4,224	3,769
Legal contingencies provision	879	1,386
Allowance for income taxes, net	2,621	—
Other	5,166	7,386
Total other liabilities	**454,275**	**501,756**

(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, 2005		As of December 31, 2006	
	Book value MCh$	Contract amount MCh$	Book value MCh$	Contract amount MCh$
Performance bonds	3,220	550,712	3,139	681,427
Foreign office guarantees	11	22,437	11	39,067
Standby letters of credits	136	11,307	129	26,343
Total	**3,367**	**584,456**	**3,279**	**746,837**

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.

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

(z) Other assets and other liabilities (continued)

The expiration of guarantees, per period is as follows:

	Due within 1 year MCh$	Due after 1 year but within 3 year MCh$	Due after 3 years but within 5 years MCh$	Due after 5 years MCh$	Total MCh$
Performance bonds	398,065	239,332	43,535	495	681,427
Foreign office guarantees	39,067	—	—	—	39,067
Standby letters of credits	5,259	19,827	1,257	—	26,343
Total	**442,391**	**259,159**	**44,792**	**495**	**746,837**

(aa) 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, 2005			As of December 31, 2006		
	Long-term MCh$	Short-term MCh$	Total MCh$	Long-term MCh$	Short-term MCh$	Total MCh$
Foreign borrowings	661,108	14,277	675,385	319,173	272,400	591,573
Bonds	331,522	—	331,522	554,272	—	554,272
Mortgage finance bonds	600,439	—	600,439	505,725	—	505,725
Subordinated bonds	311,695	—	311,695	405,942	—	405,942
Investments under agreements to repurchase	—	276,435	276,435	—	306,855	306,855
Borrowings from domestic financial institutions	—	92,054	92,054	—	88,261	88,261
Other obligations	1,366	33,086	34,452	2,848	23,584	26,432
Central Bank Credit lines for renegotiation of loans	1,436	—	1,436	824	—	824
Total other interest bearing liabilities	**1,907,566**	**415,852**	**2,323,418**	**1,788,784**	**691,100**	**2,479,884**

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, 2006)

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

(aa) 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 4.56% as of December 31, 2006.

The maturities of outstanding mortgage bond amounts as of December 31, 2006 are as follows:

	As of December 31, 2006 MCh$
Due within 1 year	66,944
Due after 1 year but within 2 years	49,487
Due after 2 years but within 3 years	48,606
Due after 3 years but within 4 years	47,341
Due after 4 years but within 5 years	44,838
Due after 5 years	248,509
Total mortgage finance bonds	**505,725**

(ab) Shareholders' Equity

The Bank's paid-in capital consists of 69,037,564,665 authorized shares with no fixed nominal value, issued and outstanding as of December 31, 2006. Dividends related to the year ended December 31, 2005 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 shareholders based on prior year net income determined under Chilean GAAP for the years ended December 31, 2004, 2005 and 2006 (presented in constant Chilean pesos as of December 31, 2006) are as follows:

	Paid during the year ended December 31,		
	2004 MCh$	2005 MCh$	2006 MCh$
Dividends	142,135	161,910	153,285
Dividends per share	2.09	2.44	2.25

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, 2006)

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

(ac) 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, 2004, 2005 and 2006 are summarized as follows:

	Years ended December 31,					
	2004		2005		2006	
	Income MCh$	Expenses MCh$	Income MCh$	Expenses MCh$	Income MCh$	Expenses MCh$
Fees and income from services						
Mutual funds management	21,380	(1,936)	25,293	(2,334)	25,472	(2,341)
Sight accounts and ATMs	20,935	(9,794)	22,875	(9,495)	24,592	(10,108)
Insurance	15,293	(182)	20,579	(160)	24,429	(201)
Stock brokerage	13,601	(820)	15,448	(32)	11,127	(626)
Cash management services	8,559	(10)	9,795	(235)	10,865	(94)
Collection of overdue loans	9,064	—	8,838	—	9,883	—
Credit lines	7,137	—	7,425	—	8,078	—
Demand deposits	6,051	—	5,959	—	6,723	—
Contingent fees	3,945	—	4,440	—	4,963	—
Credit	5,730	—	9,764	—	4,567	—
Foreign trade and currency exchange	3,606	—	3,407	—	3,863	—
Income and revenue from assets received in lieu of payment	5,808	(1,710)	5,178	(1,586)	3,740	(1,408)
Financial advisory services	2,678	—	942	—	2,844	—
Letters of credit guarantees, collaterals and other contingent loans	3,149	—	3,083	—	2,470	—
Custody and trust services	1,480	—	1,799	—	2,076	—
Collection services	3,767	—	2,580	—	1,944	—
Leasing	1,719	(91)	1,623	(313)	1,467	(199)
Factoring	670	(53)	631	(8)	869	(7)
Teller services expenses	—	(3,584)	—	(4,043)	—	(4,606)
Cobranding	—	(3,843)	—	(5,939)	—	(6,977)
Fees from sales force	—	(9,285)	—	(10,007)	—	(13,354)
Other	3,972	(1,562)	3,806	(1,746)	5,455	(2,219)
Total	**138,544**	**(32,870)**	**153,465**	**(35,898)**	**155,427**	**(42,140)**

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, 2006)

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

(ad) Other income and expense

	Years ended December 31,					
	2004		2005		2006	
	Income MCh$	Expenses MCh$	Income MCh$	Expenses MCh$	Income MCh$	Expenses MCh$
Other income and expenses						
Gains on sales of assets received in lieu of payment	891	—	4,478	—	9,541	—
Prior year tax differences	5	—	—	—	3,343	—
Rental income	2,492	—	2,402	—	2,396	—
Assets received in lieu of payment	1,082	—	2,891	—	1,640	—
Income (losses) attributable to investments in other companies, net	489	—	592	—	927	—
Gains from sale of shares	—	—	—	—	447	—
Recoveries of expenses	617	—	301	—	258	—
Fair Value Other	—	(78)	—	(354)	221	—
Foreign trade income	154	—	134	—	110	—
Income from sale of fixed assets	314	—	125	—	71	—
Dividends received	59	—	93	—	55	—
Leasing income	80	—	57	—	6	—
Tax expenses from previous years	—	(2,377)	—	—	—	—
Provision and charge-offs other assets	—	(432)	—	—	—	—
Amortization of intangibles	—	(16,832)	—	(13,998)	—	(16,008)
Charge-offs assets received in lieu of payment	—	(8,694)	—	(11,053)	—	(9,832)
Charge-offs	—	(1,404)	—	(1,311)	—	(1,360)
Write-offs for frauds	—	(1,124)	—	(557)	—	(558)
Legal contingencies provision	—	(193)	—	(20)	—	(537)
Expenses on charge-offs for leasing	—	(256)	—	(367)	—	(199)
Advertising expenses	—	(56)	—	(63)	—	(70)
Charge-offs and provisions related to fixed assets	—	(46)	—	(25)	—	(17)
Provision for recovered leased assets	—	(1,538)	—	(1,084)	—	(15)
Reversal of adjustments and interest from previous years	—	(131)	—	(49)	—	(13)
Other	492	(546)	434	(552)	490	(1,241)
Total	**6,675**	**(33,707)**	**11,507**	**(29,433)**	**19,505**	**(29,850)**

(ae) Recent accounting pronouncements

In February 2007, the Financial Accounting Standard Board ("FASB") issued SFAS No. 159 ("SFAS 159"), "The Fair Value Option for Financial Assets and Financial Liabilities", effective for fiscal years beginning after November 15, 2007. Early adoption is permitted as of the beginning of a fiscal year that begins on or before November 15, 2007, provided the entity also elects to apply the provisions of SFAS No. 157. SFAS 159 permits entities to choose to measure financial assets and liabilities at fair value. The election to measure a financial asset or liability at fair value can be made on an instrument-by-instrument basis and is irrevocable. The difference between carrying value and fair value at the election date is recorded as a transition adjustment to opening retained earnings. Subsequent changes in fair value are recognized in earnings. The Company is currently assessing the impact that the adoption of the standard will have on its consolidated financial statements.

In September 2006, the FASB issued SFAS No. 157 ("SFAS 157"), "Fair Value Measurements." SFAS 157 clarifies the principle that fair value should be based on the assumptions that market participants would use when pricing an asset or liability. Additionally, it establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007. Management does not expect the adoption of SFAS 157 will have a material impact on the 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 Chilean pesos as of December 31, 2006)

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

(ae) Recent accounting pronouncements (continued)

In July 2006, the FASB issued FASB Interpretation No. 48 (“FIN 48”), “Accounting for Uncertainty in Income Taxes”. FIN 48 is an interpretation of SFAS No. 109, “Accounting for Income Taxes” and seeks to reduce the diversity in practice associated with certain aspects of measurement and recognition in accounting for income taxes. FIN 48 clarifies the accounting for income taxes by prescribing a minimum threshold a tax position is required to meet before being recognized in the financial statements. In addition, FIN 48 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods and requires expanded disclosure with respect to the uncertainty in income taxes. FIN 48 is effective as of the beginning of our 2007 fiscal year. The cumulative effect, if any, of applying FIN 48 is to be reported as an adjustment to the opening balance of retained earnings in the year of adoption. Management is currently evaluating the effect of this interpretation on the Bank’s results of operations and financial condition.

On February 16, 2006, the FASB issued SFAS No. 155 (“SFAS 155”), “Accounting for Certain Hybrid Instruments”, 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.

Exhibit 1.1

BYLAWS OF
BANCO DE CHILE

(English Translation of Spanish Original)

May 2007

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.

2ndArticle:

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 $588,599,303,855, divided into 69,920,023,865 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 $588,599,303,855 divided into 69,920,023,865 registered shares, with no par value, which is paid in as follows:

a) With the amount of $554,765,818,127 divided into 69,037,564,665 registered shares with no par value which corresponds to the subscribed and paid capital of Banco de Chile at December 31, 2006, including the revaluation of shareholders' equity at that date; and

b) With the amount of $33,833,485,728 which is paid in through the issuance of 882,459,200 shares issued without payment, with no par value, paid with the fiscal year 2006 profit which was not distributed as dividends

as agreed by the Ordinary Shareholders Meeting which was held on March 22, 2007. The new shares to be issued shall be distributed to shareholders at the rate of 0.02213 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.

Exhibit 8.1

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 Asesoria 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.

Exhibit 11.1

CODE OF PROFESIONAL ETHICS

Banco de Chile

PREFACE

Banco de Chile's Code of Professional Ethics contains the general principles and policies that must guide the professional and ethical performance of all company employees. Its objective is to safeguard those values that are considered essential in order to adequately conduct our company's business and management, consistent with the company's corporate philosophy.

Every day more and more, an explicit statement and effective implementation of ethical values it is required in the business world. This requires having a clear management of the company in accordance with principles and values aimed to protect both human beings and the community.

Banco de Chile's values seek to define the framework that will allow the company to accomplish this goal. Employees and their work become one, discarding the existence of any duality or incoherence between individual and employee behavior in their daily activities.

Customers must receive not only quality products for a specific price, but also an honest, transparent and reliable service. As a financial institution that depends on public confidence, Banco de Chile is morally responsible for safeguarding clients' interests.

Banco de Chile is a company that works with money and others assets that belong to third parties, which means that confidence and honesty is required at every level, both within the company and vis-à-vis third parties. The Bank's relationship with its employees, clients and community is based on confidence, trustworthiness and honesty, which result in the mutual trust of all participants in the system.

I. INTRODUCTION

I.1. GENERAL PRINCIPLES AND OBJECTIVES

Banco de Chile has approved this Code of Professional Ethics that sets forth regulations that all employees must respect. Employees must report any intent to violate this Code of Professional Ethics.

Taking into account the social and individual responsibility of the different administrative activities and functions of the company, this document defines the general principles and policies that must drive decisions and actions of all company employees.

Our mission as employees, both individually and collectively, is to act in accordance with the principles and ethical values of mankind, the company and society.

The company promotes and safeguards the ethical values that it considers important in its performance: honesty, truthfulness, transparency, righteousness and seriousness.

This document's principal objective is to establish a general ethical framework applicable to each and every activity of the company.

This document addresses the basic matters and situations that may be present in the business and economic environment, as well as those specific to the administration and management of any financial institution.

These regulations are a knowledge and consultation tool and should be used as a reference that guides the decision making process of each employee, according to their position and role.

Each member of the organization must act according with said values in a uniform, coherent and permanent manner. Employees must undertake their duties in a responsible manner and act correctly at all times.

This Code of Professional Ethics describes general behavioral conduct from an ethical perspective. However, it is the responsibility of each employee to promptly notify the next management level or Human Resources Area, of any situation that represents an ethical issue.

II. BASIC PRINCIPLES

II.1. PERSONAL FINANCES

Every Banco de Chile employee must maintain an irreproachable business and commercial behavior, performing his or her duties and business obligations in a timely and correct manner. It is imperative that those who demand this conduct from his or her clients conduct themselves likewise.

Such statement means that each employee must manage his or her banking, financial and commercial duties responsibly and in accordance with his or her debt capabilities. Maximum prudence must prevail in this aspect, which is incompatible with non-payment of debts when due, delinquent or bounced debts.

If an employee requires a loan, he or she must borrow it exclusively from financial entities formally established. Unofficial lending institutions with high financial costs and inadequate warranty policies are prohibited.

Employee's private investments or businesses must adhere to Banco de Chile Code of Professional Ethics and customs.

It is considered inappropriate for any employee to give personal loans and or to be involved in any illegal businesses.

II.2. CONFLICT OF INTERESTS

An employee must execute his or her duties, -both individually and on behalf of Banco de Chile-, in accordance with the rules of conduct of the company. He or she must maintain his or her independence and professionalism at all times at work or in private. Therefore, it is unacceptable for employees to partake in any activity or action, which may present a conflict of interest for the employee, Banco de Chile or the company's clients, as such acts damage confidence placed in the employee and result in a lack of transparency.

There is a conflict of interest, for example, whenever a decision taken by an employee during the course of his/ her activities, it is affected by his or her personal benefit or for the benefit of a third party and not in the interest of Banco de Chile and its customers.

II.2.a.Personal relationships with clients

No Banco de Chile employee may represent the company in any transaction that involves persons or banks with a direct family tie or any other personal relationship with the employee, which may affect his or her independence or business interests. Any connection between an employee and a client or supplier must be reported in writing to the appropriate manager.

In order to maintain independence and impartiality when making decisions, employees should not establish any type of personal business relationship with clients, such as commercial or financial transactions. A personal business relationship or involvement with any client lessens the employee's liberty when making decisions.

II.2.b. Rewards and gifts

No employee should solicit or accept fees, payments, gifts, salary or profits from anyone in exchange for services provided by or business done with Banco de Chile and or its subsidiaries.

Exceptions to the previous paragraph are symbolic or corporate gifts, dinner invitations or business meetings, provided that, under no circumstance, could such bequests be interpreted as a deliberate willingness to compromise employee independence, impartiality or principles. Any doubts regarding this matter must be directed to the next supervision level or to the appropriate manager.

II.2.c. Giving corporate gifts

Banco de Chile offers corporate gifts to clients in accordance with its marketing policies and strategies. These gifts are authorized only if they adequately portray Banco de Chile's corporate image and are exclusively for clients.

Payments, donations or gifts cannot be given to individuals, political parties, government officials, public corporations or third parties, for the purpose of guaranteeing or influencing their decisions.

Neither should any compensation, special benefit nor gift be given to any individual or third party with the intention of influencing or promoting the outcome of a business transaction, even when such outcome may be beneficial for Banco de Chile.

II.2.d.Relationship with suppliers

Relationship between Banco de Chile's employees and suppliers must be independent and in accordance with the company's corporate interests, which means that there may not be any special obligation or partiality toward any specific supplier. Employees should always consider utility and quality of the product and Banco de Chile's budget.

Anyone who maintains an association with external suppliers must keep price, budget and program information confidential. Additionally, employees are prohibited from divulging information to anyone regarding Banco de Chile's purchase of equipment, supplies or services.

II.2.e.Expense and allowance report

Funds that Banco de Chile provides to employees for performing work related activities belong to the company. They should be used for their intended purpose and all transactions should be transparent.

II.2.f.Use of privileged information

When making personal investments, employees must avoid using privileged information, obtained as result of their position, for personal or third party benefit. Those who have access to confidential or privileged information regarding banks or specific assets must avoid capitalizing on such knowledge. Likewise, those with any knowledge about investment policies and strategies, plans, researches, or negotiations shall not directly or indirectly take advantage of such knowledge for either their benefit or the benefit of others.

No Banco de Chile employee may use confidential information to perform transactions in securities issued by any company in their portfolio.

All stock market transactions that Banco de Chile's employees perform during a one-month period, which are equal to or in excess of UF 500, must be reported in writing to Human Resources. Same procedure will apply whenever such UF 500 threshold is exceeded for a single specific security.

All currency, exchange rate or similar derivatives that are available in the financial market are subject to the previous regulation, particularly, high-risk transactions in which a small capital investment may result in significant losses or profits.

II.2.g.Personal relations with prospective employees

With regard to recruiting and hiring personnel, no applicant will receive special treatment based on personal or family connections.

II.3. CONFIDENTIAL INFORMATION

II.3.a.Safeguarding information

Information regarding Banco de Chile's operations and its clients is confidential; therefore, use, safeguard and custody of documents should be maintained in accordance with Banco de Chile's internal rules.

Therefore, it is the employee's responsibility to safeguard all documents and or assets under his or her care, as well as to protect any information belonging to Banco de Chile.

II.3.b.Information barriers

All confidential information regarding issuers, their securities and related transactions must be kept strictly confidential. Any type of dissemination or communication of confidential information to a third party is prohibited, even when the third party may be another Banco de Chile employee. The ethical and professional principle of bank secrecy must be respected in such instances.

If internally, during the course of work, it becomes necessary to report confidential matters to a third party, the following procedure must be followed:

- Clearly state that information provided is confidential.
- Alert the third party about restrictions concerning the disclosure of such information.
- Alert the third party that he or she is prohibited from performing financial transactions based on such information.

Communication, duplication or transmittal to a third party, either orally, in writing or electronically, of information regarding certain aspects of Banco de Chile's business strategies, databases, client sectors or any other information regarding Banco de Chile's business or operations and its clients is prohibited, even if the employee is indirectly involved in such dissemination. Similarly, the employee must avoid responding to questions related to such operations or any other matter that may be a liability to or may be prejudicial for Banco de Chile or its clients.

Handling and management of stock market information in a responsible manner is of highest importance, both regarding customer relations as well as from a personal perspective.

Similarly, each employee participating in preparation of reports and documents Banco de Chile must file or present to supervisory authorities, must promote full, fair, accurate, timely and understandable disclosure of such information. Same behavior must be observed when preparing any other public communication made by the Bank.

II.4. ACTING ON BEHALF OF BANCO DE CHILE

II.4.a.Individual responsibility

As a Banco de Chile employee, each person is individually responsible for his or her actions and behaviors. This includes knowledge of and mandatory compliance with regulations contained in Banco de Chile's internal manuals, rules and procedures.

The employee must not partake in any illegal activity or adopt any kind of behavior, which may jeopardize Banco de Chile's prestige, interests or assets, or that of other employees. If an assistant receives instructions contrary to Banco de Chile's values, policies and internal practices, he or she must report such instructions to Human Resources so that the necessary steps may be taken.

Employees should be loyal to Banco de Chile in all aspects and must not use Banco de Chile's name for personal purposes. Similarly, it is prohibited to publish or disseminate any type of information that tarnishes Banco de Chile's dignity or that of its employees.

II.4.b.Work responsibility

Employees must devote their complete time and capability to performing their responsibilities during normal working hours. Consequently, employees must refrain from using Banco de Chile's offices or property for non-related work activities.

With regard to other activities or external appointments, employees must not assume responsibilities nor roles that conflict with the interest of Banco de Chile' management. If there is no adverse effect to Banco de Chile's operations, before accepting any paid work, public appearance or external consulting job, employees must inform management in writing, and will need authorization from Human REsources. Nevertheless, such activities must not hinder the employees' performance and duties, or demand long hours that may affect employees' mental and physical competence.

Banco de Chile's employees are prohibited from providing services of any kind to other bank or financial institution, as well as to companies owned by or related to Banco de Chile's clients, so as to prevent any conflict of interests that may be the cause of disloyalty to Banco de Chile, except in cases where written authorization from Banco de Chile's CEO exist.

Banco de Chile's employees acting in educational activities and requiring to dedicate part of the work day to them, will need authorization from their respective manager for that purpose.

Employees are permitted to participate in external *Ad Honorem* activities, providing that such involvement does not interfere with the development and behavior in the workplace, and that it is known and duly authorized by the corresponding entity.

With regard to nonprofit institutions, Banco de Chile authorizes and encourages its employees to participate in charitable and social service causes.

II.4.c.Publications and public appearances

Employees are not permitted to make public appearances of any product, report or project that belong to Banco de Chile. If he or she represents Banco de Chile in a speech, conference, seminar or any other type of convention, he or she must have management's authorization and must have previously informed about the content of the presentation.

Banco de Chile has an exclusive right to its products and services, and owns all employee contributions to their development and implementation. Such conditions are indisputable, even after employment with Banco de Chile is over.

Any verbal or written personal communication must be carried out in the employee's own name and under no circumstance should the employee involve Banco de Chile.

II.4.d.Nomination and civil service to positions

Public office positions or nominations, such as municipal, governmental or others, are not compatible with employment at Banco de Chile, except if they are obligations that cannot be renounced, such as members in municipal, parliamentary or presidential elections.

II.4.e.Approval limits

Employees will only be able to execute documents, represent, or act on behalf of Banco de Chile if he or she has been authorized to do so by Banco de Chile. Any document evidencing an obligation, agreement or contract from Banco de Chile must be signed exclusively by the corresponding supervisor or the management level.

II.5. ILLEGAL TRANSACTIONS

Banco de Chile will only partake in legitimate and legally permitted business transactions. It will maintain quality, price and superior services standards, and always proceed with fairness, integrity and transparency. Illegal business transactions are those that are not permitted by law and those that do not respect and adhere to Banco de Chile's internal policies.

Any attempt of money laundering shall be considered as a breach of confidence and a threat to Banco de Chile's reputation; as a consequence, Banco de Chile will take all necessary actions to avoid being used for such purpose.

Employees are required to comply with defined policies and regulations in this regard, and to report directly to the Compliance Office, any suspicious or unusual transaction.

In addition, Banco do Chile does not desire to establish any type of relationship with such individuals or entities, whether customers, investors or suppliers, if it suspects that the money or services offered are the result of illegal or illegitimate activities.

II.6. PERSONAL INTEGRITY

Banco de Chile's employees must maintain exemplary behavior inside and outside of the Bank. Banco de Chile demands personal dignity of all its employees. It also demands that its employees are honest and maintain a responsible behavior in everyday life. This requirement supersedes any situation, even if such situation represents a benefit for the Bank or for a third party.

Banco de Chile does not tolerate sexual harassment in the workplace.

In addition, Banco de Chile encourages its employees to develop a healthy standard of living. It strictly prohibits the consumption, transport or sale of drugs, alcohol or narcotic substances within the company. In order to support compliance with this regulation, Banco de Chile will provide prevention and educational instances to employees and their families.

III. COMPLIANCE WITH INTERNAL PROCEDURES

All the rules set forth in this Code of Professional Ethics are mandatory for all Banco de Chile employees, and generally complement the regulations stipulated in the employee's employment contract, in the Internal Hygienic and Safety regulations, legal rules, and internal procedures currently enacted or to be enacted in the future.

Banco de Chile shall signal to its employees' behavior that violates the policies in the Code of Professional Ethics, without breaching its internal policies or the term in the employees' employment contract. If the rules of the latter are violated, then the appropriate disciplinary measures will be taken.

Banco de Chile shall provide each employee with a copy of this Code of Professional Ethics at the time of their respective recruitment.

Exhibit 12.1

I, Fernando Cañas B., 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) 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

   (d) 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 29, 2007

/s/ Fernando Cañas B.
Name: Fernando Cañas B.
Title: Chief Executive Officer

Exhibit 12.2

I, Arturo Tagle Q., 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    (c) 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

    (d) 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 29, 2007

/s/ Arturo Tagle Q.
Name: Arturo Tagle Q.
Title: Chief Financial Officer

Exhibit 13.1

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, 2006 (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 29, 2007

/s/ Fernando Cañas B.
Fernando Cañas B.
Chief Executive Officer

Dated: June 29, 2007

/s/ Arturo Tagle Q.
Arturo Tagle Q.
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.