

BANK OF CHILE
Form 6-K
July 30, 2014
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FORM 6-K
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16
of the Securities Exchange Act of 1934

For the month of July, 2014

Commission File Number 001-15266

BANK OF CHILE

(Translation of registrant's name into English)

Ahumada 251
Santiago, Chile
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

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Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-

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| | | |
|-------------|---|--|
| MCh\$ | = | Millions of Chilean pesos |
| ThUS\$ | = | Thousands of U.S. dollars |
| UF or CLF | = | Unidad de Fomento (The Unidad de Fomento is an inflation-indexed, Chilean peso denominated monetary unit set daily in advance on the basis of the previous month's inflation rate). |
| Ch\$ or CLP | = | Chilean pesos |
| US\$ or USD | = | U.S. dollars |
| JPY | = | Japanese yen |
| EUR | = | Euro |
| MXN | = | Mexican pesos |
| HKD | = | Hong Kong dollars |
| PEN | = | Peruvian nuevo sol |
| CHF | = | Swiss franc |
| IFRS | = | International Financial Reporting Standards |
| IAS | = | International Accounting Standards |
| RAN | = | Compilation of Norms of the Chilean Superintendency of Banks |
| IFRIC | = | International Financial Reporting Interpretations Committee |
| SIC | = | Standards Interpretation Committee |

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For the periods ended June 30, 2014 and December 31, 2013

(Translation of financial statements originally issued in Spanish)

(Expressed in million of Chilean pesos)

| | Notes | June 2014 MCh\$ | December 2013 MCh\$ |
|--|-------|-----------------------|---------------------------|
| ASSETS | | | |
| Cash and due from banks | 7 | 732,161 | 873,308 |
| Transactions in the course of collection | 7 | 390,327 | 374,471 |
| Financial assets held-for-trading | 8 | 418,422 | 393,134 |
| Cash collateral on securities borrowed and reverse repurchase agreements | 9 | 32,876 | 82,422 |
| Derivative instruments | 10 | 548,173 | 374,688 |
| Loans and advances to banks | 11 | 750,620 | 1,062,056 |
| Loans to customers, net | 12 | 20,391,984 | 20,389,033 |
| Financial assets available-for-sale | 13 | 1,489,507 | 1,673,704 |
| Financial assets held-to-maturity | 13 | | |
| Investments in other companies | 14 | 23,996 | 16,670 |
| Intangible assets | 15 | 27,948 | 29,671 |
| Property and equipment | 16 | 202,265 | 197,578 |
| Current tax assets | 17 | 2,719 | 3,202 |
| Deferred tax assets | 17 | 156,659 | 145,904 |
| Other assets | 18 | 293,145 | 318,029 |
| TOTAL ASSETS | | 25,460,802 | 25,933,870 |
| LIABILITIES | | | |
| Current accounts and other demand deposits | 19 | 6,141,163 | 5,984,332 |
| Transactions in the course of payment | 7 | 185,143 | 126,343 |
| Cash collateral on securities lent and repurchase agreements | 9 | 225,148 | 256,766 |
| Savings accounts and time deposits | 20 | 9,522,184 | 10,402,725 |
| Derivative instruments | 10 | 581,142 | 445,132 |
| Borrowings from financial institutions | 21 | 727,759 | 989,465 |
| Debt issued | 22 | 4,850,192 | 4,366,960 |
| Other financial obligations | 23 | 194,135 | 210,926 |
| Current tax liabilities | 17 | 7,857 | 10,333 |
| Deferred tax liabilities | 17 | 36,598 | 36,569 |
| Provisions | 24 | 400,934 | 551,898 |
| Other liabilities | 25 | 207,844 | 268,105 |
| TOTAL LIABILITIES | | 23,080,099 | 23,649,554 |
| EQUITY | | | |
| | 27 | | |
| Attributable to Bank's Owners: | | | |
| Capital | | 1,944,920 | 1,849,351 |
| Reserves | | 263,553 | 213,636 |
| Other comprehensive income | | 15,905 | 15,928 |
| Retained earnings: | | | |
| Retained earnings from previous periods | | 16,379 | 16,379 |
| Income for the period | | 304,229 | 513,602 |

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| | | |
|-------------------------------------|-------------------|-------------------|
| Less: | | |
| Provision for minimum dividends | (164,285) | (324,582) |
| Subtotal | 2,380,701 | 2,284,314 |
| Non-controlling interests | 2 | 2 |
| TOTAL EQUITY | 2,380,703 | 2,284,316 |
| TOTAL LIABILITIES AND EQUITY | 25,460,802 | 25,933,870 |

The accompanying notes 1 to 41 are an integral part of these interim condensed consolidated financial statements

Table of Contents**BANCO DE CHILE AND SUBSIDIARIES****INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE PERIOD**

For the six-month ended June 30, 2014 and 2013

(Translation of financial statements originally issued in Spanish)

(Expressed in million of Chilean pesos)

| | Notes | June 2014 MCh\$ | June 2013 MCh\$ |
|--|-------|-----------------------|-----------------------|
| A. CONSOLIDATED STATEMENT OF INCOME | | | |
| Interest revenue | 28 | 1,042,883 | 781,304 |
| Interest expense | 28 | (425,529) | (293,754) |
| Net interest income | | 617,354 | 487,550 |
| Income from fees and commissions | 29 | 190,598 | 192,332 |
| Expenses from fees and commissions | 29 | (56,236) | (48,438) |
| Net fees and commission income | | 134,362 | 143,894 |
| Net financial operating income | 30 | 27,168 | (2,265) |
| Foreign exchange transactions, net | 31 | 30,554 | 41,980 |
| Other operating income | 36 | 10,466 | 12,121 |
| Total operating revenues | | 819,904 | 683,280 |
| Provisions for loan losses | 32 | (148,707) | (103,761) |
| OPERATING REVENUES, NET OF PROVISIONS FOR LOAN LOSSES | | 671,197 | 579,519 |
| Personnel expenses | 33 | (169,680) | (155,801) |
| Administrative expenses | 34 | (127,151) | (121,176) |
| Depreciation and amortization | 35 | (12,962) | (14,291) |
| Impairment | 35 | (208) | (9) |
| Other operating expenses | 37 | (20,137) | (8,473) |
| TOTAL OPERATING EXPENSES | | (330,138) | (299,750) |
| NET OPERATING INCOME | | 341,059 | 279,769 |
| Income attributable to associates | 14 | 1,180 | 1,591 |
| Income before income tax | | 342,239 | 281,360 |
| Income tax | 17 | (38,009) | (38,026) |
| NET INCOME FOR THE PERIOD | | 304,230 | 243,334 |
| Attributable to: | | | |
| Bank's Owners | | 304,229 | 243,334 |
| Non-controlling interests | | 1 | |

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| | | | | |
|---|----|----|------|------|
| Net income per share attributable to Bank s Owners: | | \$ | | \$ |
| Basic net income per share | 27 | | 3.27 | 2.62 |
| Diluted net income per share | 27 | | 3.27 | 2.62 |

The accompanying notes 1 to 41 are an integral part of these interim condensed consolidated financial statements

Table of Contents**BANCO DE CHILE AND SUBSIDIARIES****INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE PERIOD**

For the six-month ended June 30, 2014 and 2013

(Translation of financial statements originally issued in Spanish)

(Expressed in million of Chilean pesos)

| | Notes | June 2014 MCh\$ | June 2013 MCh\$ |
|--|-------|-----------------------|-----------------------|
| NET INCOME FOR THE YEAR | | | |
| Other comprehensive income that will be reclassified subsequently to profit or loss | | | |
| Net unrealized gains (losses): | | | |
| Net change in unrealized gains (losses) on available for sale instruments | 13 | 4,587 | 7,228 |
| Gains and losses on derivatives held as cash flow hedges | 10 | (4,672) | (16,224) |
| Cumulative translation adjustment | | 44 | 45 |
| Subtotal Other comprehensive income before income taxes | | (41) | (8,951) |
| Income tax | | 18 | 1,799 |
| Total other comprehensive income items that will be reclassified subsequently to profit or loss | | (23) | (7,152) |
| Other comprehensive income that will not be reclassified subsequently to profit or loss | | | |
| Loss in defined benefit plans | | | |
| Subtotal other comprehensive income before income taxes | | | |
| Income taxes | | | |
| Total other comprehensive income items that will not be reclassified subsequently to profit or loss | | | |
| TOTAL CONSOLIDATED COMPREHENSIVE INCOME | | 304,207 | 236,182 |
| Attributable to: | | | |
| Equity holders of the parent | | 304,206 | 236,182 |
| Non-controlling interest | | 1 | |
| Comprehensive net income per share from continued operations attributable to equity holders of the parent: | | | |
| Basic net income per share | | \$ 3.26 | \$ 2.54 |
| Diluted net income per share | | 3.26 | 2.54 |

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The accompanying notes 1 to 41 are an integral part of these interim condensed consolidated financial statements

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For the six-month ended June 30, 2014 and 2013

(Translation of financial statements originally issued in Spanish)

(Expressed in millions of Chilean pesos)

| | Notes | Reserves | | Other comprehensive income | | | Retained earnings | | Provision for minimum dividends | Attributable to equity holders of the parent | Non-controlling interest |
|---|-------|------------------|----------------|----------------------------|---|-----------------------------|-----------------------------------|---|---------------------------------|--|--------------------------|
| | | Paid-in Capital | Other reserves | Reserves from earnings | Unrealized gains (losses) on available-for-sale | Derivatives cash flow hedge | Cumulative translation adjustment | Retained earnings from previous periods | | | |
| | | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ |
| Balances as of December 31, 2012 | | 1,629,078 | 30,496 | 145,318 | 17,995 | 1,034 | (94) | 16,379 | 467,610 | (300,759) | 2,007,057 |
| Capitalization of retained earnings | 27 | 86,202 | | | | | | | (86,202) | | |
| Income distribution | | | 1,760 | | | | | | (1,760) | | |
| Retention (released) earnings | 27 | | | 36,193 | | | | | (36,193) | | |
| Dividends distributions and paid | 27 | | | | | | | | (343,455) | 300,759 | (42,696) |
| Other comprehensive income: | 27 | | | | | | | | | | |
| Cumulative translation adjustment | | | | | | | 45 | | | | 45 |
| Cash flow hedge adjustment, net | | | | | | (12,979) | | | | | (12,979) |
| Valuation adjustment on available-for-sale instruments, net | | | | | 5,782 | | | | | | 5,782 |
| Subscribed and paid shares | | 134,071 | | | | | | | | | 134,071 |
| Income for the period 2013 | | | | | | | | | 243,334 | | 243,334 |
| Provision for minimum dividends | 27 | | | | | | | | | (167,418) | (167,418) |
| Balances as of June 30, 2013 | | 1,849,351 | 32,256 | 181,511 | 23,777 | (11,945) | (49) | 16,379 | 243,334 | (167,418) | 2,167,196 |
| | | | (133) | | | | | | | | (133) |

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| | | | | | | | | | | | |
|--|----|------------------|---------------|----------------|---------------|-----------------|-------------|---------------|----------------|------------------|------------------|
| Defined benefit plans adjustment | | | | | | | | | | | |
| Equity adjustment associates | | | 2 | | | | | | | | 2 |
| Dividends distributions and paid | | | | | | | | | | | |
| Other comprehensive income: | | | | | | | | | | | |
| Cumulative translation adjustment | | | | | | | 26 | | | | 26 |
| Cash flow hedge adjustment, net | | | | | | | (1,476) | | | | (1,476) |
| Valuation adjustment on available-for-sale instruments, net | | | | 5,595 | | | | | | | 5,595 |
| Income for the period 2013 | | | | | | | | 270,268 | | | 270,268 |
| Provision for minimum dividends | | | | | | | | | (157,164) | | (157,164) |
| Balances as of December 31, 2013 | | 1,849,351 | 32,125 | 181,511 | 29,372 | (13,421) | (23) | 16,379 | 513,602 | (324,582) | 2,284,314 |
| Capitalization of retained earnings | 27 | 95,569 | | | | | | | (95,569) | | |
| Retention (released) earnings | 27 | | | 49,913 | | | | | (49,913) | | |
| Dividends distributions and paid | 27 | | | | | | | | (368,120) | 324,582 | (43,538) |
| Equity adjustment investment in other companies | | | | 4 | | | | | | | 4 |
| Other comprehensive income: | 27 | | | | | | | | | | |
| Cumulative translation adjustment | | | | | | | | 44 | | | 44 |
| Cash flow hedge adjustment, net | | | | | | | (3,737) | | | | (3,737) |
| Valuation adjustment on available-for-sale instruments (net) | | | | | 3,670 | | | | | | 3,670 |
| Income for the period 2014 | | | | | | | | | 304,229 | | 304,229 |
| Provision for minimum dividends | 27 | | | | | | | | | (164,285) | (164,285) |
| Balances as of June 30, 2014 | | 1,944,920 | 32,129 | 231,424 | 33,042 | (17,158) | 21 | 16,379 | 304,229 | (164,285) | 2,380,701 |

The accompanying notes 1 to 41 are an integral part of these interim condensed consolidated financial statements

Table of Contents**BANCO DE CHILE AND SUBSIDIARIES****INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

For the six-month ended June 30, 2014 and 2013

(Translation of financial statements originally issued in Spanish)

(Expressed in million of Chilean pesos)

| | Notes | June 2014 MCh\$ | June 2013 MCh\$ |
|--|-------|-----------------------|-----------------------|
| OPERATING ACTIVITIES: | | | |
| Net income for the period | | 304,230 | 243,334 |
| Items that do not represent cash flows: | | | |
| Depreciation and amortization | 35 | 12,962 | 14,291 |
| Impairment of intangible assets and property and equipment | 35 | 208 | 9 |
| Provision for loan losses | 32 | 156,655 | 114,226 |
| Provision of contingent loans | 32 | 2,292 | 9,750 |
| Fair value adjustment of financial assets held-for-trading | | 982 | (915) |
| Income attributable to investments in other companies | 14 | (928) | (1,390) |
| Income from sales of assets received in lieu of payment | 36 | (1,852) | (2,549) |
| Net gain on sales of property and equipment | 36-37 | (60) | (167) |
| (Increase) decrease in other assets and liabilities | | (78,913) | (65,780) |
| Charge-offs of assets received in lieu of payment | 37 | 857 | 907 |
| Other charges (credits) to income that do not represent cash flows | | 10,563 | 12,916 |
| (Gain) loss from foreign exchange transactions of other assets and other liabilities | | (154,275) | (52,486) |
| Net changes in interest and fee accruals | | (73,132) | 56,674 |
| Changes in assets and liabilities that affect operating cash flows: | | | |
| (Increase) decrease in loans and advances to banks, net | | 310,252 | 1,029,201 |
| (Increase) decrease in loans to customers | | 26,913 | (898,090) |
| (Increase) decrease in financial assets held-for-trading, net | | (73,038) | (158,232) |
| (Increase) decrease in deferred taxes, net | 17 | (11,643) | 8,567 |
| (Increase) decrease in current account and other demand deposits | | 156,002 | 97,074 |
| (Increase) decrease in payables from repurchase agreements and security lending | | (11,389) | 279,345 |
| (Increase) decrease in savings accounts and time deposits | | (880,149) | (37,250) |
| Proceeds from sale of assets received in lieu of payment | | 2,918 | 4,266 |
| Total cash flows from operating activities | | (300,545) | 636,567 |
| INVESTING ACTIVITIES: | | | |
| (Increase) decrease in financial assets available-for-sale, net | | 258,276 | (301,612) |
| Purchases of property and equipment | 16 | (13,568) | (6,937) |
| Proceeds from sales of property and equipment | | 79 | 427 |
| Purchases of intangible assets | 15 | (2,378) | (2,771) |
| Investments in other companies | 14 | (6,608) | |
| Dividends received from investments in other companies | 14 | 195 | 931 |
| Total cash flows from investing activities | | 235,996 | (309,962) |
| FINANCING ACTIVITIES: | | | |
| Proceeds of mortgage finance bonds | | | |
| Repayment of mortgage finance bonds | | (8,972) | (11,026) |
| Proceeds from bond issuances | 22 | 954,709 | 919,557 |

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| | | | |
|--|----|------------------|----------------|
| Redemption of bond issuances | | (427,093) | (417,589) |
| Proceeds from subscription and payment of shares | | | 134,071 |
| Dividends paid | 27 | (368,120) | (343,455) |
| (Increase) decrease in borrowings from financial institutions | | (77,823) | (104,085) |
| (Increase) decrease in other financial obligations | | (14,134) | 324 |
| (Increase) decrease in borrowings from Central Bank of Chile | | | |
| Borrowings from Central Bank of Chile (long-term) | | 7 | |
| Payment of borrowings from Central Bank of Chile (long-term) | | (9) | (6) |
| Long-term foreign borrowings | | 370,588 | 500,578 |
| Payment of long-term foreign borrowings | | (553,326) | (346,321) |
| Proceeds from other long-term borrowings | | 6,540 | 155 |
| Payment of other long-term borrowings | | (9,574) | (2,480) |
| Total cash flows from financing activities | | (127,207) | 329,723 |
| TOTAL NET POSITIVE CASH FLOWS FOR THE PERIOD | | (191,756) | 656,328 |
| Net effect of exchange rate changes on cash and cash equivalents | | 4,213 | 26,568 |
| Cash and cash equivalents at beginning of year | | 1,538,618 | 1,236,324 |
| Cash and cash equivalents at end of period | 7 | 1,351,075 | 1,919,220 |

| | 2014 MCh\$ | 2013 MCh\$ |
|--|---------------|---------------|
| Supplemental disclosure of cash flow information: | | |
| Cash paid during the year for: | | |
| Interest received | 855,402 | 825,169 |
| Interest paid | (311,180) | (280,945) |

The accompanying notes 1 to 41 are an integral part of these interim condensed consolidated financial statements

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BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Translation of financial statements originally issued in Spanish)

(Expressed in million of Chilean pesos)

1. Corporate information:

Banco de Chile is authorized to operate like a commercial bank since September 17, 1996, in conformity with the Article 25 of Law No. 19,396. Banco de Chile, resulting from the merger of Banco Nacional de Chile, Banco Agrícola and Banco de Valparaíso, was formed on October 28, 1893 in the city of Santiago, in the presence of the Notary Eduardo Reyes Lavalle.

Banco de Chile (Banco de Chile or the Bank) is a Corporation organized under the laws of the Republic of Chile, regulated by the Superintendency of Banks and Financial Institutions (SBIF or Superintendency), Since 2001, - when the bank was first listed on the New York Stock Exchange (NYSE), in the course of its American Depository Receipt (ADR) program, which is also registered at the London Stock Exchange Banco de Chile additionally follows the regulations published by the United States Securities and Exchange Commission (SEC).

Banco de Chile offers a broad range of banking services to its customers, ranging from individuals to large corporations. The services are managed in large corporate banking, middle and small corporate banking, personal banking services and retail. Additionally, the Bank offers international as well as treasury banking services. The Bank's subsidiaries provide other services including securities brokerage, mutual fund and investment management, insurance brokerage, financial advisory and securitization.

Banco de Chile's legal address is Paseo Ahumada 251, Santiago, Chile and its website is www.bancochile.cl.

The Interim Condensed Consolidated Financial Statements of Banco de Chile, for the period ended June 30, 2014 were approved for issuance in accordance with the directors on July 24, 2014.

2. Legal provisions, basis of preparation and other information:

(a) Legal provisions:

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The General Banking Law in its Article No.15 authorizes the Chilean Superintendency of Banks (SBIF) to issue generally applicable accounting standards for entities it supervises. The Corporations Law, in turn, requires generally accepted accounting principles to be followed.

Based on the aforementioned laws, banks should use the criteria provided by the Superintendency in accordance with the Compendium of Accounting Standards (Compendium), and any matter not addressed therein, as long as it does not contradict its instructions, should adhere to generally accepted accounting principles in technical standards issued by the Chilean Association of Accountants, that coincide with international accounting standards and international financial reporting standards agreed upon by the International Accounting Standards Board (IASB). Should there be discrepancies between these generally accepted accounting principles and the accounting criteria issued by the SBIF, the latter shall prevail.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

2. Legal provisions, basis of preparation and other information, continued:

(b) Basis of preparation:

(b.1) These Interim Condensed Consolidated Financial Statements are presented according to Chapter C-2 of the Compendium of Accounting Standards, issued by the Superintendency of Banks and Financial Institutions (SBIF).

(b.2) The following table details the entities in which the Bank has controlling interest and that are therefore consolidated in these financial statements:

| Rut | Subsidiaries | Country | Functional Currency | Direct | | Interest Owned Indirect | | Total | |
|--------------|---|-----------|------------------------|-------------------|-----------------------|----------------------------|-----------------------|-------------------|-----------------------|
| | | | | June 2014 % | December 2013 % | June 2014 % | December 2013 % | June 2014 % | December 2013 % |
| 44,000,213-7 | Banchile Trade Services Limited | Hong Kong | US\$ | 100.00 | 100.00 | | | 100.00 | 100.00 |
| 96,767,630-6 | Banchile Administradora General de Fondos S.A. | Chile | Ch\$ | 99.98 | 99.98 | 0.02 | 0.02 | 100.00 | 100.00 |
| 96,543,250-7 | Banchile Asesoría Financiera S.A. | Chile | Ch\$ | 99.96 | 99.96 | | | 99.96 | 99.96 |
| 77,191,070-K | Banchile Corredores de Seguros Ltda. | Chile | Ch\$ | 99.83 | 99.83 | 0.17 | 0.17 | 100.00 | 100.00 |
| 96,571,220-8 | Banchile Corredores de Bolsa S.A. | Chile | Ch\$ | 99.70 | 99.70 | 0.30 | 0.30 | 100.00 | 100.00 |
| 96,932,010-K | Banchile Securitizadora S.A. | Chile | Ch\$ | 99.00 | 99.00 | 1.00 | 1.00 | 100.00 | 100.00 |
| 96,645,790-2 | Socofin S.A. | Chile | Ch\$ | 99.00 | 99.00 | 1.00 | 1.00 | 100.00 | 100.00 |
| 96,510,950-1 | Promarket S.A. | Chile | Ch\$ | 99.00 | 99.00 | 1.00 | 1.00 | 100.00 | 100.00 |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

2. Legal provisions, basis of preparation and other information, continued:

(c) Use of estimates and judgment:

Preparing financial statements requires management to make judgments, estimations and assumptions that affect the application of accounting policies and the valuation of assets, liabilities, income and expenses presented. Real results could differ from these estimated amounts. Details on the use of estimates and judgment and their effect on the amounts recognized in the Interim Condensed Consolidated Financial Statement are included in the following notes:

1. Goodwill valuation (Note No. 15);
2. Useful lives of property and equipment and intangible assets (Notes No. 15 and No. 16);
3. Income taxes and deferred taxes (Note No. 17);
4. Provisions (Note No. 24);
5. Contingencies and Commitments (Note No. 26);
6. Provision for loan losses (Note No. 11, No. 12 and No. 32);
7. Impairment of other financial assets (Note No. 35);
8. Fair value of financial assets and liabilities (Note No. 39).

Estimates and relevant assumptions are regularly reviewed by the management of the Bank, according to quantify certain assets, liabilities, gains, loss and commitments. Estimates reviewed are registered in income in the period that the estimate is reviewed.

During the period ended June 30, 2014 there have been no significant changes to estimates made during period 2013.

(d) Seasonality or Cyclical Character of the Transactions of the Intermediate Period:

Due to the nature of its business, the Bank and its subsidiaries activities do not have a cyclical or seasonal character. Accordingly, no specific details have been included on the notes to this Interim Condensed Consolidated Financial Statements with the information regarding the period of six-month ended June 30, 2014.

(e) Relative Importance:

When determining the information to present on the different items from the financial statements or other subjects, the Bank has considered the relative importance in relation to the Interim Condensed Consolidated financial statements of the period.

(f) Reclassifications:

During the period of six-month ended as of June, 2013, there are not reclassifications. Different to mentioned in Note No. 39 letter (a).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

3. New Accounting Pronouncements:

3.1 Accounting rules issued by IASB

The following is a summary of new standards, interpretations and improvements to the International Financial Reporting Standards issued by the International Accounting Standards Board (IASB), which are no effective as of June 30, 2014:

3.1 Accounting rules issued by IASB:

IFRS 9 Financial Instruments

In November 2009, the IASB issued IFRS 9, Financial Instruments, the first step in its project to replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 introduces new requirements for classifying and measuring financial assets that are in the scope of the application of IAS 39. This new regulation requires that all financial assets be classified in function of the entity's business model for the management of financial assets and of the characteristics of the contractual cash flows of financial assets. A financial asset shall be measured at amortized cost if two criteria are fulfilled: (a) the objective of the business model is to maintain a financial asset to receive contractual cash flows, and (b) contractual cash flows represent principal and interest payments. Should a financial asset not comply with the aforementioned conditions, it will be measured at fair value. In addition, this standard allows a financial asset that fulfills the criteria to be valued at amortized cost to be designated at fair value with changes in income under the fair value option, as long as this significantly reduces or eliminates an accounting asymmetry. Likewise, IFRS 9 eliminates the requirement of separating embedded derivatives from the host financial assets. Therefore, it requires that a hybrid contract be classified entirely in amortized cost or fair value. Only financial assets that classified like amortized cost will be applied impairment.

IFRS 9 requires, mandatory and prospective way, that the entity makes reclassifications of financial assets when the entity modifies the business model.

Under IFRS 9, all equity investments of are measured at fair value. However, the Management has the option of present the changes of fair value in the item Other Comprehensive Income in equity. This accounting treatment is available for the initial recognition of an instruments and it is irrevocable. The unrealized income (loss) recognized in Other Comprehensive Income, derived from the changes of fair value, and must be not included in income statements.

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In October, 2010, the IASB published the requirements for classifying and measuring financial liabilities were added to IFRS 9. Most of the added requirements were carried forward unchanged from IAS 39.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

3. New Accounting Pronouncements, continued:

In November 2013, the IASB issued amendments to IFRS 9 for introduce a new model of hedge accounting, which align hedge accounting and risk management. Moreover, the requirements relating to the fair value option for financial liabilities were changed to address own credit risk, this improvement requires that the effects of changes in credit risk of liability should not affect profit or loss to unless the liability is held for trading. Early application of this amendment without application of the other requirements of IFRS 9 are allowed.

In that amendment is deleted January 1, 2015 as effective date of application, the new effective date is in process of definition by the IASB.

Banco de Chile and its subsidiaries are assessing the possible impact of adoption of these changes on the consolidated financial statements, however, that impact will depend on the assets maintained by the institution as of the adoption date. It is not practicable to quantify the effect on the issuance of these consolidated financial statements. To date, this standard has not been approved by the Superintendency of Banks, event that is required for their application.

IAS 19 Employee benefits

On November 2013, IASB modified requirements of IAS 19 respect to employee contributions or third parties contributions, which are related to defined benefit plans.

Adoption date of this modification is beginning *July 1, 2014*, and anticipated adoption is permitted.

The Bank has not employee contributions related to defined benefit plans, so this amendment has not impacts over consolidated financial statements of Banco de Chiles and its subsidiaries.

Annual improvements IFRS 2010 2012 Cycle and 2011 2013 Cycle

On December 12, 2013, IASB issued two cycles of annual improvements to IFRS: 2010 2012 and 2011 2013 Cycles.

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The effective date of these amendments is beginning July 1, 2014 except for modifications of IFRS 13 and IFRS 1, which affects to Basis of Conclusions of those rules, so are affective immediately.

2010-2012 Cycle

IFRS 2 Share based payments: *Definition relating to vesting conditions.* Not applicable

This rule was amended to change definitions of vesting conditions and market condition and add definition for performance condition and service condition which were previously included within the definition of vesting condition .

IFRS 3 Business combination: *Accounting for contingent consideration in a business combination.* Without impact.

This amendment clarifies that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

3. New Accounting Pronouncements, continued:

Annual improvements IFRS 2010 2012 Cycle and 2011 2013 Cycle, continued

2010-2012 Cycle, continued

IFRS 8 Operating Segments. The Bank and its subsidiaries are assessing the impact of adoption of these changes in its financial position. Without impact.

The amendment requires an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have similar economic characteristics .

IAS 16 Property, plant and equipment. Not applicable

The amendment clarifies that gross carrying amount and depreciation are adjusted for to make consistent with revaluation, when an entity uses revaluation model.

IAS 24 Related party disclosures: Key management personnel. Not applicable

The amendment clarifies that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity.

IAS 38 Intangible assets: Revaluation method proportionate restatement of accumulated depreciation. Not applicable

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The amendment requirements clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount, when an entity uses revaluation model.

2011-2013 Cycle

IFRS 1 First time adoption. Not applicable

The amendment clarifies that a first-time adopter is allowed, but not required, to apply a new IFRS that is not yet mandatory if that IFRS permits early application. If an entity chooses to early apply a new IFRS, it must apply that new IFRS retrospectively throughout all periods presented unless IFRS 1 provides an exemption or an exception that permits or requires otherwise.

IFRS 3 Business combination. Without impact

The amendment clarifies that IFRS 3 does not apply to the accounting for the formation of all types of joint arrangements in the financial statements of the joint arrangements itself.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

3. New Accounting Pronouncements, continued:

Annual improvements IFRS 2010 2012 Cycle and 2011 2013 Cycle, continued

2011-2013 Cycle, continued

IFRS 13 Fair Value Measurement. The Bank and its subsidiaries are assessing the impact of adoption of these changes in its financial position. Without impact.

The scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis was amended to clarify that it includes all contracts that are within the scope of, and accounted for in accordance with IAS 39 or IFRS 9, even if those contracts do not meet the definition of financial assets or financial liabilities within IAS 32.

IAS 40 Investment Properties. Without impact

IAS 40 was amended to clarify that this standard and IFRS 3 Business Combinations are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether, the property meets the definition of investment property in IAS 40 and, the transactions meet the definition of business combination under IFRS 3.

IFRS 11 Joint Ventures. Banco de Chile are assessing the impact of these rule in its consolidated financial statements.

In May of 2014 the IASB modified IFRS 11, to provide guides about the accounting of acquisitions of participations in joint operations, whose activity constitute a business.

This IFRS requires that the acquirer of an participation in joint operation whose activity constitute a business, like it is defined in IFRS 3 Business Combination , applies all the principles about accounting of business combination of IFRS 3 and others IFRS, except those that conflict with guidelines of these IFRS.

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The effective date is beginning on January 1, 2016 and its early application is permitted.

IAS 16 Property, plant and equipment and IAS 38 Intangible assets. Banco de Chile and its subsidiaries are assessing the impact of this rule in its consolidated financial statements.

In May of 2014 the IASB modified IAS 16 and 38 with purpose of clarifies accepted method of depreciation and amortization.

The amendment of IAS 16 prohibits for property, plant and equipment, depreciation based on ordinary income.

The amendment of IAS 38 introduces the presumption of ordinary income are not an appropriate base for the amortization of intangible asset. This presumption only is refuted in two circumstances: (a) intangible asset is expressed like a unit of ordinary income; and (b) ordinary income and consumption of intangible asset are highly correlated.

Also, it introduces guidelines to explain that expected futures reductions in the prices of sale could be indicator of reductions in futures economics benefits in an asset. The effective date is beginning on January 1, 2016, its early application is permitted.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

3. New Accounting Pronouncements, continued:

Annual improvements IFRS 2010 2012 Cycle and 2011 2013 Cycle, continued

IFRS 15 Revenue from Contracts with Customers. Banco de Chile and its subsidiaries are assessing the impact of this rule in its consolidated financial statements.

In May of 2014 was issued IFRS 15, whose objective is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer.

Application of the standard is mandatory for annual reporting periods starting from 1 January 2017 onwards. Earlier application is permitted.

3.2 Accounting rules issued by SBIF:

On February 17, 2014 SBIF issued a Circular No. 3,565, which introduces changes to the instructions related to monthly information sent to the Superintendency. Changes have as objective inform in separate way the investment in entities controlled abroad and requires information of credit and its overdue maintained for the subsidiaries controlled. These changes are applied in present consolidated financial statements.

3.3 Rules issued by the Superintendency of Securities and Insurance (Superintendencia de Valores y Seguros (SVS))

On January 13, 2014 SVS issued a Circular No. 2,137, which regulates financial statements that insurance brokers (not individuals) must be sent to SVS. This rule establishes the presentation of financial statements under IFRS since January 1, 2015 and establishes accounting criteria related to income recognition for concept of commissions.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

4. Changes in Accounting Policies and Disclosures:

On December 1, 2013, new rules are beginning in application. These are about return of premiums not accrued for the insurance contracts, according to established by law No. 20,667 of 9th. of May of 2013 and Circular No. 2,114 issued by the SVS on July 26, 2013. The legal change requires returns of premiums collected in advance but not accrued, due to the early termination or extinction of an insurance contract. The premium to return it will be calculated in proportion of the remaining time.

During the period ended as of March 31, 2014, the Bank and its subsidiary Banchile Corredores de Seguros have established provisions for the concept of commission s refunds to the insurance companies for the policies (paid in advance) commercialized since December 1, 2013. This estimation is based in the history of the prepayments and disclaimers of its products portfolio that originate the commissions.

Additionally, the legal exchange for the return of premiums collected in advance and unearned, also had an impact on the income expense of commissions recognized directly in income. This means that it has begun to defer a portion of the commission earned jointly with future costs of sales.

These estimates correspond to changes in an accounting estimates whose effects are registered in income under item Income from fees and commissions . The effect of the change involves a lesser income in the period by an amount of Ch\$3,964 million.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

5. Relevant Events:

(a) On January 9, 2014 LQ Inversiones Financieras S.A. (LQIF) informed Banco de Chile that LQIF will carry out a process to offer for sale or transfer up to 6,900,000,000 shares of Banco de Chile (a secondary offering). In addition, LQIF has requested that Banco de Chile perform all the actions related to the execution of this kind of transaction in the local and international markets.

Furthermore, the letter indicates that, if consummated, this transaction will reduce LQIF's share of outstanding voting rights from 58.4% to 51%, so that the control status of LQIF with respect to Banco de Chile will not be altered.

With regard to the above, on this date the Board of Directors of Banco de Chile has agreed to LQIF's request and the conditions under which Banco de Chile will participate in the appropriate filings with foreign regulators, the entering into of contracts and other documents required by law and consistent with securities market practice in the United States of America and other international markets, and in the performing of such other steps and actions as are necessary for the consummation of this transaction in the local and international markets and that are related to the commercial and financial condition of Banco de Chile.

(b) On January 14, 2014, in relation to the relevant event dated January 9, 2014, it is informed that Banco de Chile has filed with the Securities and Exchange Commission of the United States of America (SEC), Supplemental Preliminary a prospectus which contains financial and business information of the Bank.

Also, it has been registered the agreed contract text called Underwriting Agreement that will be subscribed by LQ Inversiones Financieras S.A. (LQIF), as a seller of securities, Banco de Chile as issuer, and Citigroup Global Markets Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Deutsche Bank Securities Inc. and Banco BTG Pactual S.A. - Cayman Branch, as underwriters.

Additionally, LQIF and Banco de Chile have agreed the terms and general conditions under which the Bank will participate in this process.

(c) On January 29, 2014, LQ Inversiones Financieras S.A. informed as a relevant event that was placed of 6,700,000,000 shares of Banco de Chile, in the local market and the United States of America, by American Depositary Receipts Program, at a price of \$ 67 per share, declaring successful offer for sale. Additionally, it informed that the 6,700,000,000 shares of Banco de Chile offered for sale will be placed in stock exchange at price stated on January 29, 2014.

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(d) On January 29, 2014, Bank is informed that in relation to the secondary offering shares of Banco de Chile that is performing with LQ Inversiones Financieras S.A., in this date Banco de Chile as issuer, LQ Investments SA, as seller of the securities, and Citigroup Global Markets Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Deutsche Bank Securities Inc., and Banco BTG Pactual SA - Cayman Branch as underwriters, have been subscribed a contract called Underwriting Agreement, according to relevant event dated January 14, 2014.

Also, later than January 30, 2014, Banco de Chile will proceed to register in Securities and Exchange Commission of the United States of America (SEC), Final Prospectus Supplement, which contains financial and commercial information of the Bank.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

5. Relevants events, continued

(e) On January 31, 2014, it was informed that in the Ordinary Meeting No. BCH 2,790 held on January 30th, 2014, the Board of Directors of Banco de Chile resolved to call an Ordinary Shareholders Meeting to be held on March 27th, 2014, with the objective of proposing, among other matters, the distribution of the Dividend number 202 of \$3.48356970828 per each of the 93,175,043,991 Banco de Chile shares, which will be payable at the expense of the distributable net income obtained during the fiscal year ending on December 31st, 2013, corresponding to the 70% of such income.

Likewise, the Board of Directors resolved to call an Extraordinary Shareholders Meeting to be held on the same date in order to propose, among other things, the capitalization of the 30% of the distributable net income of the Bank obtained during the fiscal year ending on December 31st, 2013, through the issuance of fully paid-in shares, of no par value, with a value of \$64.56 per Banco de Chile share, which will be distributed among the shareholders in the proportion of 0.02312513083 shares for each Banco de Chile share and to adopt the necessary agreements subject to the exercise of the options established in article 31 of Law 19,396.

(f) On March 27, 2014 was informed as essential information that in the Ordinary Shareholders Meeting of this institution, which took place on March 27, 2014, the Board of Directors was completely renewed, due to the end of the legal and statutory three years term established for the Board of Directors that has ceased in its functions.

After the corresponding voting at the aforesaid meeting, the following persons were appointed as Directors for a new three years term:

| | | |
|----------------------------|------------------------------|---------------|
| Directors: | Francisco Aristeguieta Silva | |
| | Jorge Awad | (Independent) |
| | Mehech | |
| | Juan José Bruchou | |
| | Jorge Ergas Heymann | |
| | Jaime Estévez | (Independent) |
| | Valencia | |
| | Pablo Granifo Lavín | |
| | Andrónico Luksic Craig | |
| | Jean Paul Luksic Fontbona | |
| | Gonzalo Menéndez Duque | |
| | Francisco Pérez Mackenna | |
| | Juan Enrique Pino Visintiner | |
| First Alternate Director: | Rodrigo Manubens Moltedo | |
| Second Alternate Director: | | (Independent) |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

5. Relevant events, continued

Moreover, at the ordinary Board of Directors meeting No BCH 2,793 held on March 27, 2014, it was agreed to make the following appointments and designations:

| | |
|-----------------|------------------------------|
| President: | Pablo Granifo Lavín |
| Vice-President: | Andrónico Luksic Craig |
| Vice-President: | Francisco Aristeguieta Silva |

| | |
|------------------------|--------------------------|
| Advisers to the Board: | Hernán Büchi Buc |
| | Francisco Garcés Garrido |
| | Jacob Ergas Ergas |

(g) On April 1, 2014 it was informed as an Essential Information that, as of this date, the Central Bank of Chile has communicated to Banco de Chile that the Board of such institution (Consejo), in Extraordinary Session No 1813E, held today, considering the resolutions adopted by the shareholders meetings of Banco de Chile of March 27, 2014, regarding distribution of dividends and the increase of capital through the issuance of fully paid-in shares corresponding to the 30% of the net income obtained during the fiscal year ending on December 31st, 2013, resolved to take the option that the entirety of its corresponding surplus, including the part of the profits proportional to the agreed capitalization, be paid to the Central Bank of Chile in cash currency, according to the letter b) of the article 31 of the law No 19.396, regarding a modification of the way of payment of the subordinated obligation and other applicable legislation.

(h) On May 29, 2014 in Ordinary Meeting No. 2,796, the Board of Bank of Chile agreed dissolution, liquidation and termination of Subsidiary Banchile Trade Services Limited, as well as of contracts and operations of this subsidiary. The Board gave full powers and rights, to execute the dissolution, liquidation and termination of the subsidiary mentioned above.

At the date of these financial statements dissolution, liquidation and termination of this subsidiary is in process.

(i) On June 23, 2014, the Second Extraordinary General Meeting of Shareholders of the subsidiary Banchile Securitizadora SA, unanimously agreed to increase the statutory capital by Ch\$240 million. Superintendency of Securities and Insurance commented to the approval of the reform statutes dated July 18, 2014. Therefore, on July 21, 2014, the Board requested a new Extraordinary shareholders meeting in order to address the comments of the regulator.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

5. Relevants events, continued

(j) On June 26, 2014 and regarding the capitalization of 30% of the distributable net income obtained during the fiscal year ending the 31st of December, 2013, through the issuance of fully paid-in shares, agreed in the Extraordinary Shareholders Meeting held on the 27th of March, 2014, It was informed as an essential information:

a. In the said Extraordinary Shareholders Meeting, it was agreed to increase the Bank's capital in the amount of \$ 95,569,688,582 through the issuance of 1,480,323,553 fully paid-in shares, of no par value, payable under the distributable net income for the year 2013 that was not distributed as dividends as agreed at the Ordinary Shareholders Meeting held on the same day.

The Chilean Superintendency of Banks and Financial Institutions approved the amendment of the bylaws, through resolution N°153 dated May 30, 2014, which was registered on page 24,964 N°40,254 of the register of the Chamber of Commerce of Santiago for the year 2014, and was published at Diario Oficial on June 5, 2014.

The issuance of fully in paid shares was registered in the Securities Register of the Superintendence of Banks and Financial Institutions with N°3/2014, on June 19, 2014.

b. The Board of Directors of Banco de Chile, at the meeting N°2,798, dated June 26, 2014, set July 10, 2014, as the date for issuance and distribution of the fully paid in shares.

c. The shareholders that will be entitled to receive the new shares, at a ratio of 0.02312513083 fully in paid shares for each Banco de Chile share, shall be those registered in the Register of Shareholders on July 4, 2014.

d. The titles will be duly assigned to each shareholder. The Bank will only print the titles for those shareholders who request it in writing at the Shareholders Department of Banco de Chile.

e. As a consequence of the issuance of the fully in paid shares, the capital of the Bank will be divided in 94,655,367,544 nominative shares, without par value, completely subscribed and paid.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

6. Segment Reporting:

For management purposes, the Bank has organized its operations and commercial strategies into four business segments, which are defined in accordance with the type of products and services offered to target customers. These business segments are currently defined as follows:

Retail: This segment focuses on individuals and small and medium-sized companies with annual sales up to 70,000UF, where the product offering focuses primarily on consumer loans, commercial loans, checking accounts, credit cards, credit lines and mortgage loans.

Wholesale: This segment focused on corporate clients and large companies, whose annual revenue exceed 70,000UF, where the product offering focuses primarily on commercial loans, checking accounts and liquidity management services, debt instruments, foreign trade, derivative contracts and leases.

Treasury and money market operations:

This segment includes revenue associated with managing the Bank's balance sheet (currencies, maturities and interest rates) and liquidity, including financial instrument and currency trading on behalf of the Bank itself, and lesser extent in the item Interest revenue

Transactions on behalf of customers carried out by the Treasury are reflected in the respective aforementioned segments. These products are highly transaction-focused and include foreign exchange transactions, derivatives and financial instruments in general.

Subsidiaries: Corresponds to companies and corporations controlled by the Bank, where income is obtained individually by the respective subsidiary. The companies that comprise this segment are:

Entity

- Banchile Trade Services Limited
- Banchile Administradora General de Fondos S.A.

- Banchile Asesoría Financiera S.A.
- Banchile Corredores de Seguros Ltda.
- Banchile Corredores de Bolsa S.A.
- Banchile Securitizadora S.A.
- Socofin S.A.
- Promarket S.A.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

6. Segment Reporting, continued:

The financial information used to measure the performance of the Bank's business segments is not necessarily comparable with similar information from other financial institutions because it is based on internal reporting policies. The accounting policies used to prepare the Bank's operating segment information are similar as those described in Summary of Significant Accounting Principles. The Bank obtains the majority of its income from: interest, revaluations and fees, discounted the credit cost and expenses. Management is mainly based on these concepts in its evaluation of segment performance and decision-making regarding goals, allocation of resources for each unit individually. Although the results of the segments reconcile with those of the Bank at total level, it is not thus necessarily concerning the different concepts, since the management is measured and controls in individual form and applying the following criteria:

- 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 internal performance profitability system considers capital allocation in each segment in accordance to the Basel guidelines.
- Operating expenses are distributed at each area level. The Bank allocates all of its indirect operating costs to each business segment by utilizing a different cost driver in order to allocate such costs to the specific segment.

The Bank did not enter into transactions with a particular customer or third parties that exceed 10% or more of its total income during the six-month period ended June 30, 2014 and 2013.

Transfer pricing between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Taxes are managed at a corporate level and are not allocated to business segments.

On July 1, 2013, Banco de Chile absorbed its subsidiary Banchile Factoring SA. This subsidiary was previously presented under the Subsidiaries operating segment. As a result of being absorbed by the Bank, now its operations are presented under Retail and Wholesale segments. Operating segment information for June 30, 2013 has been reclassified for comparative purposes.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

6. Segment Reporting, continued:

The following table presents the income by segment for the periods ended June 2014 and 2013 for each of the segments defined above:

| | Retail | | Wholesale | | Treasury | | Subsidiaries | | Subtotal | | Consolidation adjustment | | Total | |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|-----------------------------|--------------|--------------|--------------|
| | June 2014 | June 2013 | June 2014 | June 2013 | June 2014 | June 2013 | June 2014 | June 2013 | June 2014 | June 2013 | June 2014 | June 2013 | June 2014 | June 2013 |
| | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ |
| Net interest income | 415,536 | 347,340 | 187,354 | 132,806 | 18,198 | 8,257 | (5,172) | (6,542) | 615,916 | 481,861 | 1,438 | 5,689 | 617,354 | 487,550 |
| Net fees and commissions income (loss) | 66,719 | 76,901 | 20,608 | 21,499 | (813) | (293) | 54,492 | 51,277 | 141,006 | 149,384 | (6,644) | (5,490) | 134,362 | 143,894 |
| Other operating income | 12,249 | 17,581 | 25,604 | 27,642 | 16,055 | (5,021) | 16,984 | 18,517 | 70,892 | 58,719 | (2,704) | (6,883) | 68,188 | 51,836 |
| Total operating revenue | 494,504 | 441,822 | 233,566 | 181,947 | 33,440 | 2,943 | 66,304 | 63,252 | 827,814 | 689,964 | (7,910) | (6,684) | 819,904 | 683,280 |
| Provisions for loan losses | (118,669) | (100,804) | (29,484) | (2,783) | (708) | (61) | 154 | (113) | (148,707) | (103,761) | | | (148,707) | (103,761) |
| Depreciation and amortization | (9,422) | (10,150) | (2,432) | (2,778) | (106) | (499) | (1,002) | (864) | (12,962) | (14,291) | | | (12,962) | (14,291) |
| Other operating expenses | (213,328) | (189,775) | (60,862) | (55,111) | (3,087) | (2,952) | (47,809) | (44,305) | (325,086) | (292,143) | 7,910 | 6,684 | (317,176) | (285,459) |
| Income attributable to associates | 749 | 875 | 174 | 427 | 12 | 45 | 245 | 244 | 1,180 | 1,591 | | | 1,180 | 1,591 |
| Income before income taxes | 153,834 | 141,968 | 140,962 | 121,702 | 29,551 | (524) | 17,892 | 18,214 | 342,239 | 281,360 | | | 342,239 | 281,360 |
| Income taxes | | | | | | | | | | | | | (38,009) | (38,026) |
| Income after income taxes | | | | | | | | | | | | | 304,230 | 243,334 |

The following table presents assets and liabilities of the period ended June 30, 2014 and December 31, 2013 by each segment defined above:

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| | Retail | | Wholesale | | Treasury | | Subsidiaries | | Subtotal | | Consolidation adjustment | | Jun 201 MCh\$ |
|----------------------------|-----------------------|---------------------------|-----------------------|---------------------------|-----------------------|---------------------------|-----------------------|---------------------------|-----------------------|---------------------------|--------------------------|---------------------------|---------------------|
| | June 2014 MCh\$ | December 2013 MCh\$ | June 2014 MCh\$ | December 2013 MCh\$ | June 2014 MCh\$ | December 2013 MCh\$ | June 2014 MCh\$ | December 2013 MCh\$ | June 2014 MCh\$ | December 2013 MCh\$ | June 2014 MCh\$ | December 2013 MCh\$ | |
| | Assets | 11,128,565 | 10,635,940 | 9,998,944 | 10,385,698 | 3,812,859 | 4,319,777 | 493,366 | 634,466 | 25,433,734 | 25,975,881 | (132,310) | |
| Current and deferred taxes | | | | | | | | | | | | | 159 |
| Total assets | | | | | | | | | | | | | 25,460,559 |
| Liabilities | 7,982,503 | 8,299,048 | 8,945,261 | 9,633,395 | 5,886,690 | 5,378,699 | 353,500 | 482,627 | 23,167,954 | 23,793,769 | (132,310) | (191,117) | 23,035,444 |
| Current and deferred taxes | | | | | | | | | | | | | 44 |
| Total liabilities | | | | | | | | | | | | | 23,080,444 |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

7. Cash and Cash Equivalents:

(a) Cash and cash equivalents and their reconciliation to the statement of cash flows at each period-end are detailed as follows:

| | June | December |
|--|--------------|-----------------|
| | 2014 | 2013 |
| | MCh\$ | MCh\$ |
| Cash and due from banks: | | |
| Cash | 390,412 | 485,537 |
| Current account with the Chilean Central Bank(*) | 53,358 | 71,787 |
| Deposits in other domestic banks | 8,103 | 15,588 |
| Deposits abroad | 280,288 | 300,396 |
| Subtotal - Cash and due from banks | 732,161 | 873,308 |
| Net transactions in the course of collection | 205,184 | 248,128 |
| Highly liquid financial instruments | 383,942 | 358,093 |
| Repurchase agreements | 29,788 | 59,089 |
| Total cash and cash equivalents | 1,351,075 | 1,538,618 |

(*) Amounts in cash and Central Bank deposits are regulatory reserve deposits for which the Bank must maintain a certain monthly average.

(b) Transactions in the course of collection:

Transactions in the course of settlement are transactions for which the only remaining step is settlement, which will increase or decrease the funds in the Central Bank or in foreign banks, normally occurring within 24 to 48 business hours, and are detailed as follows:

| | June | December |
|---|--------------|-----------------|
| | 2014 | 2013 |
| | MCh\$ | MCh\$ |
| Assets | | |
| Documents drawn on other banks (clearing) | 201,759 | 232,698 |
| Funds receivable | 188,568 | 141,773 |
| Subtotal transactions in the course of collection | 390,327 | 374,471 |

Liabilities

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| | | |
|--|-----------|-----------|
| Funds payable | (185,143) | (126,343) |
| Subtotal transactions in the course of payment | (185,143) | (126,343) |
| Net transactions in the course of collection | 205,184 | 248,128 |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

8. Financial Assets Held-for-trading:

The detail of financial instruments classified as held-for-trading is as follows:

| | June 2014 MCh\$ | December 2013 MCh\$ |
|--|--------------------------------|------------------------------------|
| Instruments issued by the Chilean Government and Central Bank of Chile: | | |
| Central Bank bonds | 98,392 | 34,407 |
| Central Bank promissory notes | 10,004 | 2,995 |
| Other instruments issued by the Chilean Government and Central Bank | 54,532 | 27,535 |
| Other instruments issued in Chile | | |
| Promissory notes from deposits in domestic banks | | |
| Mortgage bonds from domestic banks | 38 | 14 |
| Bonds from domestic banks | 47 | 1,926 |
| Deposits in domestic banks | 216,415 | 255,582 |
| Bonds issued in Chile | 1,309 | 3,427 |
| Other instruments issued in Chile | 5,960 | 1,035 |
| Instruments issued by foreign institutions | | |
| Instruments from foreign governments or central banks | | |
| Other instruments issued abroad | | |
| Mutual fund investments: | | |
| Funds managed by related companies | 31,725 | 66,213 |
| Funds managed by thirds | | |
| Total | 418,422 | 393,134 |

Instruments issued by the Chilean Government and Central Bank include instruments sold under agreements to repurchase to customers and financial institutions, amounting to MCh\$7,007 for the period ended as of June 30, 2014 and December 31, 2013 there was not balance for this concept.

Agreements to repurchase have an average expiration of 5 days as of period-end.

Other instruments issued in Chile include instruments sold under agreements to repurchase to customers and financial instruments, amounting to MCh\$196,483 as of June 30, 2014 (MCh\$227,453 as of December 31, 2013).

Agreements to repurchase have an average expiration of 9 days as of period-end (14 days in December 2013).

Additionally, the Bank holds financial investments in mortgage finance bonds issued by itself in the amount of MCh\$36,927 as of June 30, 2014 (MCh\$41,313 as of December 31, 2013), which are presented as a reduction of the liability line item Debt issued .

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

9. Cash collateral on securities borrowed and reverse repurchase agreements:

(a) The Bank provides financing to its customers through Receivables from Repurchase Agreements and Security Borrowing, in which the financial instrument serves as collateral. As of June 30, 2014 and December 31, 2013, the Bank has the following receivables resulting from such transactions:

| | Up to 1 month | | Over 1 month and up to 3 months | | Over 3 months and up to 12 months | | Over 1 year and up to 3 years | | Over 3 years and up to 5 years | | Over 5 years | | Total | |
|--|---------------|----------|---------------------------------|----------|-----------------------------------|----------|-------------------------------|----------|--------------------------------|----------|--------------|----------|-------|----------|
| | June | December | June | December | June | December | June | December | June | December | June | December | June | December |
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ |
| Instruments issued by the Chilean Governments and Central Bank of Chile | | | | | | | | | | | | | | |
| Central Bank bonds | | | | | | | | | | | | | | |
| Central Bank promissory notes | | | | | | | | | | | | | | |
| Other instruments issued by the Chilean Government and Central Bank | | | | | | | | | | | | | | |
| Other Instruments issued in Chile | | | | | | | | | | | | | | |
| Deposit promissory notes from domestic banks | | | | | | | | | | | | | | |
| Mortgage bonds from domestic banks | | 26 | | | | | | | | | | | | 26 |
| Bonds from domestic banks | 6,936 | 8,443 | | | | | | | | | | | 6,936 | 8,443 |
| Deposits in domestic banks | 490 | 46,084 | | | | | | | | | | | 490 | 46,084 |

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|--|---------------|---------------|--------------|---------------|--------------|---------------|--|---------------|---------------|
| Bonds from other Chilean companies | 128 | | | | | | | 128 | |
| Other instruments issued in Chile | 19,329 | 3,902 | 3,965 | 12,250 | 2,002 | 11,743 | | 25,296 | 27,895 |
| Instruments issued by foreign institutions | | | | | | | | | |
| Instruments from foreign governments or central bank | | | | | | | | | |
| Other instruments | | | | | | | | | |
| Total | 26,909 | 58,429 | 3,965 | 12,250 | 2,002 | 11,743 | | 32,876 | 82,422 |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

9. Cash collateral on securities lent and repurchase agreements, continued:

(b) The Bank obtains financing by selling financial instruments and committing to purchase them at future dates, plus interest at a prefixed rate. As of June 30, 2014 and December 31, 2013, the Bank has the following payables resulting from such transactions:

| | Up to 1 month | | Over 1 month and up to 3 months | | Over 3 months and up to 12 months | | Over 1 year and up to 3 years | | Over 3 years and up to 5 years | | Over 5 years | | Total | |
|--|---------------|----------|---------------------------------|----------|-----------------------------------|----------|-------------------------------|----------|--------------------------------|----------|--------------|----------|--------|----------|
| | June | December | June | December | June | December | June | December | June | December | June | December | June | December |
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ |
| Instruments issued by the Chilean Governments and Central Bank of Chile | | | | | | | | | | | | | | |
| Central Bank bonds | 648 | 16,831 | | | | | | | | | | | 648 | 16,831 |
| Central Bank promissory notes | 58,379 | | | | | | | | | | | | 58,379 | |
| Other instruments issued by the Chilean Government and Central Bank | | | | | | | | | | | | | | |
| Other Instruments Issued in Chile | | | | | | | | | | | | | | |
| Deposit promissory notes from domestic banks | | | | | | | | | | | | | | |
| Mortgage bonds from domestic banks | | | | | | | | | | | | | | |
| Bonds from domestic banks | | | | | | | | | | | | | | |

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| | | | | | |
|--|----------------|----------------|--------------|----------------|----------------|
| Deposits in domestic banks | 164,901 | 232,512 | 7,217 | 164,901 | 239,729 |
| Bonds from other Chilean companies | | | | | |
| Other instruments issued in Chile | 1,220 | 206 | | 1,220 | 206 |
| Instruments issued by foreign institutions | | | | | |
| Instruments from foreign governments or central bank | | | | | |
| Other instruments | | | | | |
| Total | 225,148 | 249,549 | 7,217 | 225,148 | 256,766 |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

9. Receivables from Repurchase Agreements and Security Borrowing, continued:

(c) Securities given (purchases):

As part of reverse repurchase and securities borrowing agreements the Bank has received securities that it is allowed to sell or pledge in the absence of default by the owner. As of June 30, 2014, the Bank held securities with a fair value of Ch\$32,508million (Ch\$81,830 million in December 2013) on such terms.

(d) Securities received (sales):

The carrying amount of securities lent and of Payables from Repurchase Agreements and Security Lending as of June 30, 2014 is Ch\$223,000 million (Ch\$255,302 million in December 2013). The counterparty is allowed to sell or pledge those securities in the absence of default by the Bank.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

10. Derivative Instruments and Accounting Hedges:

(a) As of June 30, 2014 and 2013, the Bank's portfolio of derivative instruments is detailed as follows:

| | Notional amount of contract with final expiration date in | | | | | | | | | |
|--|---|---------------------------|---------------------------------|---------------------------|--------------------------------|---------------------------|-------------------------------|---------------------------|-------------------------------|---------------------------|
| | Up to 1 month | | Over 1 month and up to 3 months | | Over 3 months and up to 1 year | | Over 1 year and up to 3 years | | Over 3 year and up to 5 years | |
| | June 2014 MCh\$ | December 2013 MCh\$ | June 2014 MCh\$ | December 2013 MCh\$ | June 2014 MCh\$ | December 2013 MCh\$ | June 2014 MCh\$ | December 2013 MCh\$ | June 2014 MCh\$ | December 2013 MCh\$ |
| Derivatives held for hedging purposes | | | | | | | | | | |
| Cross currency swap | | | | | 33,014 | 32,032 | 14,681 | 17,094 | 26,546 | 13,416 |
| Interest rate swap | | 8,569 | | | 5,530 | 4,731 | 27,263 | 25,394 | 14,819 | 8,412 |
| Total derivatives held for hedging purposes | | 8,569 | | | 38,544 | 36,763 | 41,944 | 42,488 | 41,365 | 21,828 |
| Derivatives held as cash flow hedges | | | | | | | | | | |
| Interest rate swap and cross currency swap | | | | | 61,560 | 59,730 | 475,802 | 313,263 | 339,674 | 209,465 |
| Total Derivatives held as cash flow hedges | | | | | 61,560 | 59,730 | 475,802 | 313,263 | 339,674 | 209,465 |
| Derivatives held-for-trading purposes | | | | | | | | | | |
| Currency forward | 3,041,649 | 2,815,835 | 2,620,779 | 2,194,765 | 5,723,574 | 3,812,356 | 426,132 | 323,882 | 37,190 | 52,513 |
| Cross currency swap | 122,272 | 124,909 | 265,417 | 470,928 | 1,005,873 | 1,400,553 | 1,776,874 | 1,195,627 | 919,031 | 1,024,721 |
| Interest rate swap | 315,953 | 567,058 | 1,207,987 | 1,318,722 | 4,880,716 | 4,275,295 | 5,977,020 | 4,767,240 | 3,393,598 | 2,919,321 |
| Call currency options | 29,406 | 12,491 | 82,186 | 39,109 | 89,729 | 138,809 | 5,530 | 6,572 | | |
| Put currency options | 23,176 | 7,034 | 56,241 | 31,078 | 61,642 | 75,379 | | | | |
| Total derivatives of negotiation | 3,532,456 | 3,527,327 | 4,232,610 | 4,054,602 | 11,761,534 | 9,702,392 | 8,185,556 | 6,293,321 | 4,349,819 | 3,996,555 |
| Total | 3,532,456 | 3,535,896 | 4,232,610 | 4,054,602 | 11,861,638 | 9,798,885 | 8,703,302 | 6,649,072 | 4,730,858 | 4,227,848 |

Table of ContentsNOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, *continued***10. Derivative Instruments and Accounting Hedges, continued:**

(b) Fair value Hedges:

The Bank uses cross-currency swaps and interest rate swaps to hedge its exposure to changes in the fair value of the hedged elements attributable to interest rates in financial instruments. The aforementioned hedge instruments change the effective cost of long-term issuances from a fixed interest rate to a floating rate, decreasing the duration and modifying the sensitivity to the shortest segments of the curve.

Below is a detail of the hedged elements and hedge instruments under fair value hedges as of June 30, 2014 and December 31, 2013:

| | June 2014 MCh\$ | December 2013 MCh\$ |
|-------------------------|--------------------------------|------------------------------------|
| Hedged element | | |
| Commercial loans | 96,417 | 128,934 |
| Corporate bonds | 143,024 | 164,526 |
| Hedge instrument | | |
| Cross currency swap | 96,417 | 128,934 |
| Interest rate swap | 143,024 | 164,526 |

(c) Cash flow Hedges:

(c.1) The Bank uses cross currency swaps to hedge the risk from variability of cash flows attributable to changes in the interest rates of bonds and foreign exchange of obligations with foreign banks, bonds issued abroad in Mexican pesos to rate TIIE, Hong Kong dollars, Peruvian nuevo sol, Swiss franc, Japanese yens. The cash flows of the cross currency swaps equal the cash flows of the hedged items, which modify uncertain cash flows to known cash flows derived from a fixed interest rate.

Additionally, these cross currency swap contracts used to hedge the risk from variability of the Unidad de Fomento (CLF) in assets flows denominated in CLF until a nominal amount equal to the portion notional of the hedging instrument CLF, whose readjustment daily impact the item interest revenue of the financial statements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

10. Derivative Instruments and Accounting Hedges, continued:

(c.2) Below are the cash flows from bonds issued abroad objects of this hedge and the cash flows of the asset part of the derivative instrument:

| | As of June 30, 2014 | | | | | | Total MCh\$ |
|---|---------------------------|--|--|--|---|--------------------------|----------------|
| | Up to 1 month MCh\$ | Over 1 month and up to 3 months MCh\$ | Over 3 months and up to 12 months MCh\$ | Over 1 year and up to 3 years MCh\$ | Over 3 years and up to 5 years MCh\$ | Over 5 years MCh\$ | |
| Hedge item | | | | | | | |
| <u>Outflows</u> | | | | | | | |
| Hedged item (Corporate bonds MXN) | (218) | (436) | (64,480) | | | | (65,134) |
| Hedged item (Corporate bonds HKD) | | (3,645) | (5,051) | (17,397) | (17,387) | (294,652) | (338,132) |
| Hedged item (Corporate bonds PEN) | | | (607) | (1,212) | (15,127) | | (16,946) |
| Hedged item (Corporate bonds CHF) | (1,109) | (180) | (5,591) | (324,821) | (240,798) | (110,743) | (683,242) |
| Hedged item (Obligation USD) | (454) | (87) | (1,624) | (198,421) | | | (200,586) |
| Hedged item (Corporate bonds JPY) | | (218) | (966) | (62,738) | (44,051) | (28,196) | (136,169) |
| Hedge instruments | | | | | | | |
| <u>Inflows</u> | | | | | | | |
| Hedged Instrument (Cross currency swap MXN leg) | 218 | 436 | 64,480 | | | | 65,134 |
| Hedged Instrument (Cross currency swap HKD leg) | | 3,645 | 5,051 | 17,397 | 17,387 | 294,652 | 338,132 |
| Hedged Instrument (Cross currency swap PEN leg) | | | 607 | 1,212 | 15,127 | | 16,946 |
| Hedged Instrument (Cross currency swap CHF leg) | 1,109 | 180 | 5,591 | 324,821 | 240,798 | 110,743 | 683,242 |
| Hedged Instrument (Cross currency swap USD leg) | 454 | 87 | 1,624 | 198,421 | | | 200,586 |
| Hedged Instrument (Cross currency swap JPY leg) | | 218 | 966 | 62,738 | 44,051 | 28,196 | 136,169 |
| Net cash flows | | | | | | | |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

10. Derivative Instruments and Accounting Hedges, continued:

| | As of December 31, 2013 | | | | | | Total MCh\$ |
|--------------------------|---------------------------|--|--|--|---|-----------------------|----------------|
| | Up to 1 month MCh\$ | Over 1 month and up to 3 months MCh\$ | Over 3 months and up to 12 months MCh\$ | Over 1 year and up to 3 years MCh\$ | Over 3 years and up to 5 years MCh\$ | Over 5 years MCh\$ | |
| Hedge item | | | | | | | |
| <u>Outflows:</u> | | | | | | | |
| Corporate Bond MXN | (206) | (619) | (62,275) | | | | (63,100) |
| Corporate Bond HKD | | | (7,011) | (14,022) | (14,009) | (240,224) | (275,266) |
| Corporate Bond PEN | | | (578) | (1,154) | (14,690) | | (16,422) |
| Corporate Bond CHF | (216) | | (4,720) | (143,070) | (229,701) | (105,325) | (483,032) |
| Obligation USD | (273) | (82) | (1,064) | (135,478) | | | (136,897) |
| Corporate Bond JPY | | (76) | (560) | (56,964) | (598) | (29,173) | (87,371) |
| Hedge instruments | | | | | | | |
| <u>Inflows:</u> | | | | | | | |
| Cross Currency Swap MXN | 206 | 619 | 62,275 | | | | 63,100 |
| Cross Currency Swap HKD | | | 7,011 | 14,022 | 14,009 | 240,224 | 275,266 |
| Cross Currency Swap PEN | | | 578 | 1,154 | 14,690 | | 16,422 |
| Cross Currency Swap CHF | 216 | | 4,720 | 143,070 | 229,701 | 105,325 | 483,032 |
| Cross Currency Swap USD | 273 | 82 | 1,064 | 135,478 | | | 136,897 |
| Cross Currency Swap JPY | | 76 | 560 | 56,964 | 598 | 29,173 | 87,371 |
| Net cash flow | | | | | | | |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

10. Derivative Instruments and Accounting Hedges, continued:

(c.2) Below are the cash flows from underlying assets and the cash flows of the liability part of the derivative instrument:

| | As of June 30, 2014 | | | | | | Total MCh\$ |
|--|---------------------------|---|---|--|---|--------------------------|----------------|
| | Up to 1 month MCh\$ | Over 1 month and up to 3 months MCh\$ | Over 3 months and up to 12 months MCh\$ | Over 1 year and up to 3 years MCh\$ | Over 3 years and up to 5 years MCh\$ | Over 5 years MCh\$ | |
| Hedge item | | | | | | | |
| Inflows | | | | | | | |
| Hedged item (Cash flows CLF) | 2,729 | 5,597 | 87,331 | 532,437 | 374,330 | 401,624 | 1,404,048 |
| Hedge instruments | | | | | | | |
| Outflows | | | | | | | |
| Hedged Instrument (Cross currency swap MXN leg) | | | (62,427) | | | | (62,427) |
| Hedged Instrument (Cross currency swap HKD leg) | | (2,883) | (4,212) | (14,230) | (14,173) | (267,324) | (302,822) |
| Hedged Instrument (Cross currency swap PEN leg) | | | (464) | (926) | (14,893) | | (16,283) |
| Hedged Instrument (Cross currency swap JPY leg) | | (480) | (3,208) | (66,910) | (46,844) | (29,913) | (147,355) |
| Hedged Instrument (Cross currency swap USD leg) | | | (4,547) | (193,554) | | | (198,101) |
| Hedged Instrument (Cross currency swap CHF leg) | (2,729) | (2,234) | (12,473) | (256,817) | (298,420) | (104,387) | (677,060) |
| Net cash flows | | | | | | | |

| | As of December 31, 2013 | | | | | | Total MCh\$ |
|--------------------------|---------------------------|---|---|--|---|-----------------------|----------------|
| | Up to 1 month MCh\$ | Over 1 month and up to 3 months MCh\$ | Over 3 months and up to 12 months MCh\$ | Over 1 year and up to 3 years MCh\$ | Over 3 years and up to 5 years MCh\$ | Over 5 years MCh\$ | |
| Hedge item | | | | | | | |
| Inflows: | | | | | | | |
| Cash flow in CLF | 2,751 | 233 | 82,888 | 359,407 | 237,627 | 351,724 | 1,034,630 |
| Hedge instruments | | | | | | | |
| Outflows: | | | | | | | |

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| | | | | | | |
|-------------------------|---------|----------|-----------|-----------|-----------|-----------|
| Cross Currency Swap MXN | | (61,400) | | | | (61,400) |
| Cross Currency Swap HKD | | (5,791) | (11,617) | (11,562) | (217,999) | (246,969) |
| Cross Currency Swap PEN | | (450) | (898) | (14,673) | | (16,021) |
| Cross Currency Swap JPY | (233) | (2,099) | (63,679) | (1,846) | (30,920) | (98,777) |
| Cross Currency Swap USD | | (3,314) | (133,094) | | | (136,408) |
| Cross Currency Swap CHF | (2,751) | (9,834) | (150,119) | (209,546) | (102,805) | (475,055) |

Net cash flow

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

10. Derivative Instruments and Accounting Hedges, continued:

Respect to CLF assets hedged, these are revalued monthly according to the variation of the UF, which is equivalent to realize monthly reinvestment of the assets until maturity of the relationship hedging.

(c.3) Unrealized gain of fair value adjustment for the period 2014 was Ch\$4,672 million (Ch\$16,224 charge to equity as of June 30, 2013) generated from hedging instruments, which has been recorded in equity. The accumulated net effect for deferred taxes as of June 30, 2014 was a charge to equity of Ch\$3,737 million (Ch\$12,979 charge to equity as of June 30, 2013).

The accumulated amount for this concept (net of deferred taxes) as of June 30, 2014 correspond to a charge to equity amounted Ch\$17,158 million (charge to equity of Ch\$13,421 million as of December 31, 2013).

(c.4) The net effect in income of derivatives cash flow hedges amount to Ch\$8,529 millions in 2014 (Ch\$21,164 charge to equity as of June 30, 2013).

(c.5) As of June 31, 2014 and 2013, it not exist inefficiency in cash flow hedge, because both, hedge item and hedge instruments are mirror one of other, it means that all variation of value attributable to rate and revaluation components are netted almost totally.

(c.6) As of June 30, 2014 and 2013, the Bank has not hedges of net investments in foreign business.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

11. Loans and advances to Banks:

(a) Amounts are detailed as follows:

| | June 2014 MCh\$ | December 2013 MCh\$ |
|--|-----------------------|---------------------------|
| Domestic Banks | | |
| Interbank loans | 70,000 | 100,012 |
| Others credits with domestic banks | | |
| Provisions for loans to domestic banks | (30) | (36) |
| Subtotal | 69,970 | 99,976 |
| Foreign Banks | | |
| Loans to foreign banks | 144,320 | 252,697 |
| Chilean exports trade loans | 107,972 | 97,194 |
| Credits with third countries | 58,053 | 12,864 |
| Provisions for loans to foreign banks | (687) | (1,256) |
| Subtotal | 309,658 | 361,499 |
| Central Bank of Chile | | |
| Non-available Central Bank deposits | 370,000 | 600,000 |
| Other Central Bank credits | 992 | 581 |
| Subtotal | 370,992 | 600,581 |
| Total | 750,620 | 1,062,056 |

(b) Provisions for loans to banks are detailed below:

| Detail | Bank s Location | | Total MCh\$ |
|---------------------------------|-----------------|-----------------|----------------|
| | Chile MCh\$ | Abroad MCh\$ | |
| Balance as of January 1, 2013 | 5 | 954 | 959 |
| Charge-offs | | | |
| Provisions established | | 389 | 389 |
| Provisions released | (5) | | (5) |
| Balance as of June 30, 2013 | | 1,343 | 1,343 |
| Charge-offs | | | |
| Provisions established | 36 | | 36 |
| Provisions released | | (87) | (87) |
| Balance as of December 31, 2013 | 36 | 1,256 | 1,292 |
| Charge-offs | | | |

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| | | | |
|-----------------------------|-----|-------|-------|
| Provisions established | | | |
| Provisions released | (6) | (569) | (575) |
| Balance as of June 30, 2014 | 30 | 687 | 717 |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

12. Loans to Customers, net:

(a) Loans to Customers:

As of June 30, 2014 and December 31, 2013, the composition of the portfolio of loans is the following:

| | As of June 30, 2014 | | | | | | | Net assets MCh\$ |
|--|------------------------------|--------------------------------|---|----------------|------------------------|-----------------------------------|------------------------------|---------------------|
| | Assets before allowances | | | Total MCh\$ | Allowances established | | | |
| | Normal Portfolio MCh\$ | Impaired Portfolio MCh\$ | Non- Complying Portfolio MCh\$ | | | Individual Provisions MCh\$ | Group Provisions MCh\$ | Total MCh\$ |
| Commercial loans | | | | | | | | |
| Commercial loans | 8,904,622 | 71,208 | 314,840 | 9,290,670 | (109,345) | (94,373) | (203,718) | 9,086,952 |
| Foreign trade loans | 1,097,993 | 81,438 | 58,462 | 1,237,893 | (77,303) | (833) | (78,136) | 1,159,757 |
| Current account debtors | 273,174 | 3,531 | 2,690 | 279,395 | (3,003) | (3,388) | (6,391) | 273,004 |
| Factoring transactions | 471,317 | 2,088 | 555 | 473,960 | (8,383) | (723) | (9,106) | 464,854 |
| Commercial lease transactions (1) | 1,265,057 | 20,076 | 28,928 | 1,314,061 | (5,411) | (11,041) | (16,452) | 1,297,609 |
| Other loans and accounts receivable | 36,139 | 442 | 6,790 | 43,371 | (2,426) | (3,121) | (5,547) | 37,824 |
| Subtotal | 12,048,302 | 178,783 | 412,265 | 12,639,350 | (205,871) | (113,479) | (319,350) | 12,320,000 |
| Mortgage loans | | | | | | | | |
| Mortgage bonds | 74,226 | | 5,101 | 79,327 | | (276) | (276) | 79,051 |
| Transferable mortgage loans | 111,895 | | 2,444 | 114,339 | | (163) | (163) | 114,176 |
| Other residential real estate mortgage loans | 4,847,289 | | 72,633 | 4,919,922 | | (20,586) | (20,586) | 4,899,336 |
| Credits from ANAP | 22 | | | 22 | | | | 22 |
| Residential lease transactions | | | | | | | | |
| Other loans and accounts receivable | 6,004 | | | 6,004 | | (94) | (94) | 5,910 |
| Subtotal | 5,039,436 | | 80,178 | 5,119,614 | | (21,119) | (21,119) | 5,098,495 |
| Consumer loans | | | | | | | | |
| Consumer loans in installments | 1,938,145 | | 168,399 | 2,106,544 | | (141,916) | (141,916) | 1,964,628 |
| Current account debtors | 235,962 | | 6,641 | 242,603 | | (7,307) | (7,307) | 235,296 |

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| | | | | | | | | |
|-------------------------------------|------------|---------|---------|------------|-----------|-----------|-----------|------------|
| Credit card debtors | 779,858 | | 25,851 | 805,709 | | (32,599) | (32,599) | 773,110 |
| Consumer lease transactions | | | | | | | | |
| Other loans and accounts receivable | 133 | | 576 | 709 | | (254) | (254) | 455 |
| Subtotal | 2,954,098 | | 201,467 | 3,155,565 | | (182,076) | (182,076) | 2,973,489 |
| Total | 20,041,836 | 178,783 | 693,910 | 20,914,529 | (205,871) | (316,674) | (522,545) | 20,391,984 |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

12. Loans to Customers net, continued:

(a) Loans to Customers, continued:

| | As of December 31, 2013 | | | | | | | Net assets MCh\$ |
|--|------------------------------|-----------------------------------|--|----------------|-----------------------------------|------------------------------|----------------|---------------------|
| | Normal Portfolio MCh\$ | Substandard Portfolio MCh\$ | Assets before allowance Non- Complying Portfolio MCh\$ | Total MCh\$ | Individual Provisions MCh\$ | Group Provisions MCh\$ | Total MCh\$ | |
| Commercial loans | | | | | | | | |
| Commercial loans | 9,501,576 | 117,957 | 269,260 | 9,888,793 | (95,962) | (86,529) | (182,491) | 9,706,302 |
| Foreign trade loans | 1,027,507 | 73,090 | 54,084 | 1,154,681 | (68,272) | (642) | (68,914) | 1,085,767 |
| Current account debtors | 253,198 | 3,160 | 2,931 | 259,289 | (3,031) | (3,332) | (6,363) | 252,926 |
| Factoring transactions | 520,776 | 2,538 | 745 | 524,059 | (9,570) | (822) | (10,392) | 513,667 |
| Commercial lease transactions (1) | 1,156,350 | 27,394 | 26,003 | 1,209,747 | (5,265) | (10,224) | (15,489) | 1,194,258 |
| Other loans and accounts receivable | 34,621 | 307 | 5,011 | 39,939 | (762) | (3,287) | (4,049) | 35,890 |
| Subtotal | 12,494,028 | 224,446 | 358,034 | 13,076,508 | (182,862) | (104,836) | (287,698) | 12,788,810 |
| Mortgage loans | | | | | | | | |
| Mortgage bonds | 81,704 | | 5,650 | 87,354 | | (220) | (220) | 87,134 |
| Transferable mortgage loans | 120,584 | | 2,321 | 122,905 | | (285) | (285) | 122,620 |
| Other residential real estate mortgage loans | 4,455,510 | | 61,312 | 4,516,822 | | (17,997) | (17,997) | 4,498,825 |
| Credits from ANAP | 24 | | | 24 | | | | 24 |
| Residential lease transactions | | | | | | | | |
| Other loans and accounts receivable | 5,155 | | 47 | 5,202 | | | | 5,202 |
| Subtotal | 4,662,977 | | 69,330 | 4,732,307 | | (18,502) | (18,502) | 4,713,805 |
| Consumer loans | | | | | | | | |
| Consumer loans in installments | 1,865,945 | | 169,216 | 2,035,161 | | (134,460) | (134,460) | 1,900,701 |
| Current account debtors | 231,493 | | 9,459 | 240,952 | | (7,844) | (7,844) | 233,108 |
| Credit card debtors | 758,742 | | 25,040 | 783,782 | | (31,666) | (31,666) | 752,116 |
| Consumer lease transactions | | | | | | | | |
| Other loans and accounts receivable | 185 | | 616 | 801 | | (308) | (308) | 493 |

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| | | | | | | | | |
|----------|------------|---------|---------|------------|-----------|-----------|-----------|------------|
| Subtotal | 2,856,365 | | 204,331 | 3,060,696 | | (174,278) | (174,278) | 2,886,418 |
| Total | 20,013,370 | 224,446 | 631,695 | 20,869,511 | (182,862) | (297,616) | (480,478) | 20,389,033 |

(1) In this item, the Bank finances its customers purchases of assets, including real estate and other personal property, through finance lease agreements. As of June 30, 2014 MCh\$528,225 (MCh\$503,972 as of December 31, 2013) correspond to finance leases for real estate and MCh\$785,836 (MCh\$705,775 as of December 31, 2013), correspond to finance leases for other assets.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

13. Loans to Customers net, continued:

(a.ii) Impaired Portfolio

As of June 30, 2014 and December 31, 2013, the Bank presents the following details of normal and impaired portfolio:

| | Normal Portfolio | | Assets before Allowances Impaired Portfolio | | Total | | Individual Provisions | | Allowances established Group Provisions | | Total | | June 2014 MCh\$ |
|--------------|-------------------|-------------------|--|----------------|-------------------|-------------------|-----------------------|------------------|--|------------------|------------------|------------------|-----------------------|
| | June | December | June | December | June | December | June | December | June | December | June | December | |
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | |
| | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ |
| Commercial | | | | | | | | | | | | | |
| loans | 12,173,187 | 12,629,450 | 466,163 | 447,058 | 12,639,350 | 13,076,508 | (205,871) | (182,862) | (113,479) | (104,836) | (319,350) | (287,698) | 12,320,000 |
| Mortgage | | | | | | | | | | | | | |
| loans | 5,039,436 | 4,662,977 | 80,178 | 69,330 | 5,119,614 | 4,732,307 | | | (21,119) | (18,502) | (21,119) | (18,502) | 5,098,000 |
| Consumer | | | | | | | | | | | | | |
| loans | 2,954,098 | 2,856,365 | 201,467 | 204,331 | 3,155,565 | 3,060,696 | | | (182,076) | (174,278) | (182,076) | (174,278) | 2,973,000 |
| Total | 20,166,721 | 20,148,792 | 747,808 | 720,719 | 20,914,529 | 20,869,511 | (205,871) | (182,862) | (316,674) | (297,616) | (522,545) | (480,478) | 20,391,000 |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

12. Loans to Customers, continued:

(b) Allowances for loan losses:

Movements in allowances for loan losses during periods 2014 and 2013 are as follows:

| | Individual MCh\$ | Allowances Group MCh\$ | Total MCh\$ |
|---------------------------------|---------------------|------------------------------|----------------|
| Balance as of January 1, 2013 | 164,901 | 262,534 | 427,435 |
| Charge-offs: | | | |
| Commercial loans | (3,386) | (13,181) | (16,567) |
| Mortgage loans | | (1,422) | (1,422) |
| Consumer loans | | (76,281) | (76,281) |
| Total charge-offs | (3,386) | (90,884) | (94,270) |
| Debt swap | (12,556) | | (12,556) |
| Allowances established | 6,773 | 107,069 | 113,842 |
| Allowances released | | | |
| Balance as of June 30, 2013 | 155,732 | 278,719 | 434,451 |
| Charge-offs: | | | |
| Commercial loans | (5,262) | (14,200) | (19,462) |
| Mortgage loans | | (1,820) | (1,820) |
| Consumer loans | | (80,983) | (80,983) |
| Total charge-offs | (5,262) | (97,003) | (102,265) |
| Allowances established | 32,392 | 115,900 | 148,292 |
| Allowances released | | | |
| Balance as of December 31, 2013 | 182,862 | 297,616 | 480,478 |
| Charge-offs: | | | |
| Commercial loans | (7,678) | (16,833) | (24,511) |
| Mortgage loans | | (1,790) | (1,790) |
| Consumer loans | | (88,862) | (88,862) |
| Total charge-offs | (7,678) | (107,485) | (115,163) |
| Allowances established | 30,687 | 126,543 | 157,230 |
| Allowances released | | | |
| Balance as of June 30, 2014 | 205,871 | 316,674 | 522,545 |

In addition to these allowances for loan losses, the Bank also establishes a country risk provisions to hedge foreign transactions and additional provisions agreed upon by the Board of Directors, which are presented within liabilities in Provisions (Note 24).

Other Disclosures:

1. As of June 30, 2014 and December 31, 2013, the Bank and its subsidiaries have made purchases and sales of loan portfolios. The effect in income is no more than 5% of net income before taxes, as described in Note 12 (d).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

12. Loans to Customers, continued:

2. As of June 30, 2014 and December 31, 2013 the Bank and its subsidiaries have derecognized 100% of its sold loan portfolio and it has been transferred all or substantially all risks and benefits related to these financial assets.

(c) Finance lease contracts:

The Bank's scheduled cash flows to be received from finance leasing contracts have the following maturities:

| | Total receivable | | Unearned income | | Net lease receivable(*) | |
|--------------------------------------|-----------------------|---------------------------|-----------------------|---------------------------|-------------------------|---------------------------|
| | June 2014 MCh\$ | December 2013 MCh\$ | June 2014 MCh\$ | December 2013 MCh\$ | June 2014 MCh\$ | December 2013 MCh\$ |
| Due within one year | 462,639 | 435,789 | (55,387) | (53,920) | 407,252 | 381,869 |
| Due after 1 year but within 2 years | 324,502 | 314,546 | (40,739) | (39,405) | 283,763 | 275,141 |
| Due after 2 years but within 3 years | 206,293 | 197,979 | (26,293) | (25,097) | 180,000 | 172,882 |
| Due after 3 years but within 4 years | 135,600 | 121,241 | (18,807) | (16,987) | 116,793 | 104,254 |
| Due after 4 years but within 5 years | 92,188 | 78,992 | (13,676) | (12,663) | 78,512 | 66,329 |
| Due after 5 years | 271,306 | 232,607 | (32,022) | (29,879) | 239,284 | 202,728 |
| Total | 1,492,528 | 1,381,154 | (186,924) | (177,951) | 1,305,604 | 1,203,203 |

(*) The net balance receivable does not include past-due portfolio totaling MCh\$8,457 as of June 30, 2014 (MCh\$6,544 as of December 31, 2013).

The leasing contracts are related to industrial machinery, vehicles and computer equipment. The leasing contracts have an average life of between 3 and 8 years.

(d) Purchase of credits:

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In the present period the Bank has not acquired portfolio loans.

(e) Sale or transfer of credits from the loans to customers:

During the period 2014 Banco de Chile has carried out transactions of sale or transfer of the loan portfolio, according the following:

| Carrying amount MCh\$ | As of June 30, 2014 | | Effect on income (loss) gain MCh\$ |
|-----------------------------|---------------------|------------|--|
| | Allowances | Sale price | |
| | MCh\$ | MCh\$ | |
| 426,701 | (14) | 426,701 | 14 |

| Carrying amount MCh\$ | As of June 30, 2013 | | Effect on income (loss) gain MCh\$ |
|-----------------------------|---------------------|------------|--|
| | Allowances | Sale price | |
| | MCh\$ | MCh\$ | |
| 44,965 | (353) | 45,280 | 668 |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

12. Loans to Customers, continued:

(f) Securitization of own assets

During the period 2013 and June 2014, there is no transactions of securitization of own assets.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

13. Investment Securities:

As of June 30, 2014 and December 31, 2013, investment securities classified as available-for-sale and held-to-maturity are detailed as follows:

| | Available- for-sale MCh\$ | June 2014 Held to maturity MCh\$ | Total MCh\$ | Available- for -sale MCh\$ | December 2013 Held to maturity MCh\$ | Total MCh\$ |
|---|---------------------------------|--|------------------|----------------------------------|--|------------------|
| Instruments issued by the Chilean Government and Central Bank of Chile | | | | | | |
| Bonds issued by the Chilean Government and Central Bank | 31,239 | | 31,239 | 333,035 | | 333,035 |
| Promissory notes issued by the Chilean Government and Central Bank | 300,564 | | 300,564 | 50,415 | | 50,415 |
| Other instruments | 198,070 | | 198,070 | 202,958 | | 202,958 |
| Other instruments issued in Chile | | | | | | |
| Deposit promissory notes from domestic banks | | | | | | |
| Mortgage bonds from domestic banks | 95,916 | | 95,916 | 96,933 | | 96,933 |
| Bonds from domestic banks | 38,722 | | 38,722 | 128,500 | | 128,500 |
| Deposits from domestic banks | 592,354 | | 592,354 | 617,816 | | 617,816 |
| Bonds from other Chilean companies | 22,235 | | 22,235 | 13,558 | | 13,558 |
| Promissory notes issued by other Chilean companies | | | | | | |
| Other instruments | 151,236 | | 151,236 | 154,267 | | 154,267 |
| Instruments issued abroad | | | | | | |
| Instruments from foreign governments or Central Banks | | | | | | |
| Other instruments | 59,171 | | 59,171 | 76,222 | | 76,222 |
| Total | 1,489,507 | | 1,489,507 | 1,673,704 | | 1,673,704 |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

13. Investment Securities, continued:

Instruments issued by the Chilean Government and Central Bank include instruments with agreements to repurchase sold to clients and financial institutions; totaling MCh\$52,007 as of June 30, 2014 (MCh\$16,840 as of December 31, 2013). The agreements to repurchase have an average maturity of 3 days as of June 30, 2014 (average maturity of 3 days as of December 31, 2013).

In instruments issued by other Chilean institutions are included instruments sold by repurchase agreements to clients and financial institutions, totaling MCh\$20 as of June 30, 2014 (Ch\$109 million as of December 31, 2013). The agreements to repurchase have an average maturity of 3 days as of June 30, 2014 (average maturity of 3 days as of December 31, 2013).

In instruments issued abroad are included mainly bank bonds and shares and equity investments instruments.

As of June 30, 2014, the portfolio of financial assets available-for-sale includes a net unrealized gain of MCh\$33,042, net of tax (net unrealized gain of MCh\$29,372 as of December 31, 2013), recorded in other comprehensive income within equity.

During 2014 and 2013, there is no evidence of impairment of financial assets available-for-sale.

Realized gains and losses are calculated as the proceeds from sales less the cost (specific identification method) of the investments identified as available-for-sale. In addition, any unrealized gain or loss previously recognized in equity for these investments is reversed and recorded in the Consolidated Statements of Comprehensive Income.

Gross profits and losses realized on the sale of available-for-sale investments as of June 30, 2014 and 2013 are shown in Note 30 Net Financial Operating Income .

Gross profits and losses realized and unrealized on the sale of available-for-sale investments for the six-month period ended June 30, 2014 and December 31, 2013 are as follows:

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| | June 2014 MCh\$ | June 2013 MCh\$ |
|---|--------------------------------|--------------------------------|
| Unrealized (losses)/profits during the period | 15,237 | 13,593 |
| Realized losses/(profits) (reclassified) | (10,650) | (6,365) |
| Subtotal unrealized during the period | 4,587 | 7,228 |
| Income tax | (917) | (1,446) |
| Total unrealized during the period | 3,670 | 5,782 |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

14. Investments in Other Companies:

(a) This item includes investments in other companies for an amount of MCh\$23,996 as of June 30, 2014 (MCh\$16,670 as of December 31, 2013), which is detailed as follows:

| Company | Shareholder | Ownership Interest | | Equity | | Book Value | | Investment Income (Loss) | |
|--|----------------|--------------------|---------------|-----------|---------------|------------|---------------|--------------------------|-----------|
| | | June 2014 | December 2013 | June 2014 | December 2013 | June 2014 | December 2013 | June 2014 | June 2013 |
| | | % | % | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ |
| Associates | | | | | | | | | |
| Transbank S.A.(****) | Banco de Chile | 26.16 | 26.16 | 5,610 | 5,232 | 8,076 | 1,368 | 99 | 160 |
| Soc. Operadora de Tarjetas de Crédito Nexus S.A. | Banco de Chile | 25.81 | 25.81 | 8,017 | 7,197 | 2,069 | 1,858 | 302 | 363 |
| Administrador Financiero del Transantiago S.A. (*) | Banco de Chile | 20.00 | 20.00 | 10,341 | 9,737 | 2,068 | 1,948 | 121 | 421 |
| Redbanc S.A. | Banco de Chile | 38.13 | 38.13 | 5,064 | 4,401 | 1,931 | 1,678 | 293 | 185 |
| Sociedad Imerc OTC S.A. (**)(***) | Banco de Chile | 12.49 | 12.49 | 11,771 | 11,411 | 1,367 | 1,425 | (64) | |
| Centro de Compensación Automatizado S.A. | Banco de Chile | 33.33 | 33.33 | 2,252 | 1,982 | 750 | 661 | 86 | 47 |
| Soc. Operadora de la Cámara de Compensación de Pagos de Alto Valor S.A (***) | Banco de Chile | 15.00 | 15.00 | 4,465 | 4,529 | 670 | 679 | 46 | 37 |
| Sociedad Interbancaria de Depósitos de Valores S.A. | Banco de Chile | 26.81 | 26.81 | 2,170 | 1,978 | 582 | 530 | 56 | 66 |
| Subtotal Associates | | | | 49,690 | 46,467 | 17,513 | 10,147 | 939 | 1,279 |
| Joint Ventures | | | | | | | | | |
| Servipag Ltda. | Banco de Chile | 50.00 | 50.00 | 7,050 | 7,180 | 3,525 | 3,590 | (65) | 67 |
| Artikos Chile S.A. | Banco de Chile | 50.00 | 50.00 | 1,385 | 1,341 | 693 | 670 | 54 | 44 |
| Subtotal Joint Ventures | | | | 8,435 | 8,521 | 4,218 | 4,260 | (11) | 111 |
| Subtotales | | | | 58,125 | 54,988 | 21,731 | 14,407 | 928 | 1,390 |
| Investments valued at cost(1) | | | | | | | | | |
| Bolsa de Comercio de Santiago S.A. | | | | | | 1,646 | 1,646 | 230 | 201 |
| Banco Latinoamericano de Comercio Exterior S.A. (Bladex) | | | | | | 309 | 309 | 22 | |
| Bolsa Electrónica de Chile S.A. | | | | | | 257 | 257 | | |
| | | | | | | 45 | 43 | | |

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| | | | | |
|--------------------------------|--------|--------|-------|-------|
| Sociedad de Telecomunicaciones | | | | |
| Financieras Interbancarias | | | | |
| Mundiales (Swift) | | | | |
| Cámara de Compensación | 8 | 8 | | |
| Subtotal | 2,265 | 2,263 | 252 | 201 |
| Total | 23,996 | 16,670 | 1,180 | 1,591 |

(1) Income from investments valorized at cost, corresponds to income recognized on cash basis (dividends).

(*) On July 9, 2013 it was published in *Diario Oficial* of Chile (Federal Register in USA) the resolution No. 285 between Government Department of Transport and Telecommunications and Government Department of Treasury, which approved a new agreement related to the delivery of complementary services of financial management, whereby the new agreement, AFT only provide services related with financial management of the resources of Transantiago system, all of that in the terms and conditions that establish the new contract.

(**) On June 21, 2013 it was created, with other banks of the Chilean financial system, the subsidiary banking support called Servicios de Infraestructura de Mercado OTC S.A. (IMERC-OTC S.A.), where its objective will be to operate a centralized register of derivatives operations (register, confirmation, storage, consolidation and conciliation services). This new subsidiary was created with a capital of Ch\$12,957,463,890 divided in 10,000 shares, without nominal value, of which Banco de Chile subscribed and paid 1,111 shares, equivalent to MCh\$1,440 million paid upon constitution of society. It was subscribed and paid 8,895 shares at the date of these financial statements.

(***) Banco de Chile has significant influence in Sociedad Operadora de la Cámara de Compensación de Pagos de Alto Valor S.A. y Sociedad Imerc OTC S.A., due to its right to design a member of Board of each entities mentioned.

(****) On June 3, 2014 TransBank SA made a capital increase in an amount equal to Ch\$26,335,343,467 by capitalization of revaluation and profits of \$ 1,135,328,683 and issuance of shares for payment by \$ 25,200,014,784. Banco de Chile made the subscription and payment of 33,629,690 shares for a total amount of Ch\$6,591,419,240. The shareholding of Banco de Chile SA TransBank he was not modified by this capital increase

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

14. Investments in Other Companies, continued:

(b) The reconciliation between opening and ending balance of investments in other companies that are not consolidated in 2014 and 2013 are detailed as follows:

| | June 2014 MCh\$ | June 2013 MCh\$ |
|-----------------------------|--------------------------------|--------------------------------|
| Balance as of January 1, | 16,670 | 13,933 |
| Sale of investments | | |
| Acquisition of investments | 6,608 | |
| Participation in net income | 928 | 1,390 |
| Dividends receivable | (162) | (189) |
| Dividends received | (195) | (931) |
| Payment of dividends | 147 | 645 |
| Balance as of June 30, | 23,996 | 14,848 |

(c) During the six-month period ended June 30, 2014 and as of December 31, 2013 no impairment has incurred in these investments.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

15. Intangible Assets:

(a) As of June 30, 2014 and December 31, 2013 intangible assets are detailed as follows:

| | Years | | | | Gross balance | | | | Accumulated Amortization and Impairment | | Net balance | |
|--|-------------|------|------------------------|------|---------------|---------------|-----------------|-----------------|---|---------------|-------------|----------|
| | Useful Life | | Remaining amortization | | June | December | June | December | June | December | June | December |
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Type of intangible asset: | | | | | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ |
| Goodwill: | | | | | | | | | | | | |
| Investments in other companies | | | | | 4,138 | 4,138 | (4,138) | (4,138) | | | | |
| Other Intangible Assets: | | | | | | | | | | | | |
| Software or computer programs | 6 | 6 | 4 | 4 | 89,004 | 87,014 | (61,364) | (57,795) | 27,640 | 29,219 | | |
| Intangible assets arising from business combinations | | | | | 1,740 | 1,740 | (1,740) | (1,740) | | | | |
| Other intangible assets | | | | | 377 | 501 | (69) | (49) | 308 | 452 | | |
| Total | | | | | 95,259 | 93,393 | (67,311) | (63,722) | 27,948 | 29,671 | | |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

15. Intangible Assets, continued:

(b) Movements in intangible assets during the six-month period ended June 30, 2014 and December 31, 2013 are as follows:

| | Investments in other companies MCh\$ | Software or computer programs MCh\$ | Intangible assets arising from business combinations MCh\$ | Other intangible assets MCh\$ | Total MCh\$ |
|--|---|--|--|--|----------------|
| Gross Balance | | | | | |
| Balance as of January 1, 2013 | 4,138 | 82,736 | 1,740 | 612 | 89,226 |
| Acquisitions | | 2,618 | | 153 | 2,771 |
| Disposals/ write-downs | | (512) | | (328) | (840) |
| Balance as of June 30, 2013 | 4,138 | 84,842 | 1,740 | 437 | 91,157 |
| Balance as of December 31, 2013 | 4,138 | 87,014 | 1,740 | 501 | 93,393 |
| Balance as of January 1, 2014 | 4,138 | 87,014 | 1,740 | 501 | 93,393 |
| Acquisitions | | 2,334 | | 44 | 2,378 |
| Disposals/ write-downs | | (344) | | (168) | (512) |
| Balance as of June 30, 2014 | 4,138 | 89,004 | 1,740 | 377 | 95,259 |
| Accumulated Amortization and Impairment | | | | | |
| Balance as of January 1, 2013 | (3,000) | (50,641) | (1,261) | (34) | (54,936) |
| Amortization for the period(*) | (310) | (4,090) | (131) | (12) | (4,543) |
| Impairment loss(*) | | | | | |
| Disposals/ write-downs | | 512 | | 12 | 524 |
| Balance as of June 30, 2013 | (3,310) | (54,219) | (1,392) | (34) | (58,955) |
| Balance as of December 31, 2013 | (4,138) | (57,795) | (1,740) | (49) | (63,722) |
| Balance as of January 1, 2014 | (4,138) | (57,795) | (1,740) | (49) | (63,722) |
| Amortization for the period(*) | | (3,913) | | (20) | (3,933) |
| Impairment loss(*) | | | | | |
| Disposals/ write-downs | | 344 | | | 344 |
| Balance as of June 30, 2014 | (4,138) | (61,364) | (1,740) | (69) | (67,311) |
| Net balance as of June 30, 2014 | | 27,640 | | 308 | 27,948 |

(*) See Note 35 Depreciation, amortization and impairment.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

15. Intangible Assets, continued:

(c) As of June 30, 2014 and December 31, 2013, the Bank has the following technological developments:

| | Amount of Commitment | |
|-----------------------|-----------------------|---------------------------|
| | June 2014 MCh\$ | December 2013 MCh\$ |
| Detail | | |
| Software and licenses | 10,133 | 9,299 |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

16. Property and equipment:

(a) As of June 30, 2014 and December 31, 2013, this account and its movements are detailed as follows:

| | Land and Buildings MCh\$ | Equipment MCh\$ | Others MCh\$ | Total MCh\$ |
|---|--------------------------------|--------------------|------------------|------------------|
| Cost | | | | |
| Balance as of January 1, 2013 | 176,152 | 132,027 | 144,636 | 452,815 |
| Additions | 62 | 4,323 | 2,552 | 6,937 |
| Disposals/write-downs | (364) | (102) | (471) | (937) |
| Transfers | | | | |
| Total | 175,850 | 136,247 | 146,718 | 458,815 |
| Accumulated depreciation | (37,321) | (113,684) | (105,566) | (256,571) |
| Impairment loss(*) | | | (9) | (9) |
| Balance as of June 30, 2013 | 138,529 | 22,563 | 41,143 | 202,235 |
| Balance as of December 31, 2013 | 175,849 | 137,827 | 147,397 | 461,073 |
| Balance as of January 1, 2014 | 175,849 | 137,827 | 147,397 | 461,073 |
| Additions | | 10,093 | 3,475 | 13,568 |
| Disposals/write-downs | (516) | (582) | (174) | (1,272) |
| Transfers | | (2) | 2 | |
| Total | 175,333 | 147,336 | 150,700 | 473,369 |
| Accumulated depreciation | (39,299) | (119,281) | (112,500) | (271,080) |
| Impairment loss (*) (**) | | (23) | (1) | (24) |
| Balance as of June 30, 2014 | 136,034 | 28,032 | 38,199 | 202,265 |
| Accumulated Depreciation | | | | |
| Balance as of January 1, 2013 | (35,972) | (109,932) | (101,722) | (247,626) |
| Reclassifications | | (19) | 19 | |
| Depreciation charges in the period (*) (**) | (1,477) | (3,835) | (4,246) | (9,558) |
| Sales and disposals in the period | 128 | 102 | 383 | 613 |
| Balance as of June 30, 2013 | (37,321) | (113,684) | (105,566) | (256,571) |
| Balance as of December 31, 2013 | (38,717) | (116,081) | (108,697) | (263,495) |
| Balance as of January 1, 2014 | (38,717) | (116,081) | (108,697) | (263,495) |
| Reclassifications | | (22) | 22 | |
| Depreciation charges in the period (*) (**) | (1,099) | (3,759) | (3,981) | (8,839) |
| Sales and disposals in the period | 517 | 581 | 156 | 1,254 |
| Balance as of June 30, 2014 | (39,299) | (119,281) | (112,500) | (271,080) |

(*) See Note 35 - Depreciation, Amortization and Impairment.

(**) This amount does not include depreciation charges of the period for investments properties. This amount is included in item
Other Assets for MCh\$190 (MCh\$190 as of June 30, 2013).

(***) It includes charge-offs provision of Property and Equipment of MCh\$184 million

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

16. Property and equipment, continued:

(b) As of June 30, 2014 and 2013, the Bank has operating lease agreements in which it acts as lessee that cannot be terminated unilaterally; information on future payments is detailed as follows:

| | June 2014 | | | | | | | Total MCh\$ |
|------------------|---------------------------------------|---------------------------|---|---|--|--|--------------------------|----------------|
| | Expense for the period MCh\$ | Up to 1 month MCh\$ | Over 1 month and up to 3 months MCh\$ | Over 3 months and up to 12 months MCh\$ | Over 1 year and up to 3 years MCh\$ | Over 3 years and up to 5 years MCh\$ | Over 5 years MCh\$ | |
| Lease Agreements | 14,710 | 2,338 | 4,660 | 18,504 | 38,086 | 27,563 | 45,544 | 136,695 |

| | June 2013 | | | | | | | Total MCh\$ |
|------------------|---------------------------------------|---------------------------|---|---|--|--|--------------------------|----------------|
| | Expense for the period MCh\$ | Up to 1 month MCh\$ | Over 1 month and up to 3 months MCh\$ | Over 3 months and up to 12 months MCh\$ | Over 1 year and up to 3 years MCh\$ | Over 3 years and up to 5 years MCh\$ | Over 5 years MCh\$ | |
| Lease Agreements | 14,233 | 2,249 | 4,495 | 18,556 | 34,432 | 25,923 | 49,399 | 135,054 |

As these lease agreements are operating leases under IAS 17 the leased assets are not presented in the Bank's Interim Condensed Consolidated Statement of Financial Position.

The Bank has entered into commercial leases of real estate. These leases have an average life of 10 years. There are no restrictions placed upon the lessee by entering into the lease.

(c) As of June 30, 2014 and 2013, the Bank does not have any finance lease agreements as lessee and, therefore, there are no property and equipment balances to be reported from such transactions as of June 30, 2014 and as of December 31, 2013.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

17. Current Taxes and Deferred Taxes:

(a) Current Taxes:

As of each period end, the Bank and its subsidiaries have established a First Category Income Tax Provision determined in accordance with current tax laws. This provision is presented net of recoverable taxes, detailed as follows:

| | June 2014 MCh\$ | December 2013 MCh\$ |
|--------------------------------------|-----------------------|---------------------------|
| Income taxes | 47,176 | 85,336 |
| Sole first category tax | | 23 |
| Tax from previous period | | |
| Tax on non-deductible expenses (35%) | 665 | 1,885 |
| Less: | | |
| Monthly prepaid taxes (PPM) | (39,650) | (73,694) |
| Credit for training expenses | (19) | (1,714) |
| Other | (3,034) | (4,705) |
| Total | 5,138 | 7,131 |
| Tax rate | | 20.00% |

| | June 2014 MCh\$ | December 2013 MCh\$ |
|--------------------------------|-----------------------|---------------------------|
| Current tax assets | 2,719 | 3,202 |
| Current tax liabilities | (7,857) | (10,333) |
| Total tax receivable (payable) | (5,138) | (7,131) |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

17. Current Taxes and Deferred Taxes, continued:

(b) Income Tax:

The Bank's tax expense recorded for the six-month period ended June 30, 2014 and 2013 as follows:

| | June 2014 MCh\$ | June 2013 MCh\$ |
|--|-----------------------|-----------------------|
| Income tax expense: | | |
| Current year taxes | 48,111 | 28,621 |
| Tax from previous periods | 1,050 | 56 |
| Subtotal | 49,161 | 28,677 |
| Credit (charge) for deferred taxes: | | |
| Origin and reversal of temporary differences | (11,643) | 8,567 |
| Subtotal | (11,643) | 8,567 |
| Non deductible expenses (Art. 21 Income Tax Law) | 665 | 791 |
| Other | (174) | (9) |
| Net charge to income for income taxes | 38,009 | 38,026 |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

17. Current and Deferred Taxes, continued:

(c) Reconciliation of effective tax rate:

The following is a reconciliation of the income tax rate to the effective rate applied to determine the Bank's income tax expense as of June 30, 2014 and 2013:

| | June 2014 | | June 2013 | |
|--|---------------|----------|---------------|----------|
| | Tax rate % | MCh\$ | Tax rate % | MCh\$ |
| Income tax calculated on net income before tax | 20.00 | 68,448 | 20.00 | 56,272 |
| Additions or deductions | (9.54) | (32,659) | (5.74) | (16,155) |
| Non-deductible expenses | 0.19 | 665 | 0.28 | 791 |
| Tax from previous periods | | | 0.02 | 56 |
| Others | 0.45 | 1,555 | (1.04) | (2,938) |
| Effective rate and income tax expense | 11.10 | 38,009 | 13.52 | 38,026 |

The effective rate for income tax for the period ended June 30, 2014 is 11.10% (13.52% in June 2013).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

17. Current and Deferred Taxes, continued:

(d) Effect of deferred taxes on income and equity:

The Bank and its subsidiaries have recorded the effects of deferred taxes in their financial statements.

The effects of deferred taxes on assets, liabilities and income accounts are detailed as follows:

| | Balances as of December 31, 2013 MCh\$ | Income MCh\$ | Effect | Equity MCh\$ | Balances as of June 30, 2014 MCh\$ |
|--|--|-----------------|--------|-----------------|---|
| Debit Differences: | | | | | |
| Allowances for loan losses | 108,102 | 6,641 | | | 114,743 |
| Obligations with agreements to repurchase | 205 | (205) | | | |
| Personnel provisions | 5,747 | (1,574) | | | 4,173 |
| Staff vacation | 4,379 | 140 | | | 4,519 |
| Accrued interests and indexation adjustments from past due loans | 2,413 | 545 | | | 2,958 |
| Staff severance indemnities provisions | 971 | 15 | | | 986 |
| Provision of credit cards expenses | 6,493 | 1,226 | | | 7,719 |
| Provision of accrued expenses | 7,731 | 2,238 | | | 9,969 |
| Other adjustments | 9,863 | 1,729 | | | 11,592 |
| Total debit differences | 145,904 | 10,755 | | | 156,659 |
| Credit Differences: | | | | | |
| Depreciation and price-level restatement of property and equipment | 14,436 | (1,848) | | | 12,588 |
| Adjustment for valuation of financial assets available-for-sale | 7,343 | | | 917 | 8,260 |
| Leasing equipment | 8,500 | (161) | | | 8,339 |
| Transitory assets | 2,739 | 938 | | | 3,677 |
| Adjustment for derivative instruments | 138 | (138) | | | |
| Other adjustments | 3,413 | 321 | | | 3,734 |
| Total credit differences | 36,569 | (888) | | 917 | 36,598 |
| Deferred tax assets (liabilities), net | 109,335 | 11,643 | | (917) | 120,061 |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

17. Current and Deferred Taxes, continued:

(d) Effect of deferred taxes on income and equity, continued:

The effects of deferred taxes on assets, liabilities and income as of June 30, 2013 and December 31, 2013, are detailed as follows:

| | Balances as of December 31, 2012 MCh\$ | Income MCh\$ | Effect Equity MCh\$ | Balances as of June 30, 2013 MCh\$ | Income MCh\$ | Effect Equity MCh\$ | Balances as of December 31, 2013 MCh\$ |
|--|--|-----------------|---------------------------|--|-----------------|---------------------------|--|
| Debit Differences: | | | | | | | |
| Allowances for loan losses | 99,113 | 586 | | 99,699 | 8,403 | | 108,102 |
| Obligations with agreements to repurchase | (11) | (2) | | (13) | 218 | | 205 |
| Personnel provisions | 6,092 | (1,874) | | 4,218 | 1,529 | | 5,747 |
| Staff vacation | 4,058 | 233 | | 4,291 | 88 | | 4,379 |
| Accrued interests and indexation adjustments from past due loans | 2,123 | (176) | | 1,947 | 466 | | 2,413 |
| Staff severance indemnities provisions | 960 | 1,160 | | 2,120 | (1,182) | 33 | 971 |
| Provision of credit cards expenses | 4,694 | 965 | | 5,659 | 834 | | 6,493 |
| Provision of accrued expenses | 7,382 | (405) | | 6,977 | 754 | | 7,731 |
| Other adjustments | 5,158 | 57 | | 5,215 | 4,648 | | 9,863 |
| Total debit differences | 129,569 | 544 | | 130,113 | 15,758 | 33 | 145,904 |
| Credit Differences: | | | | | | | |
| Depreciation and price-level restatement of property and equipment | 15,423 | 171 | | 15,594 | (1,158) | | 14,436 |
| Adjustment for valuation of financial assets available-for-sale | 4,499 | | 1,445 | 5,944 | | 1,399 | 7,343 |
| Adjustment for cash flow hedge derivatives | 259 | | (3,244) | (2,985) | | 2,985 | |
| Leasing Equipment | 4,812 | 6,615 | | 11,427 | (2,927) | | 8,500 |
| Transitory assets | 2,449 | 761 | | 3,210 | (471) | | 2,739 |
| Adjustment for derivative instruments | 378 | (121) | | 257 | (119) | | 138 |

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| | | | | | | | |
|---|---------------|----------------|----------------|---------------|----------------|----------------|----------------|
| Other adjustments | 2,236 | 1,685 | 7 | 3,928 | (515) | | 3,413 |
| Total credit differences | 30,056 | 9,111 | (1,792) | 37,375 | (5,190) | 4,384 | 36,569 |
| Deferred tax assets (liabilities), net | 99,513 | (8,567) | 1,792 | 92,738 | 20,948 | (4,351) | 109,335 |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

18. Other Assets:

(a) Item detail:

At the end of each period, other assets are detailed as follows:

| | June 2014 MCh\$ | December 2013 MCh\$ |
|--|-----------------------|---------------------------|
| Assets held for leasing(*) | 70,222 | 74,723 |
| Assets received or awarded as payment(**) | | |
| Assets awarded in judicial sale | 1,709 | 2,640 |
| Assets received in lieu of payment | 391 | 372 |
| Provision for assets received in lieu of payment | (60) | (46) |
| Subtotal | 2,040 | 2,966 |
| Other Assets | | |
| Deposits by derivatives margin | 86,262 | 60,309 |
| Documents intermediated(***) | 19,615 | 74,366 |
| Servipag available funds | 16,782 | 19,200 |
| Investment properties | 16,127 | 16,317 |
| Other accounts and notes receivable | 15,859 | 8,682 |
| Prepaid expenses | 12,339 | 6,589 |
| VAT receivable | 9,080 | 9,958 |
| Recoverable income taxes | 8,540 | 6,048 |
| Recovered leased assets for sale | 5,983 | 5,463 |
| Commissions receivable | 5,422 | 7,784 |
| Rental guarantees | 1,527 | 1,456 |
| Transaction in progress | 1,420 | 1,803 |
| Accounts receivable for sale of assets received in lieu of payment | 865 | 1,286 |
| Materials and supplies | 559 | 528 |
| Others | 20,503 | 20,551 |
| Subtotal | 220,883 | 240,340 |
| Total | 293,145 | 318,029 |

(*) These correspond to property and equipment to be given under a finance lease.

(**) Assets received in lieu of payment are assets received as payment of customers' past-due debts. The assets acquired must at no time exceed, in the aggregate, 20% of the Bank's effective equity. These assets represent 0.0128%

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(0.0124% as of December 31, 2013) of the Bank's effective equity.

The assets awarded at judicial sale are assets that have been acquired as payment of debts previously owed towards the Bank. The assets awarded at judicial sales are not subject to the aforementioned requirement. These properties are non-current assets available-for-sale. For most assets, the sale is expected to be completed within one year from the date on which the asset was received or acquired. If the asset in question is not sold within the year, it must be written off.

The provision for assets received in lieu of payment is recorded as indicated in the Compendium of Accounting Standards, which indicate to recognize a provision for the difference between the initial value plus any additions and its realizable value when the former is greater.

(***) This item mainly includes simultaneous operations carried out by the subsidiary Banchile Corredores de Bolsa S.A.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

18. Other Assets, continued:

(b) Movements in the provision for assets received in lieu of payment during the six-month period ended June 30, 2014 and 2013 are detailed as follows:

| | MCh\$ |
|---------------------------------|-------|
| Balance as of January 1, 2013 | 40 |
| Provisions used | (35) |
| Provisions established | 5 |
| Provisions released | |
| Balance as of June 30, 2013 | 10 |
| Provisions used | (10) |
| Provisions established | 46 |
| Provisions released | |
| Balance as of December 31, 2013 | 46 |
| Provisions used | (38) |
| Provisions established | 52 |
| Provisions released | |
| Balance as of June 30, 2014 | 60 |

19. Current accounts and Other Demand Deposits:

At the end of each period, current accounts and other demand deposits are detailed as follows:

| | June 2014 MCh\$ | December 2013 MCh\$ |
|------------------------------------|-----------------------|---------------------------|
| Current accounts | 5,090,457 | 5,018,155 |
| Other demand deposits | 683,109 | 593,444 |
| Other demand deposits and accounts | 367,597 | 372,733 |
| Total | 6,141,163 | 5,984,332 |

20. Savings accounts and Time Deposits:

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At the end of each period, savings accounts and time deposits are detailed as follows:

| | June 2014 MCh\$ | December 2013 MCh\$ |
|-----------------------------|--------------------------------|------------------------------------|
| Time deposits | 9,269,417 | 10,151,612 |
| Term savings accounts | 187,103 | 178,012 |
| Other term balances payable | 65,664 | 73,101 |
| Total | 9,522,184 | 10,402,725 |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

21. Borrowings from Financial Institutions:

(a) At the end of each period, borrowings from financial institutions are detailed as follows:

| | June 2014 MCh\$ | December 2013 MCh\$ |
|---|-----------------------|---------------------------|
| Domestic banks | | |
| Foreign banks | | |
| Foreign trade financing | | |
| HSBC Bank | 141,311 | 134,814 |
| Citibank N.A. | 122,687 | 137,914 |
| Bank of Montreal | 85,834 | 52,684 |
| Wells Fargo Bank | 75,735 | 26,298 |
| Deutsche Bank | 55,370 | 94,327 |
| ING Bank | 55,302 | 26,309 |
| Toronto Dominion Bank | 41,483 | 23,676 |
| Bank of Nova Scotia | 35,401 | |
| Standard Chartered Bank | 24,998 | 103,162 |
| The Bank of New York Mellon | 22,120 | 37,373 |
| Bank of America | 15,513 | 78,642 |
| Zuercher Kantonalbank | 5,555 | 5,282 |
| Mercantil Commercebank N.A. | 5,537 | 15,888 |
| Commerzbank A.G. | 1,591 | 61,958 |
| Others | 2,663 | 4,040 |
| Borrowings and other obligations | | |
| China Development Bank | 20,751 | 26,308 |
| Bank of America | 8,501 | |
| Citibank N.A. | 4,297 | 54,768 |
| Wells Fargo Bank | 1,909 | 105,340 |
| Others | 1,191 | 672 |
| Subtotal | 727,749 | 989,455 |
| Chilean Central Bank | 10 | 10 |
| Total | 727,759 | 989,465 |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

21. Borrowings from Financial Institutions, continued:

(b) Chilean Central Bank Obligations

Debts to the Central Bank of Chile include credit lines for the renegotiation of loans and other Central Bank borrowings.

The outstanding amounts owed to the Central Bank of Chile under these credit lines are as follows:

| | June 2014 MCh\$ | December 2013 MCh\$ |
|---|--------------------------------|------------------------------------|
| Borrowings and other obligations | | |
| Total credit lines for the renegotiation of loans | 10 | 10 |
| Total | 10 | 10 |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

22. Debt Issued:

At the end of each period, debt issued is detailed as follows:

| | June 2014 MCh\$ | December 2013 MCh\$ |
|--------------------|-----------------------|---------------------------|
| Mortgage bonds | 74,867 | 86,491 |
| Bonds | 4,017,432 | 3,533,462 |
| Subordinated bonds | 757,893 | 747,007 |
| Total | 4,850,192 | 4,366,960 |

During the period ended as of June 30, 2014, Banco de Chile issued bonds by an amount of MCh\$954,709, of which corresponds to unsubordinated bonds, according to the following details:

Bonds

| Serie | Amount MCh\$ | Terms years | Rate % | Currency | Issue date | Maturity date |
|---------------------------|-----------------|----------------|-----------------|----------|------------|------------------|
| BCHIAJ0413 | 72,444 | 7 | 3.40 | UF | 01/27/2014 | 01/27/2021 |
| BCHIAH0513 | 47,861 | 5 | 3.40 | UF | 01/27/2014 | 01/27/2019 |
| BCHIAL0213 | 96,796 | 8 | 3.60 | UF | 02/10/2014 | 02/10/2022 |
| BCHIUN1011 | 7,314 | 7 | 3.20 | UF | 04/16/2014 | 04/16/2021 |
| BCHIUN1011 | 12,224 | 7 | 3.20 | UF | 04/22/2014 | 04/22/2021 |
| BCHIAA0212 | 49,986 | 14 | 3.50 | UF | 04/29/2014 | 04/29/2028 |
| BONO CHF | 95,198 | 2 | 3M Libor + 0.75 | CHF | 02/28/2014 | 02/28/2016 |
| BONO CHF | 79,332 | 5 | 1.25 | CHF | 02/28/2014 | 02/28/2019 |
| BONO JPY | 11,226 | 5 | 0.98 | JPY | 03/18/2014 | 03/18/2019 |
| BONO JPY | 27,383 | 8 | 1.01 | JPY | 04/29/2014 | 04/29/2022 |
| BONO HKD | 43,044 | 6 | 3.08 | HKD | 04/16/2014 | 04/16/2020 |
| Subtotal marzo de 2014 | 542,808 | | | | | |
| Bono de corto plazo | 411,901 | | | | | |
| Total marzo de 2014 | 954,709 | | | | | |

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During the period ended as of June 30, 2014 there was not Subordinated bonds issue.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

22. Debt Issued, continued:

During the period ended as of December 31, 2013, Banco de Chile issued bonds by an amount of MCh\$1,607,265, of which corresponds to Unsubordinated bonds and Subordinated bonds by an amount of MCh\$1,603,669 and MCh\$3,596 respectively, according to the following details:

Bonds

| Series | MCh\$ | Term (years) | Interest rate | Currency | Issued date | Maturity date |
|------------------|-----------|-----------------|---------------|----------|-------------|---------------|
| BCHIUR1011 | 22,114 | 12 | 3.40 | UF | 01/08/2013 | 01/08/2025 |
| BCHIUR1011 | 8,521 | 12 | 3.40 | UF | 01/09/2013 | 01/09/2025 |
| BCHIUJ0811 | 1,572 | 8 | 3.20 | UF | 01/29/2013 | 01/29/2021 |
| BCHIUZ1011 | 89,313 | 7 | 3.20 | UF | 01/31/2013 | 01/31/2020 |
| BCHIAC1011 | 45,456 | 15 | 3.50 | UF | 02/28/2013 | 02/28/2028 |
| BCHIAC1011 | 34,185 | 15 | 3.50 | UF | 03/26/2013 | 03/26/2028 |
| BCHIUN1011 | 72,022 | 7 | 3.20 | UF | 04/08/2013 | 04/08/2020 |
| BCHIUU0212 | 68,379 | 12 | 3.40 | UF | 08/29/2013 | 08/29/2025 |
| BCHIAU0213 | 69,746 | 12 | 3.60 | UF | 09/11/2013 | 09/11/2025 |
| BCHIAG0213 | 46,585 | 5 | 3.40 | UF | 09/13/2013 | 09/13/2018 |
| BCHIAV0613 | 47,283 | 12 | 3.60 | UF | 10/16/2013 | 09/13/2025 |
| BONO HKD | 43,066 | 10 | 3.23 | HKD | 04/22/2013 | 04/24/2023 |
| BONO HKD | 45,133 | 15 | 4.25 | HKD | 10/08/2013 | 10/16/2028 |
| BONO CHF | 100,371 | 5 | 1.13 | CHF | 04/26/2013 | 05/23/2018 |
| BONO CHF | 25,019 | 5 | 1.13 | CHF | 05/07/2013 | 05/23/2018 |
| BONO CHF | 122,380 | 3 | 0.60 | CHF | 06/11/2013 | 07/18/2016 |
| BONO CHF | 66,164 | 4 | 1.13 | CHF | 06/28/2013 | 05/23/2017 |
| BONO CHF | 98,555 | 6 | 1.50 | CHF | 11/07/2013 | 12/03/2019 |
| BONO JPY | 57,716 | 3 | 0.74 | JPY | 11/25/2013 | 11/25/2016 |
| BONO JPY | 30,169 | 6 | 1.03 | JPY | 12/05/2013 | 03/18/2019 |
| Subtotal 2013 | 1,093,749 | | | | | |
| Short-term bonds | 509,920 | | | | | |
| Total 2013 | 1,603,669 | | | | | |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

22. Debt Issued, continued:

Subordinated Bonds

| Series | MCh\$ | Term (years) | Interest rate | Currency | Issued date | Maturity date |
|------------|-------|-----------------|------------------|----------|-------------|---------------|
| UCHI-G1111 | 3,596 | 25 | 3,75 | UF | 01/25/2013 | 01/25/2038 |
| Total | 3,596 | | | | | |

The Bank has not had breaches of capital and interest with respect to its debts instruments and has complied with its debt covenants and other compromises related to debt issued during periods 2014 and 2013.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

23. Other Financial Obligations:

At the end of each period, other financial obligations are detailed as follows:

| | June 2014 MCh\$ | December 2013 MCh\$ |
|---------------------------|--------------------------------|------------------------------------|
| Other Chilean obligations | 146,478 | 160,612 |
| Public sector obligations | 47,657 | 50,314 |
| Other abroad obligations | | |
| Total | 194,135 | 210,926 |

24. Provisions:

(a) At the end of each period, provisions and accrued expenses are detailed as follows:

| | June 2014 MCh\$ | December 2013 MCh\$ |
|--|--------------------------------|------------------------------------|
| Provision for minimum dividends | 164,285 | 324,582 |
| Provisions for Personnel benefits and payroll expenses | 57,444 | 67,943 |
| Provisions for contingent loan risks | 51,569 | 49,277 |
| Provisions for contingencies: | | |
| Additional loan provisions(*) | 117,826 | 107,757 |
| Country risk provisions | 3,625 | 1,770 |
| Other provisions for contingencies | 6,185 | 569 |
| Total | 400,934 | 551,898 |

(*) As of June 30, 2014 it was registered an amount of Ch\$10,069 million of additional provisions (Ch\$10,000 during period 2013). See Note No. 24 (b).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

24. Provisions, continued:

(b) The following table details the movements in provisions and accrued expenses during the six-month period ended June 30, 2014 and December 31, 2013:

| | Minimum dividends MCh\$ | Personnel benefits and payroll MCh\$ | Contingent loan Risks MCh\$ | Additional loan provisions MCh\$ | Country risk provisions and other contingencies MCh\$ | Total MCh\$ |
|----------------------------------|-------------------------------|---|-----------------------------------|---|---|----------------|
| Balances as of January 1, 2013 | 300,759 | 64,546 | 36,585 | 97,757 | 5,190 | 504,837 |
| Provisions established | 167,418 | 21,318 | 9,750 | | 1,855 | 200,341 |
| Provisions used | (300,759) | (29,708) | | | (369) | (330,836) |
| Provisions released | | | | | | |
| Balances as of June 30, 2013 | 167,418 | 56,156 | 46,335 | 97,757 | 6,676 | 374,342 |
| Provisions established | 157,164 | 26,319 | 2,942 | 10,000 | (4,337) | 192,088 |
| Provisions used | | (14,532) | | | | (14,532) |
| Provisions released | | | | | | |
| Balances as of December 31, 2013 | 324,582 | 67,943 | 49,277 | 107,757 | 2,339 | 551,898 |
| Provisions established | 164,285 | 22,452 | 2,292 | 10,069 | 7,701 | 206,799 |
| Provisions used | (324,582) | (32,951) | | | (230) | (357,763) |
| Provisions released | | | | | | |
| Balances as of June 30, 2014 | 164,285 | 57,444 | 51,569 | 117,826 | 9,810 | 400,934 |

(c) Provisions for personnel benefits and payroll:

| | June 2014 MCh\$ | December 2013 MCh\$ |
|------------------------------------|-----------------------|---------------------------|
| Vacation accrual | 22,593 | 21,895 |
| Short-term personnel benefits | 18,382 | 32,000 |
| Pension plan- defined benefit plan | 10,929 | 10,696 |
| Other benefits | 5,540 | 3,352 |
| Total | 57,444 | 67,943 |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

24. Provisions, continued:

(d) Pension plan Defined benefit plan:

(i) Movement in the defined benefit obligations are as follow:

| | June 2014 MCh\$ | June 2013 MCh\$ |
|------------------------------------|-----------------------|-----------------------|
| Opening defined benefit obligation | 10,696 | 10,633 |
| Increase in provisions | 487 | 312 |
| Benefit paid | (254) | (344) |
| Prepayments | | |
| Actuarial gains | | |
| Closing defined benefit obligation | 10,929 | 10,601 |

(ii) Net benefits expenses:

| | June 2014 MCh\$ | June 2013 MCh\$ |
|---------------------------------------|-----------------------|-----------------------|
| Current service cost | 555 | 461 |
| Interest cost of benefits obligations | (68) | (149) |
| Effect of change in actuarial factors | | |
| Net benefit expenses | 487 | 312 |

(iii) Assumptions used to determine pension obligations:

The principal assumptions used in determining pension obligations for the Bank's plan are shown below:

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| | June 2014 % | December 2013 % |
|------------------------|----------------------------|--------------------------------|
| Discount rate | 5.19 | 5.19 |
| Annual salary increase | 5.19 | 5.19 |
| Payment probability | 99.99 | 99.99 |

The most recent actuarial valuation of the present value of the benefit plan obligation was carried out at December 31, 2013.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

24. Provisions, continued:

(e) Movements in provisions for incentive plans:

| | June 2014 MCh\$ | June 2013 MCh\$ |
|---------------------------|-----------------------|-----------------------|
| Balances as of January 1, | 32,000 | 29,649 |
| Provisions established | 12,341 | 11,833 |
| Provisions used | (25,959) | (22,619) |
| Provisions release | | |
| Total | 18,382 | 18,863 |

(f) Movements in vacations accruals:

| | June 2014 MCh\$ | June 2013 MCh\$ |
|---------------------------|-----------------------|-----------------------|
| Balances as of January 1, | 21,895 | 20,842 |
| Provisions established | 2,676 | 2,996 |
| Provisions used | (1,978) | (2,384) |
| Provisions release | | |
| Total | 22,593 | 21,454 |

(g) Employee share-based benefits provision:

As of June 30, 2014 and as of December 31, 2013, the Bank and its subsidiaries do not have a stock-based compensation plan.

(h) Contingent loan provisions:

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As of June 30, 2014 and as of December 31, 2013, the Bank and its subsidiaries maintain contingent loan provisions by an amount of Ch\$51,569 million (Ch\$49,277 million as of December 31, 2013). See Note No. 26 (d).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

25. Other Liabilities:

At the end of each period, other liabilities are detailed as follows:

| | June 2014 MCh\$ | December 2013 MCh\$ |
|-------------------------------|--------------------------------|------------------------------------|
| Accounts and notes payable(*) | 90,392 | 100,081 |
| Unearned income | 5,445 | 4,592 |
| Dividends payable | 1,059 | 1,145 |
| Other liabilities | | |
| Documents intermediated(**) | 47,102 | 108,380 |
| Cobranding | 38,227 | 32,085 |
| VAT debit | 13,060 | 13,158 |
| Leasing deferred gains | 4,904 | 4,207 |
| Insurance payments | 1,215 | 476 |
| Transactions in progress | 974 | 1,144 |
| Others | 5,466 | 2,837 |
| Total | 207,844 | 268,105 |

(*) Comprises obligations that do not correspond to transactions in the line of business, such as withholding tax, pension and healthcare contributions, insurance payable, balances of prices for the purchase of materials and provisions for expenses pending payment.

(**) This item mainly includes financing of simultaneous operations performed by subsidiary Banchile Corredores de Bolsa S.A.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

26. Contingencies and Commitments:

(a) Commitments and responsibilities accounted for in off-balance-sheet accounts:

In order to satisfy its customers' needs, the Bank entered into several irrevocable commitments and contingent obligations. Although these obligations are not recognized in the Interim Condensed Consolidated Statement of Financial Position, they contain credit risks and, therefore, form part of the Bank's overall risk.

The Bank and its subsidiaries record the following balances related to such commitments and responsibilities, which fall within its line of business, in off-balance-sheet accounts:

| | June 2014 MCh\$ | December 2013 MCh\$ |
|---|--------------------------------|------------------------------------|
| Contingent loans | | |
| Guarantees and surety bonds | 502,207 | 491,465 |
| Confirmed foreign letters of credit | 83,016 | 68,631 |
| Issued letters of credit | 176,215 | 166,849 |
| Bank guarantees | 1,389,570 | 1,402,399 |
| Immediately available credit lines | 5,792,487 | 5,436,938 |
| Other commitments | 3,964 | |
| Transactions on behalf of third parties | | |
| Collections | 206,710 | 357,672 |
| Third-party resources managed by the Bank: | | |
| Financial assets managed on behalf of third parties | 832 | 1,311 |
| Other Financial assets managed on behalf of third parties | | |
| Financial assets acquired on its own behalf | 64,822 | 44,839 |
| Other Financial assets acquired on its own behalf | | |
| Fiduciary activities | | |
| Securities held in safe custody in the Bank | 7,174,354 | 7,342,425 |
| Securities held in safe custody in other entities | 4,677,648 | 4,501,555 |
| Total | 20,071,825 | 19,814,084 |

The prior information only includes the most significant balances.

Table of Contents**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued****26. Contingencies and Commitments, continued:**

(b) Lawsuits and legal proceedings:

(b.1) Legal contingencies within the ordinary course of business:

In the ordinary course of business, the Bank and its subsidiaries act as defendant or co-defendant in various litigation matters. Although there can be no assurances, the Bank'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 position, or liquidity. As of June 30, 2014, the Bank has established provisions for this concept in the amount of MCh\$545 (MCh\$339 as of December 31, 2013), recorded within Provisions in the Interim Condensed Consolidated Statement of Financial Position. The following table presents estimated date of completion of the respective litigation:

| | 2014 MCh\$ | 2015 MCh\$ | June 30, 2014 | | 2018 MCh\$ | Total MCh\$ |
|---------------------|---------------|---------------|---------------|---------------|---------------|----------------|
| | | | 2016 MCh\$ | 2017 MCh\$ | | |
| Legal contingencies | 15 | 60 | 237 | 83 | 150 | 545 |

(b.2) Contingencies for significant lawsuits:

As of June 30, 2014 and as of December 31, 2013 the Bank is not part to any significant lawsuits that affect or may affect these consolidated financial statements.

(c) Guarantees granted:

i. **In subsidiary Banchile Administradora General de Fondos S.A.:**

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In compliance with Article 226 and subsequent Articles of Law 18,045, Banchile Administradora General de Fondos S.A., has designated Banco de Chile as the representative of the beneficiaries of the guarantees it has established and in that character the Bank has issued bank guarantees totaling UF 2,538,000, maturing January 9, 2015 (UF 2,515,500, maturing on January 9, 2014 as of December 31, 2013).

In addition to these guarantees for creating mutual funds, there are other guarantees for a guaranteed return on certain mutual funds, totaling Ch\$67,330 million as of June 30, 2014 (Ch\$75,474 million as of December 31, 2013).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

26. Contingencies and Commitments, continued:

(c) Guarantees granted, continued:

The details of guarantees are as follow:

| Fund | June 2014 MCh\$ | Guarantees Number | December 2013 MCh\$ | Guarantees Number |
|--|--------------------------------|------------------------------|------------------------------------|------------------------------|
| Fondo Mutuo Depósito Plus IV Garantizado | 16,325 | 006392-7 | 16,325 | 006392-7 |
| Fondo Mutuo Depósito Plus III Garantizado | 12,937 | 006033-5 | 12,937 | 006033-5 |
| Fondo Mutuo Depósito Plus V Garantizado | 9,976 | 001107-7 | | |
| Fondo Mutuo Depósito Plus VI Garantizado | 5,429 | 002506-8 | | |
| Fondo Mutuo Small Cap USA Garantizado | 5,197 | 008212-5 | 5,197 | 008212-5 |
| Fondo Mutuo Chile Bursátil Garantizado | 5,050 | 006034-3 | 5,050 | 006034-3 |
| Fondo Mutuo Twin Win Europa 103 Garantizado | 3,537 | 006035-1 | 3,537 | 006035-1 |
| Fondo Mutuo Global Stocks Garantizado | 2,964 | 007385-9 | 2,964 | 007385-9 |
| Fondo Mutuo Second Best Chile EEUU Garantizado | 2,207 | 006032-7 | 2,207 | 006032-7 |
| Fondo Mutuo Europa Accionario Garantizado | 2,059 | 006036-9 | 2,059 | 006036-9 |
| Fondo Mutuo Second Best Europa China Garantizado | 1,649 | 007082-7 | 1,649 | 007082-7 |
| Fondo Mutuo Depósito Plus II Garantizado | | | 9,308 | 006037-7 |
| Fondo Mutuo Depósito Plus Garantizado | | | 14,241 | 330681-1 |
| Total | 67,330 | | 75,474 | |

In compliance to established by the Superintendence of Securities and Insurance in letter f) of Circular 1,894 of September 24, 2008, the entity has constituted guarantees, by management portfolio, in benefit of investor. Such guarantee corresponds to a bank guarantee for UF100,000, with maturity on January 9, 2015.

ii. In subsidiary Banchile Corredores de Bolsa S.A.:

For the purposes of ensuring correct and complete compliance with all of its obligations as Stock Brokerage entity, in conformity with the provisions of Article 30 and subsequent Articles of Law 18,045 on Securities Markets, the subsidiary established a guarantee in an insurance policy for UF 20,000, insured by Cía. de Seguros de Crédito Continental S.A., that matures April 22, 2016, whereby the Securities Exchange of the Santiago Stock Exchange was appointed as the subsidiary's creditor representative.

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| Guarantees: | June 2014 MCh\$ | December 2013 MCh\$ |
|--|--------------------------------|------------------------------------|
| Shares to secure short-sale transactions in: | | |
| Securities Exchange of the Santiago, Stock Exchange | 20,166 | 16,946 |
| Securities Exchange of the Electronic, Stock Exchange of Chile | 4,801 | 10,644 |
| Fixed income securities to ensure system CCLV, Securities Exchange of the Santiago, Stock Exchange | | |
| | 2,967 | 2,995 |
| Fixed income securities to ensure stock loans, Securities Exchange of the Electronic, Stock Exchange of Chile | | |
| | 433 | 68 |
| Total | 28,367 | 30,653 |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

26. Contingencies and Commitments, continued:

(c) Guarantees granted, continued:

In conformity with the provisions of internal stock market regulations, and for the purpose of securing the broker's correct performance, the company established a pledge on its share of the Santiago Stock Exchange in favor of that institution, as recorded in Public Deed on September 13, 1990, signed before Santiago public notary Mr. Raul Perry Pefaur, and on its share in the Electronic Stock Exchange of Chile in favor of that institution, as recorded in a contract entered into by both parties on May 16, 1990.

Banchile Corredores de Bolsa S.A. keeps an insurance policy current with AIG Chile - Compañía de Seguros Generales S.A. that expires January 2, 2015, and that covers employee fidelity, physical losses, falsification or adulteration, and currency fraud with a coverage amount equivalent to US\$10,000,000.

According to disposition of Chilean Central Bank, it was constituted a bank guarantee corresponding to UF10,500, with purposes to comply with the contract SOMA (Contract for Service System Open Market Operations) of Chilean Central Bank. This bank guarantee is revaluated in UF to fixed term, not endorsable with maturity of July 17, 2014.

It was constituted a bank guarantee No. 373148-0 corresponds to UF272,000, in benefits of investors with contracts of portfolio management. This bank guarantee is revaluated in UF to fixed term, not endorsable with maturity of July 17, 2015.

It was constituted a cash guarantee for an amount of US\$122,494.32, whose purpose is to comply obligations with Pershing, by operations made through this broker.

iii. In subsidiary Banchile Corredores de Seguros Ltda.

According to established in article No. 58, letter D of D.F.L. 251, as of June 30, 2014, the entity maintains two insurance policies that protect it in the face of possible damages that it could affect it, due to infractions of the law, regulations and complementary rules that regulate insurance brokers, and specially when the non-compliance is from acts, mistakes or omissions of the brokers, its represents, agent or dependent that participate in the intermediation.

The policies contracted are the following:

| Matter insured | Amount Insured (UF) |
|--|---------------------|
| Responsibility for errors and omissions policy | 60,000 |
| Civil responsibility policy | 500 |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

26. Contingencies and Commitments, continued:

(d) Provisions for contingencies loans:

Established provisions for credit risk from contingencies operations are the followings:

| | June 2014 MCh\$ | December 2013 MCh\$ |
|-----------------------------|--------------------------------|------------------------------------|
| Credit lines | 32,806 | 31,664 |
| Bank guarantees | 14,432 | 13,915 |
| Guarantees and surety bonds | 3,421 | 3,135 |
| Letters of credit | 741 | 563 |
| Other commitments | 169 | |
| Total | 51,569 | 49,277 |

(e) On January 30th, 2014 the Superintendency of Securities and Insurance (SVS) (Superintendencia de Valores y Seguros) brought charges against Banchile Corredores de Bolsa S.A. (Banchile Corredores) for the alleged infringement of Article 53 second paragraph of Law 18,045 (Ley de Mercado de Valores), for certain specific transactions performed during the years 2009, 2010 and 2011 related to Sociedad Química y Minera de Chile S.A.'s shares (SQM-B y SQM-A). In this regard, Article 53 second paragraph of Law 18,045 provides that no person may engage in transactions or induce or attempt to induce the purchase or sale of securities, whether or not governed by this Act, by means of any misleading or deceptive act, practice, mechanism or artifice . Banchile Corredores has denied the charges and requested their dismissal. The evidentiary phase of the process has been completed.

(f) On February 21, 2014, Banco de Chile was notified of a complaint filed by the National Consumer Service (Servicio Nacional del Consumidor, or SERNAC) in the Twelfth Civil Court of Santiago as a collective action pursuant to Law No. 19,496. The legal action challenges certain clauses that exists in the Person Products Unified Agreement (Contrato Unificado de Productos de Personas) regarding fees on lines of credit for overdrafts and the validity of tacit consent to changes in fees, charges and other conditions in consumer contracts. The Bank has answered the complaint and asked the court to dismiss all charges. At this stage the effects of any potential judgment cannot be quantified. Currently, the case is in the legal process of reconciliation.

Table of Contents**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued****27. Equity:**

(a) Capital

(i) Authorized, subscribed and paid shares:

As of June 30, 2014, the paid-in capital of Banco de Chile is represented by 93,175,043,991 registered shares (93,175,043,991 shares as of December 31, 2013), with no par value, fully paid and distributed.

(ii) Shares:

(ii.1) On March 27, 2014, the extraordinary shareholders meeting approved the capitalization of 30% of the distributable net income obtained during the fiscal year ending as of December 31, 2013.

(ii.2) The following table shows the share movements from December 31, 2012 to June 30, 2014:

| | Ordinary shares | Ordinary T Series shares | Total shares |
|---|--------------------|-----------------------------|----------------|
| As of December 31, 2012 | 88,037,813,511 | 1,861,179,156 | 89,898,992,667 |
| Fully paid and subscribed shares period 2013 | | 2,078,310,286 | 2,078,310,286 |
| Conversion of Banco de Chile- T shares into Banco de Chile shares(**) | 3,939,489,442 | (3,939,489,442) | |
| Capitalization of retained earnings(***) | 1,197,741,038 | | 1,197,741,038 |
| Total shares as of June 30, 2013 | 93,175,043,991 | | 93,175,043,991 |
| Total shares as of December 31, 2013 | 93,175,043,991 | | 93,175,043,991 |
| Total shares as June 30, 2014 | 93,175,043,991 | | 93,175,043,991 |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

27. Equity, continued:

(b) Distributable income:

For purposes of Law No. 19,396 (in particular Articles 24, 25 and 28 of such law) and the Central Bank Contract between Banco de Chile and Sociedad Matriz del Banco de Chile S.A.- Banco de Chile's distributable net income will be determined by subtracting or adding to net income the correction of the value of the paid-in capital and reserves according to the variation of the Consumer Price Index between November of the fiscal year prior to the one in which the calculation is made and November of the fiscal year in which the calculation is made. The difference between net income and distributable net income shall be registered in a reserve account since the first day of the fiscal year following the date when the calculation is made. This reserve account cannot be distributed or capitalized. Provisional Article four shall be in force until the obligation of Law No. 19,396 owed by Sociedad Matriz del Banco de Chile S.A., directly or through its subsidiary SAOS has been fully paid. The distributable income for the six-month period ended June 30, 2014 ascended to Ch\$234,693 million (Ch\$463,688 million as of December 31, 2013).

The above described agreement was subject to the consideration of the Council of the Central Bank of Chile, and such entity approved, in ordinary meeting that took place on December 3, 2009.

As stated, the retention of earnings for the year ended as of December 31, 2013, made in March of 2014, ascended to Ch\$49,913 million (Ch\$36,193 million of income for the year ended as of December 31, 2012, retained in March of 2013).

(c) Approval and payment of dividends:

At the Ordinary Shareholders Meeting held on March 27, 2014, the Bank's shareholders agreed to distribute and pay dividend No. 202 amounting to Ch\$3.48356970828 per common share of Banco de Chile, with charge to distributable net income for the year ended as of December 31, 2013. The dividend of period 2014 amounted Ch\$368,120 million.

At the Ordinary Shareholders Meeting held on March 21, 2013, the Bank's shareholders agreed to distribute and pay dividend No. 201 amounting to Ch\$3.41625263165 per common share of Banco de Chile, with charge to distributable net income for the year ended as of December 31, 2012. The dividend of period 2013 amounted Ch\$343,455 million.

(d) Provision for minimum dividends:

The Board of Directors established a minimum dividend distribution policy, where the Bank has to record a provision of 70% of net income of the Annual Consolidated Financial Statements. Accordingly, the Bank recorded a liability under the line item Provisions for an amount of MCh\$164,285(MCh\$324,582 as of December 31, 2013) against Retained earnings .

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

27. Equity, continued:

(e) Earnings per share:

i. Basic earnings per share:

Basic earnings per share are determined by dividing the net income attributable to the Bank shareholders in a period by the weighted average number of shares outstanding during the period.

ii. Diluted earnings per share:

Diluted earnings per share are determined in the same way as Basic Earnings, but the weighted average number of outstanding shares is adjusted to take into account the potential diluting effect of stock options, warrants, and convertible debt.

The following table shows the income and share data used in the calculation of EPS:

| | June 2014 | June 2013 |
|---|----------------|----------------|
| Basic earnings per share: | | |
| Net profits attributable to ordinary equity holders of the bank (in millions) | 304,229 | 243,334 |
| Weighted average number of ordinary shares | 93,175,043,991 | 92,804,809,545 |
| Earning per shares (in Chilean pesos) | 3.27 | 2.62 |
| Diluted earnings per share: | | |
| Net profits attributable to ordinary equity holders of the bank (in millions) | 304,229 | 243,334 |
| Weighted average number of ordinary shares | 93,175,043,991 | 92,804,809,545 |
| Assumed conversion of convertible debt | | |
| Adjusted number of shares | 93,175,043,991 | 92,804,809,545 |
| Diluted earnings per share (in Chilean pesos) | 3.27 | 2.62 |

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As of June 30, 2014 and 2013, the Bank did not have any instruments that could lead to a dilution of its ordinary shares.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

27. Equity, continued:

(f) Other comprehensive income:

The cumulative translation adjustment is generated from the Bank's translation of its investments in foreign companies, as it records the effects of foreign currency translation for these items in equity. During period of 2014 it was made a credit to equity for an amount of Ch\$44 million (credit to equity for Ch\$45 million as of June 30, 2013).

The fair market value adjustment for available-for-sale instruments is generated by fluctuations in the fair value of that portfolio, with a charge or credit to equity, net of deferred taxes. During the period of 2014 it was made a net credit to equity for an amount of Ch\$3,670 million (net credit to equity for Ch\$5,782 million as of June 30, 2013).

Cash flow hedge adjustment it consists in the portion of income of hedge instruments registered in equity produced in a cash flow hedge. During the period of 2014 it was made a net charge to equity for an amount of Ch\$3,737 million (charge to equity for Ch\$12,979 million as of June 30, 2013).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

28. Interest Revenue and Expenses:

(a) On the Interim Condensed Consolidated Financial Statement closing date, the composition of income from interest and adjustments, not including the net loss from hedge accounting, is as follows:

| | June 2014 | | | | June 2013 | | | |
|--------------------------------|-------------------|---------------------|--------------------------|----------------|-------------------|---------------------|--------------------------|----------------|
| | Interest MCh\$ | Adjustment MCh\$ | Prepaid fees MCh\$ | Total MCh\$ | Interest MCh\$ | Adjustment MCh\$ | Prepaid fees MCh\$ | Total MCh\$ |
| Commercial loans | 353,765 | 142,129 | 1,300 | 497,194 | 362,182 | 3,901 | 1,661 | 367,744 |
| Consumer loans | 280,186 | 2,250 | 4,330 | 286,766 | 274,864 | 22 | 4,073 | 278,959 |
| Residential mortgage loans | 106,423 | 147,872 | 1,829 | 256,124 | 93,571 | 2,213 | 1,813 | 97,597 |
| Financial investment | 27,879 | 16,168 | | 44,047 | 32,672 | 698 | | 33,370 |
| Repurchase agreements | 839 | | | 839 | 974 | 1 | | 975 |
| Loans and advances to banks | 9,777 | | | 9,777 | 7,409 | | | 7,409 |
| Other interest revenue | 242 | 1,798 | | 2,040 | 91 | 481 | | 572 |
| Total | 779,111 | 310,217 | 7,459 | 1,096,787 | 771,763 | 7,316 | 7,547 | 786,626 |

The amount of interest revenue recognized on a received basis for impaired portfolio as of June 30, 2014 was Ch\$4,338 million (Ch\$4,038 million in 2013).

(b) At the each period end, the detail of income from suspended interest is as follows:

| | June 2014 | | | June 2013 | | |
|-------------------------------|-------------------|---------------------|----------------|-------------------|---------------------|----------------|
| | Interest MCh\$ | Adjustment MCh\$ | Total MCh\$ | Interest MCh\$ | Adjustment MCh\$ | Total MCh\$ |
| Commercial loans | 10,497 | 1,520 | 12,017 | 6,699 | 446 | 7,145 |
| Residential mortgage loans | 1,379 | 1,207 | 2,586 | 1,394 | 529 | 1,923 |
| Consumer loans | 194 | | 194 | 281 | | 281 |

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| | | | | | | |
|-------|--------|-------|--------|-------|-----|-------|
| Total | 12,070 | 2,727 | 14,797 | 8,374 | 975 | 9,349 |
|-------|--------|-------|--------|-------|-----|-------|

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

28. Interest Revenue and Expenses, continued:

(c) At the each period end, interest and adjustment expenses (not including hedge gain) are detailed as follows:

| | Interest MCh\$ | June 2014 Adjustment MCh\$ | Total MCh\$ | Interest MCh\$ | June 2013 Adjustment MCh\$ | Total MCh\$ |
|--|-------------------|-------------------------------------|----------------|-------------------|-------------------------------------|----------------|
| Savings accounts and time deposits | 183,846 | 56,373 | 240,219 | 215,481 | 1,848 | 217,329 |
| Debt issued | 75,755 | 102,151 | 177,906 | 63,073 | 1,657 | 64,730 |
| Other financial obligations | 925 | 1,110 | 2,035 | 996 | 96 | 1,092 |
| Repurchase agreements | 5,458 | 102 | 5,560 | 7,160 | | 7,160 |
| Borrowings from financial institutions | 3,657 | 1 | 3,658 | 7,683 | | 7,683 |
| Demand deposits | 333 | 5,265 | 5,598 | 33 | 28 | 61 |
| Other interest expenses | | 546 | 546 | | 12 | 12 |
| Total | 269,974 | 165,548 | 435,522 | 294,426 | 3,641 | 298,067 |

(d) As of June 30, 2014 and 2013, the Bank uses cross currency and interest rate swaps to hedge its position on the fair value of corporate bonds and commercial loans and cross currency swaps to hedge its obligations with foreign banks and bond issued abroad.

| | Income (loss) MCh\$ | June 2014 Expense MCh\$ | Total MCh\$ | Income (loss) MCh\$ | June 2013 Expense MCh\$ | Total MCh\$ |
|--|---------------------------|----------------------------------|----------------|---------------------------|----------------------------------|----------------|
| Gain from fair value accounting hedges | 240 | | 240 | 11,298 | | 11,298 |
| Loss from fair value accounting hedges | (4,361) | | (4,361) | (5,648) | | (5,648) |
| Gain from cash flow accounting hedges | 5,923 | 12,898 | 18,821 | 2,464 | 4,555 | 7,019 |
| Loss from cash flow accounting hedges | (56,337) | (2,905) | (59,242) | (4,545) | (242) | (4,787) |
| Net gain on hedge items | 631 | | 631 | (8,891) | | (8,891) |
| Total | (53,904) | 9,993 | (43,911) | (5,322) | 4,313 | (1,009) |

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(e) At the each period end, the summary of interest and expenses is as follows:

| | June 2014 MCh\$ | June 2013 MCh\$ |
|--|--------------------------------|--------------------------------|
| Interest revenue | 1,096,787 | 786,626 |
| Interest expenses | (435,522) | (298,067) |
| Subtotal | 661,265 | 488,559 |
| Income accounting hedges (net) | (43,911) | (1,009) |
| Total interest revenue and expenses, net | 617,354 | 487,550 |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

29. Income and Expenses from Fees and Commissions:

At the each period end, the income and expenses for fees and commissions shown in the Interim Consolidated Statements of Comprehensive Income refer to the following items:

| | June 2014 MCh\$ | June 2013 MCh\$ |
|---|-----------------------|-----------------------|
| Income from fees and commission | | |
| Card services (*) | 57,021 | 54,114 |
| Collections and payments | 30,754 | 31,345 |
| Investments in mutual funds and others | 30,080 | 26,739 |
| Portfolio management (**) | 18,133 | 17,692 |
| Lines of credit and overdrafts | 10,433 | 11,275 |
| Fees for insurance transactions | 9,770 | 9,540 |
| Guarantees and letters of credit | 9,369 | 8,340 |
| Trading and securities management | 8,140 | 9,670 |
| Usage Banchile s brand | 6,596 | 6,244 |
| Use of distribution channel | 3,663 | 9,053 |
| Financial advisory services | 3,396 | 755 |
| Other fees earned (*) | 3,243 | 7,565 |
| Total income from fees and commissions | 82,926 | 78,737 |
| Expenses from fees and commissions | | |
| Fees for credit card transactions(***) | (43,189) | (36,274) |
| Fees on interbank transactions | (5,525) | (4,608) |
| Fees for collections and payments | (3,269) | (3,418) |
| Sale of mutual fund units | (1,629) | (1,191) |
| Fees for securities transactions | (1,328) | (1,683) |
| Sales force fees | (1,000) | (928) |
| Other fees | (296) | (336) |
| Total expenses from fees and commissions | (56,236) | (48,438) |

30. Net Financial Operating Income:

The gains (losses) from trading and brokerage activities are detailed as follows:

| June | June |
|------|------|
|------|------|

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| | 2014 MCh\$ | 2013 MCh\$ |
|--|---------------|---------------|
| Financial assets held-for-trading | 14,912 | 12,568 |
| Sale of available-for-sale instruments | 11,777 | 10,320 |
| Trading derivative instruments | 761 | (24,954) |
| Sale of loan portfolios | 14 | 314 |
| Net income on other transactions | (296) | (513) |
| 27,168(2,265)Total | 14,912 | 12,568 |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

31. Foreign Exchange Transactions, net:

Net foreign exchange transactions are detailed as follows:

| | June 2014 MCh\$ | June 2013 MCh\$ |
|-------------------------------|-----------------------|-----------------------|
| Gain from accounting hedges | 48,950 | 18,932 |
| Translation difference, net | 6,147 | 4,736 |
| Indexed foreign currency, net | (24,543) | 18,312 |
| Total | 30,554 | 41,980 |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

32. Provisions for Loan Losses:

The movement during the six-month period ended June 2014 and June 2013 is the following:

| | Loans and advances to banks | | Commercial loans | | Loans to customers Mortgage loans | | Consumer loans | | Total | | Contingent loans | | Total | |
|---|-----------------------------|--------------|------------------|-----------------|-----------------------------------|----------------|-----------------|-----------------|------------------|------------------|------------------|----------------|------------------|------------------|
| | June 2014 | June 2013 | June 2014 | June 2013 | June 2014 | June 2013 | June 2014 | June 2013 | June 2014 | June 2013 | June 2014 | June 2013 | June 2014 | June 2013 |
| | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ |
| Provisions established: | | | | | | | | | | | | | | |
| Individual provisions | | (389) | (30,687) | (6,773) | | | | | (30,687) | (6,773) | (1,100) | (1,829) | (31,787) | (8,991) |
| Group provisions | | | (25,476) | (23,292) | (4,407) | (1,440) | (96,660) | (82,337) | (126,543) | (107,069) | (1,192) | (7,921) | (127,735) | (114,990) |
| Provisions established, net | | (389) | (56,163) | (30,065) | (4,407) | (1,440) | (96,660) | (82,337) | (157,230) | (113,842) | (2,292) | (9,750) | (159,522) | (123,981) |
| Provisions released: | | | | | | | | | | | | | | |
| Individual provisions | 575 | 5 | | | | | | | | | | | 575 | 5 |
| Group provisions | | | | | | | | | | | | | | |
| Provisions released, net | 575 | 5 | | | | | | | | | | | 575 | 5 |
| Provision, net | 575 | (384) | (56,163) | (30,065) | (4,407) | (1,440) | (96,660) | (82,337) | (157,230) | (113,842) | (2,292) | (9,750) | (158,947) | (123,976) |
| Additional provision | | | (10,069) | | | | | | (10,069) | | | | (10,069) | |
| Recovery of written-off assets | | | 4,921 | 6,766 | 637 | 847 | 14,751 | 12,602 | 20,309 | 20,215 | | | 20,309 | 20,215 |
| Provisions, for loan losses, net | 575 | (384) | (61,311) | (23,299) | (3,770) | (593) | (81,909) | (69,735) | (146,990) | (93,627) | (2,292) | (9,750) | (148,707) | (103,761) |

According to the management, the provisions constituted by credit risk, cover all the possible losses that could arise from the non-recovery of assets.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

33. Personnel Expenses:

At the each period end personnel expenses are detailed as follows:

| | June 2014 MCh\$ | June 2013 MCh\$ |
|-----------------------------|-----------------------|-----------------------|
| Salaries | 98,867 | 93,675 |
| Bonuses | 44,681 | 37,836 |
| Lunch and health benefits | 11,946 | 11,389 |
| Staff severance indemnities | 4,567 | 4,390 |
| Training expenses | 1,287 | 1,340 |
| Other personnel expenses | 8,332 | 7,171 |
| Total | 169,680 | 155,801 |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

34. Administrative Expenses:

At the each period end, administrative expenses are detailed as follows:

| | June 2014 MCh\$ | June 2013 MCh\$ |
|--|--------------------------------|--------------------------------|
| General administrative expenses | | |
| Information Technology and communications | 25,392 | 23,320 |
| Maintenance and repair of property and equipment | 14,349 | 13,870 |
| Office rental | 10,440 | 9,927 |
| Securities and valuables transport services | 5,123 | 4,756 |
| Office supplies | 3,796 | 4,899 |
| Rent ATM area | 3,696 | 3,730 |
| External advisory services | 3,110 | 2,898 |
| Representation and transferring of personnel | 2,400 | 2,023 |
| Lighting, heating and other utilities | 2,194 | 2,248 |
| Legal and notary | 1,825 | 1,850 |
| Insurance premiums | 1,678 | 1,713 |
| P.O. box, mail and postage | 1,202 | 1,268 |
| Donations | 1,017 | 1,073 |
| Home delivery of products | 969 | 759 |
| Equipment rental | 574 | 576 |
| Fees for professional services | 305 | 359 |
| Other general administrative expenses | 4,856 | 3,468 |
| Subtotal | 25,392 | 23,320 |
| Outsources services | | |
| Credit pre-evaluation services | 11,543 | 10,065 |
| Data processing | 3,857 | 3,591 |
| External technological developments expenses | 3,612 | 4,039 |
| Certification and testing technology | 2,447 | 2,435 |
| Other | 1,623 | 1,327 |
| Subtotal | 23,082 | 21,457 |
| Board expenses | | |
| Board remunerations | 1,085 | 1,026 |
| Other Board expenses | 154 | 188 |
| Subtotal | 1,239 | 1,214 |
| Marketing expenses | | |
| Advertising | 13,814 | 13,228 |
| Subtotal | 13,814 | 13,228 |

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Taxes, payroll taxes and contributions

| | | |
|--|---------|---------|
| Contribution to the Superintendency of Banks | 3,785 | 3,399 |
| Real estate contributions | 1,418 | 1,320 |
| Patents | 652 | 972 |
| Other taxes | 235 | 849 |
| Subtotal | 6,090 | 6,540 |
| Total | 127,151 | 121,176 |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

35. Depreciation, Amortization and Impairment:

(a) At the each period end, the amounts charged to income for depreciation and amortization are detailed as follows:

| | June 2014 MCh\$ | June 2013 MCh\$ |
|---|--------------------------------|--------------------------------|
| Depreciation and amortization | | |
| Depreciation of property and equipment (Note No. 16a) | 9,029 | 9,748 |
| Amortization of intangibles assets (Note No. 15b) | 3,933 | 4,543 |
| Total | 12,962 | 14,291 |

(b) As of June 30, 2014 and 2013 the composition of impairment expenses is the following:

| | June 2014 MCh\$ | June 2013 MCh\$ |
|---|--------------------------------|--------------------------------|
| Impairment | | |
| Impairment of Financial Instruments | | |
| Impairment of Properties and Equipment (Note No. 16a) | 208 | 9 |
| Impairment of Intangible Assets (Note No. 15b) | | |
| Total | 208 | 9 |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

36. Other Operating Income:

At the each period end, the Bank and its subsidiaries present the following under other operating income:

| | June 2014 MCh\$ | June 2013 MCh\$ |
|--|-----------------------|-----------------------|
| Income for assets received in lieu of payment | | |
| Income from sale of assets received in lieu of payment | 1,852 | 2,549 |
| Other income | 1 | 2 |
| Subtotal | 1,853 | 2,551 |
| Release of provisions for contingencies | | |
| Country risk provisions | | |
| Provisions for credits abroad | | |
| Other provisions for contingencies | | 128 |
| Subtotal | | 128 |
| Other income | | |
| Rental income | 3,912 | 3,174 |
| Recovery from external branches | 1,251 | 1,045 |
| Expense recovery | 922 | 1,007 |
| Revaluation of prepaid monthly payments | 420 | 13 |
| Income from differences sale leased assets | 207 | 598 |
| Fiduciary and trustee commissions | 94 | 89 |
| Gain on sale of property and equipment | 60 | 169 |
| Foreign trade income | 58 | 13 |
| Income from sale of leased assets | 11 | 1,620 |
| Indemnities received | | 898 |
| Others | 1,678 | 816 |
| Subtotal | 8,613 | 9,442 |
| Total | 10,466 | 12,121 |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

37. Other Operating Expenses:

At the each period end, the Bank and its subsidiaries incurred the following other operating expenses:

| | June 2014 MCh\$ | June 2013 MCh\$ |
|---|--------------------------------|--------------------------------|
| Provisions and expenses for assets received in lieu of payment | | |
| Charge-off assets received in lieu of payment | 857 | 907 |
| Expenses to maintain assets received in lieu of payment | 202 | 215 |
| Provisions for assets received in lieu of payment | 52 | 5 |
| Subtotal | 1,111 | 1,127 |
| Provisions for contingencies | | |
| Country risk provisions | 1,855 | 1,761 |
| Other provisions for contingencies | 5,616 | 209 |
| Subtotal | 7,471 | 1,970 |
| Other expenses | | |
| Provisions and charge-offs of other assets | 6,980 | 1,786 |
| Write-offs for operating risks | 2,082 | 1,860 |
| Operations expenses and charge-offs leasing | 532 | 211 |
| Credit cards administration | 476 | 545 |
| Provision for leased assets recoveries | 200 | 208 |
| Credit life insurance | 80 | 198 |
| Civil lawsuits | 63 | 140 |
| Loss in sale of property and equipment | | 2 |
| Others | 1,142 | 426 |
| Subtotal | 11,555 | 5,376 |
| Total | 20,137 | 8,473 |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

38. Related Party Transactions:

The related parties of the Bank and its subsidiaries include entities of the Bank's corporate group; corporations which are the Bank's parent company, associated companies, subsidiaries, associates; directors, managers, administrators, main executives or receivers of the company on their own behalf or in representation of persons other than the Bank, and their respective spouses or family members up to the second degree of consanguinity or affinity, as well as any entity directly or indirectly controlled through any of them, the partnerships or companies in which the aforementioned persons are owners, directly or through other individuals or corporations, of 10% or more of their capital or directors, managers, administrators or main executives; any person that on their own or with others with whom they have a joint action agreement can designate at least one member of the company's management or controls 10% or more of the capital or of the voting capital, if dealing with a public corporation; those that establish the company's bylaws, or with a sound basis identify the directors' committee; and those who have held the position of director, manager, administrator, main executive or receiver within the last eighteen months.

Article 147 of the Companies Act, states that a public corporation can only enter into transactions with related parties when the objective is to contribute to the company's interests, when terms of price, terms and conditions are commensurate to those prevailing in the market at the time of their approval and comply with the requirements and procedures stated in the same standard.

Moreover, Article 84 of the Chilean Banking Act, establishes limits for loans granted to related parties and prohibits the granting of loans to the Bank's directors, and general representatives.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

38. Related Party Transactions, continued:

(a) Loans to related parties:

| | Production Companies(*) | | Investment Companies(**) | | Individuals(***) | | Total | |
|---------------------------------------|-------------------------|------------------------|--------------------------|------------------------|--------------------|------------------------|--------------------|------------------------|
| | June 2014 MCh\$ | December 2013 MCh\$ | June 2014 MCh\$ | December 2013 MCh\$ | June 2014 MCh\$ | December 2013 MCh\$ | June 2014 MCh\$ | December 2013 MCh\$ |
| Loans and accounts receivable: | | | | | | | | |
| Commercial loans | 291,495 | 287,500 | 41,026 | 70,004 | 1,325 | 1,199 | 333,846 | 358,703 |
| Residential mortgage loans | | | | | 18,792 | 16,911 | 18,792 | 16,911 |
| Consumer loans | | | | | 3,431 | 3,790 | 3,431 | 3,790 |
| Gross loans | 291,495 | 287,500 | 41,026 | 70,004 | 23,548 | 21,900 | 356,069 | 379,404 |
| Provision for loan losses | (753) | (929) | (91) | (152) | (52) | (52) | (896) | (1,133) |
| Net loans | 290,742 | 286,571 | 40,935 | 69,852 | 23,496 | 21,848 | 355,173 | 378,271 |
| Off balance sheet accounts: | | | | | | | | |
| Guarantees | 2,851 | 1,109 | | | | | 2,851 | 1,109 |
| Letters of credits | 4,824 | 3,390 | | | | | 4,824 | 3,390 |
| Banks guarantees | 24,379 | 23,172 | 473 | 1,599 | | | 24,852 | 24,771 |
| Immediately available credit lines | 67,452 | 58,023 | 4,622 | 9,519 | 10,505 | 10,165 | 82,579 | 77,707 |
| Total off balance sheet account | 99,506 | 85,694 | 5,095 | 11,118 | 10,505 | 10,165 | 115,106 | 106,977 |
| Provision for contingencies loans | (45) | (34) | (2) | (1) | | | (47) | (35) |
| Off balance sheet account, net | 99,461 | 85,660 | 5,093 | 11,117 | 10,505 | 10,165 | 115,059 | 106,942 |
| Amount covered by Collateral | | | | | | | | |
| Mortgage Warrant | 29,094 | 27,122 | 55 | 55 | 13,869 | 14,476 | 43,018 | 41,653 |
| Pledge | 13 | 13 | | | 7 | 7 | 20 | 20 |
| Others(****) | 2,849 | 2,849 | 17,300 | 17,300 | 10 | 10 | 20,159 | 20,159 |
| Total collateral | 31,956 | 29,984 | 17,355 | 17,355 | 13,886 | 14,493 | 63,197 | 61,832 |
| Acquired Instruments | | | | | | | | |
| For trading purposes | | 1,078 | | | | | | 1,078 |

For investing purposes

**Total acquired
instruments**

1,078

1,078

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

38. Related Party Transactions, continued:

(a) Loans with related parties, continued:

(*) Production companies are legal entities which comply with the following conditions:

- i) They engage in productive activities and generate a separable flow of income
- ii) Less than 50% of their assets are trading securities or investments

(**) Investment companies include those legal entities that do not comply with the conditions for production companies and are profit-oriented.

(***) Individuals include key members of the management, who directly or indirectly possess the authority and responsibility of planning, administering and controlling the activities of the organization, including directors. This category also includes their family members who are expected to have an influence or to be influenced by such individuals in their interactions with the organization.

(****) These guarantees correspond mainly to shares and other financial guarantees.

(b) Other assets and liabilities with related parties:

| | June 2014 MCh\$ | December 2013 MCh\$ |
|-------------------------|--------------------------------|------------------------------------|
| Assets | | |
| Cash and due from banks | 11,974 | 12,692 |
| Derivative instruments | 81,208 | 76,532 |
| Other assets | 2,551 | 2,847 |

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| | | |
|--|---------|---------|
| Total | 95,733 | 92,071 |
| Liabilities | | |
| Demand deposits | 118,156 | 123,223 |
| Savings accounts and time deposits | 456,250 | 233,172 |
| Derivative instruments | 93,591 | 85,694 |
| Borrowings from financial institutions | 126,984 | 192,682 |
| Other liabilities | 18,329 | 23,836 |
| Total | 813,310 | 658,607 |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

38. Related Party Transactions, continued:

(c) Income and expenses from related party transactions (*):

| Type of income or expense recognized | June 2014 | | June 2013 | |
|--|-----------------|------------------|-----------------|------------------|
| | Income MCh\$ | Expense MCh\$ | Income MCh\$ | Expense MCh\$ |
| Interest and revenue expenses | 12,457 | 10,059 | 8,995 | 8,573 |
| Fees and commission income | 25,266 | 17,196 | 24,921 | 14,730 |
| Financial operating | 48,664 | 59,057 | 68,270 | 98,438 |
| Released or established of provision for credit risk | | 782 | | 46 |
| Operating expenses | | 41,011 | | 37,366 |
| Other income and expenses | 289 | 9 | 273 | 19 |
| Total | 86,676 | 128,114 | 102,459 | 159,172 |

(*) This detail does not correspond a Statement of Comprehensive Income for related party transactions, so assets with these parties are not necessarily equal to liabilities and each item reflects total income and expense and does not correspond to exact transactions.

(d) Related party contracts:

As part of a secondary offering by 6,700,000,000 ordinary shares of Banco de Chile held in the local and international market, dated January 28, 2014 Banco de Chile, as issuer, LQ Investments SA, as seller of the securities, and Citigroup Global Markets Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Deutsche Bank Securities Inc. and Banco BTG Pactual SA - Cayman Branch, as underwriters, proceeded to sign a contract called Underwriting Agreement, pursuant to which LQ Investments SA sold to the underwriters a portion of such shares. Additionally, on that date Banco de Chile and LQ Investments SA agreed the terms and conditions under which Banco de Chile participated in the process.

There are no contracts entered during the period 2014 and 2013 which does not represent a customary transaction within the Bank's line of business with general customers and which accounts for amounts greater than UF 1,000.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

38. Related Party Transactions, continued:

(e) Payments to key management personnel:

| | June 2014 MCh\$ | June 2013 MCh\$ |
|--|-----------------------|-----------------------|
| Remunerations | 1,865 | 1,769 |
| Short-term benefits | 3,722 | 3,093 |
| Contract termination indemnity Paid based on shares | 613 | 18 |
| Total | 6,200 | 4,880 |

Composition of key personnel:

| | N° of executives | |
|----------------------|------------------|--------------|
| Position | June 2014 | June 2013 |
| CEO | 1 | 1 |
| CEOs of subsidiaries | 7 | 8 |
| Division Managers | 13 | 12 |
| Total | 21 | 21 |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

38. Related Party Transactions, continued:

(f) Directors expenses and remunerations:

| Name of Directors | Remunerations | | Fees for attending Board meetings | | Fees for attending Committees and Subsidiary Board meetings (1) | | Consulting | | Total | |
|---------------------------------|---------------|--------|-----------------------------------|-------|---|-------|------------|-------|-------|-------|
| | Junio | Junio | Junio | Junio | Junio | Junio | Junio | Junio | Junio | Junio |
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ |
| Pablo Granifo Lavín | 189(*) | 179(*) | 23 | 23 | 169 | 159 | | | 381 | 361 |
| Andrónico Luksic Craig | 77 | 74 | 4 | 5 | | | | | 81 | 79 |
| Jorge Awad Mehech | 26 | 25 | 11 | 11 | 69 | 54 | | | 106 | 90 |
| Jorge Ergas Heymann | 26 | 25 | 7 | 9 | 23 | 21 | | | 56 | 55 |
| Jaime Estévez Valencia | 26 | 25 | 11 | 10 | 54 | 47 | | | 91 | 82 |
| Jean-Paul Luksic Fontbona | 26 | 9 | 4 | 2 | | 2 | | | 30 | 13 |
| Gonzalo Menéndez Duque | 26 | 25 | 11 | 8 | 58 | 56 | | | 95 | 89 |
| Francisco Pérez Mackenna | 26 | 25 | 11 | 11 | 29 | 30 | | | 66 | 66 |
| Thomas Fürst Freiwirth | 26 | 25 | 10 | 8 | 20 | 15 | | | 56 | 48 |
| Rodrigo Manubens Moltedo | 26 | 25 | 10 | 10 | 22 | 25 | | | 58 | 60 |
| Jacob Ergas Ergas | | | | | 4 | 2 | | | 4 | 2 |
| Guillermo Luksic Craig | | 12 | | | | | | | | 12 |
| Other directors of subsidiaries | | | | | 70 | 76 | | | 70 | 76 |
| Total | 474 | 449 | 102 | 97 | 518 | 487 | | | 1,094 | 1,033 |

(1) Includes fees paid to members of the Advisory Committee of Banchile Corredores de Seguros Ltda. of MCh\$8 (MCh\$8 as of June 30, 2013).

(*) Includes a provision of MCh\$110 (MCh\$104 as of June 30, 2013) for an incentive subject to achieving the Bank's forecasted earnings.

Fees paid for advisory services to the Board of Directors amount to MCh\$140 (MCh\$136 as of June 30, 2013).

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Travel and other related expenses amount to MCh\$5 (MCh\$45 as of June 30, 2013).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

39. Fair Value of Financial Assets and Liabilities:

Banco de Chile and its subsidiaries have defined a corporate framework for the Fair Value measurement and control to accomplish the Fair Value process according to local regulations, market standards and best practices in the industry. This framework is contained into the Banco de Chile's Fair Value Policy.

One of the most important definition in this framework is the Product Control Unit, hereinafter PCU, function. This area is independent from both the principal management and the business unit, and reports to the CFO of Banco de Chile. This area is responsible for the independent verification of Profit and Losses, and Fair Value measurement and control for all Treasury transactions; Trading, Funding and gapping and Investments deals.

To accomplish the measurements and controls, Banco de Chile and its subsidiaries, take into account at least the following aspects:

- (i) Industry standards of fair value measurements

In the fair value calculation process, Banco de Chile uses standard methodologies; closing prices, discounted cash flows and option models, Black-Scholes models, in case of options. The input parameters are rates, prices and volatility levels for each term and market factor that can change the fair value of any instrument in the portfolio.

- (ii) Quoted prices in active markets

The fair value for instruments with quoted prices in active markets is determined using daily quotes from electronic systems information as Bolsa de Comercio de Santiago, Bloomberg, LVA and Risk America terminals. This quote represents the price at which the instrument is frequently buy and sell in financial markets.

- (iii) Valuation techniques

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If there is not market quotes in active markets for the financial instrument, valuation techniques will be used to determine the fair value.

Due to the fact that fair value models require a set of market parameters as inputs, it is part of the fair value process to maximize the utilization based in observable quoted prices or derived from similar instruments in active markets. Nevertheless there are some cases for which neither quoted prices nor derived prices are available; in these cases external data from specialized providers, price for similar transactions and historical information it is used for validate the parameters that will be used as inputs.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

39. Fair Value of Financial Assets and Liabilities, continued:

(i) Fair value adjustments

Part of the fair value process consist in adjustment, Market Value Adjustments or MVA for short, to take into account two different market facts; bid/offer spreads and market factors liquidity. These adjustments are calculated and analyzed by the PCU and Risk Market areas.

The bid/offer spread adjustment reflects the expected impact on fair value due to close long or short positions in a specific market factor and term, valued at midpoint. For example, long positions in an asset will be impacted in order to reflect the fact that in selling that position will be quoted at bid instead at midpoint. For the bid/offer spread adjustment, market quotes or indicative prices for each position, instrument, currency and term are used. Bid, mid and offer market quotes are considered.

The liquidity adjustment considers the relative size to the market of each position in the portfolio. This adjustment is intended to reflect the relative size of Banco de Chile and the deepness of the markets. For this adjustment, the size of each position, recent transaction in active markets and recently observed liquidity are taking into account.

(ii) Fair value control

To ensure that the market input parameters that Banco de Chile is using for fair value calculations represent the state of the market and the best estimate of fair value, the PCU unit runs on a daily basis an independent verification of prices and rates. This process aims to set a preventive control on the market parameters provided by the respective business area. A comparative control based on Mark-to-Market differences, using one set of inputs prepared by the business area and one set prepared by the PCU, is conducted before fair value calculations. The output of this process is a set of differences in fair value by currency, product and portfolio. These differences are compared with specific ranges by grouping level; currency, product and portfolio.

In the event when significant differences were detected, these differences are scaled according to the amount of materiality for each grouping level, from a single report to the trader until a report to the Board. These ranges of materiality control are approved by the Assets and Liabilities Committee (ALCO).

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Complementary and in parallel, the PCU generates daily reports of P&L and risk market exposure. These two kind of reports allows adequate control and consistency of the parameters used in the valuation, looking backwards revision.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

39. Fair Value of Financial Assets and Liabilities, continued:

- (i) Judgmental analysis and information to Senior Management.

In particular no cases where there is no market quotations for the instrument, similar transaction prices or indicative parameters, a reasoned analysis and specific controls should be made to estimate the fair value of the operation or transaction. Within the Banco de Chile's framework for fair value, described in the Fair Value Policy approved by the Board of Banco de Chile, the approval level required for operate this kind of instruments, there is no market information or cannot be inferred from prices or rates, is established.

- (a) Fair value hierarchy

Banco de Chile and his subsidiaries, taken into account the preceding statements, classify all the financial instruments among the following levels:

Level 1: Quoted market prices in an active market (that are unadjusted) for identical assets or liabilities that the Bank can access at the measurement date.

In this level are considered the following instruments: currency futures, Chilean central bank and treasury securities, mutual funds investments and equity.

For the Chilean central bank and treasury securities, all instruments that belong to one of the following benchmark groups will be considered as Level 1: Pesos-02, Pesos-05, Pesos-07, Pesos-10, UF-02, UF-05, UF-07, UF-10, UF-20, UF-30. A benchmark group is composed by a number of instruments that have similar duration and share the same quoted price within the group. This condition allows for a greater depth of the market, assuring daily observable quotes.

For each and every one of these instruments exist daily observable market valuation parameters; internal rates of return and closing prices, respectively, therefore no assumptions are needed to calculate the fair value. For currency futures as well as mutual funds and equity, closing prices times the number of instruments is used for fair value calculations. For Chilean central bank and treasury securities the internal rate of return is used to discount every cash flow and obtain the fair value of each instrument, for each currency; CLP or CLF.

The preceding described methodology corresponds to the one utilized for the Bolsa de Comercio de Santiago (Santiago's main Exchange) and is recognized as the standard in the market.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

39. Fair Value of Financial Assets and Liabilities, continued:

Level 2: Valuation techniques whose inputs are other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly. For instruments in this level the valuations is done based on inference from observable market parameters; quoted prices for similar instruments in active markets.

In this level are included the following inputs:

- a) Quoted prices for similar assets or liabilities in active markets.
- b) Quoted prices for identical or similar assets or liabilities in markets that are not active.
- c) Inputs other than quoted prices those are observable for the asset or liability.
- d) Inputs those are derived principally from or corroborated by observable market data.

This level is composed mostly by derivatives, currency and rate derivatives, bank's debt securities, debt Chilean and foreign companies, made in Chile and abroad, mortgage claims, money market instruments and less liquid Chilean Central Bank and treasury securities.

For derivatives the fair value process depend upon his value is impacted by volatility as a relevant market factor; if is the case, Black-Scholes-Merton type of formula it is used. For the rest of the derivatives, swaps and forwards, net present value through discounted cash flows is used. For securities classified as level 2, the obtained internal rate of return is used to discount every cash flow and obtain the fair value of each instrument, for each currency.

In the event that there is no observable price for an instrument in a specific term, the price will be inferred from the interpolation between periods that do have observable quoted price in active markets. These models incorporate various market variables, including foreign exchange

rates and interest rate curves.

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable. This category also includes instruments that are valued based on quoted prices for similar instruments where adjustments or assumptions are needed to reflect the differences between them.

Instruments classified as level 3 correspond to Corporate Debt issued mainly Chilean and foreign companies, issued both in Chile and abroad.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

39. Fair Value of Financial Assets and Liabilities, continued:

During the second quarter of this year, we have adopted the approach of considering Level 2 financial instruments whose input (originating from external suppliers) are corroborated by the market. It should be noted that to consider that an input is corroborated by the market, it must meet minimum standards to ensure the robustness of information (Back Testing). Until March 2014 this type of input was considered Level 3.

This change of position reclassifications involved the following information relating to the December 31, 2013

| | December 2013 MCh\$ | Level 2 Reclassification MCh\$ | Adjusted 2013 MCh\$ | December 2013 MCh\$ | Level 3 Reclassification MCh\$ | Adjusted 2013 MCh\$ |
|---|---------------------------|--------------------------------------|---------------------------|---------------------------|--------------------------------------|---------------------------|
| Financial Assets | | | | | | |
| Financial assets | | | | | | |
| held-for-trading from the Chilean Government and Central Bank | 33,611 | | 33,611 | | | |
| Other instruments issued in Chile | 255,597 | 2,914 | 258,511 | 5,353 | (2,914) | 2,439 |
| Instruments issued abroad | | | | | | |
| Mutual fund investments | | | | | | |
| Subtotal | 289,208 | 2,914 | 292,122 | 5,353 | (2,914) | 2,439 |
| Financial assets | | | | | | |
| available-for-sale from the Chilean Government and Central Bank | 422,533 | | 422,533 | | | |
| Other instruments issued in Chile | 714,747 | 219,353 | 934,100 | 296,327 | (219,352) | 76,975 |
| Instruments issued abroad | | 32,307 | 32,307 | 33,986 | (32,307) | 1,679 |
| Subtotal | 1,137,280 | 251,660 | 1,388,940 | 330,313 | (251,659) | 78,654 |
| Total | 1,426,488 | 254,574 | 1,681,062 | 335,666 | (254,573) | 81,093 |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

| | Level 1 | | Level 2 | | Level 3 | | Total | |
|---|-----------------------|---------------------------|-----------------------|---------------------------|-----------------------|---------------------------|-----------------------|---------------------------|
| | June 2014 MCh\$ | December 2013 MCh\$ | June 2014 MCh\$ | December 2013 MCh\$ | June 2014 MCh\$ | December 2013 MCh\$ | June 2014 MCh\$ | December 2013 MCh\$ |
| Financial Assets | | | | | | | | |
| Financial assets held-for-trading from the Chilean Government and Central Bank | 86,728 | 31,326 | 76,200 | 33,611 | | | 162,928 | 64,937 |
| Other instruments issued in Chile | 5,960 | 1,034 | 216,500 | 258,511 | 1,309 | 2,439 | 223,769 | 261,984 |
| Instruments issued abroad | | | | | | | | |
| Mutual fund investments | 31,725 | 66,213 | | | | | 31,725 | 66,213 |
| Subtotal | 124,413 | 98,573 | 292,700 | 292,122 | 1,309 | 2,439 | 418,422 | 393,134 |
| Derivative contracts for trading purposes | | | | | | | | |
| Forwards | | | 63,780 | 41,673 | | | 63,780 | 41,673 |
| Swaps | | | 438,835 | 291,429 | | | 438,835 | 291,429 |
| Call Options | | | 1,861 | 2,301 | | | 1,861 | 2,301 |
| Put Options | | | 457 | 600 | | | 457 | 600 |
| Futures | | | | | | | | |
| Subtotal | | | 504,933 | 336,003 | | | 504,933 | 336,003 |
| Hedge accounting derivative contracts | | | | | | | | |
| Fair value hedge (Swap) | | | 216 | 714 | | | 216 | 714 |
| Cash flow hedge (Swap) | | | 43,024 | 37,971 | | | 43,024 | 37,971 |
| Subtotal | | | 43,040 | 38,685 | | | 43,240 | 38,685 |
| Financial assets available-for-sale (1) from the Chilean Government and Central Bank | 92,879 | 163,875 | 436,994 | 422,533 | | | 529,873 | 586,408 |
| Other instruments issued in Chile | | | 827,943 | 934,099 | 72,520 | 76,975 | 900,463 | 1,011,074 |
| Instruments issued abroad | 42,601 | 42,236 | 14,721 | 32,307 | 1,849 | 1,679 | 59,171 | 76,222 |
| Subtotal | 135,480 | 206,111 | 1,279,658 | 1,388,939 | 74,369 | 78,654 | 1,489,507 | 1,673,704 |
| Total | 259,893 | 304,684 | 2,120,531 | 2,055,749 | 75,678 | 81,093 | 2,456,102 | 2,441,526 |
| Financial Liabilities | | | | | | | | |
| Derivative contracts for trading purposes | | | | | | | | |
| Forwards | | | 70,131 | 65,396 | | | 70,131 | 65,396 |
| Swaps | | | 478,290 | 343,467 | | | 478,290 | 343,467 |
| Call Options | | | 2,775 | 3,559 | | | 2,775 | 3,559 |
| Put Options | | | 1,224 | 705 | | | 1,224 | 705 |
| Futures | | | | | | | | |
| Subtotal | | | 552,420 | 413,127 | | | 552,420 | 413,127 |
| Hedge derivative contracts | | | | | | | | |
| Fair value hedge (Swap) | | | 25,731 | 25,324 | | | 25,731 | 25,324 |
| Cash flow hedge (Swap) | | | 2,991 | 6,681 | | | 2,991 | 6,681 |
| Subtotal | | | 28,722 | 32,005 | | | 28,722 | 32,005 |
| Total | | | 581,142 | 445,132 | | | 581,142 | 445,132 |

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(1) As of June 30, 2014 90% of instruments of level 3 have denomination Investment Grade , meaning are assets with a classification BBB- or higher. Also, 98% of total of these financial instruments correspond to domestic issuers.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

39. Fair Value of Financial Assets and Liabilities, continued:

(c) Level 3 reconciliation

The following table shows the reconciliation between stock at the beginning and the end of balance periods for instruments classified in Level 3:

| | Balance as of January 1, 2014 MCh\$ | Gain (Loss) Recognized in Income MCh\$ | Gain (Loss) Recognized in Equity MCh\$ | Purchases, Sales and Agreements, net MCh\$ | Transfer between Lever 1 and 2 MCh\$ | Balance as of June 30, 2014 MCh\$ |
|--------------------------------------|---|---|---|---|---|--|
| Financial Assets | | | | | | |
| Financial assets held-for-trading | | | | | | |
| Other instruments issued in | | | | | | |
| Chile | 2,439 | (1,130) | | | | 1,309 |
| Subtotal | 2,439 | (1,130) | | | | 1,309 |
| Available-for-Sale Instruments | | | | | | |
| Other instruments issued in | | | | | | |
| Chile | 76,975 | 2,000 | 526 | (6,981) | | 72,520 |
| Instruments issued abroad | 1,679 | 104 | 66 | | | 1,849 |
| Subtotal | 78,654 | 2,104 | 592 | (6,981) | | 74,369 |
| Total | 81,093 | 974 | 592 | (6,981) | | 75,678 |

| | Balance as of January 1, 2013 MCh\$ | Gain (Loss) Recognized in Income MCh\$ | Gain (Loss) Recognized in Equity MCh\$ | Purchases, Sales and Agreements, net MCh\$ | Transfer between Lever 1 and 2 MCh\$ | Balance as of December 31, 2013 MCh\$ |
|--------------------------------------|---|---|---|---|---|---|
| Financial Assets | | | | | | |
| Financial assets held-for-trading | | | | | | |
| Other instruments issued in | | | | | | |
| Chile | | 1,038 | | 1,401 | | 2,439 |
| Subtotal | | 1,038 | | 1,401 | | 2,439 |

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| | | | | | |
|---------------------------------|--------|-------|------|----------|--------|
| Available-for- Sale Instruments | | | | | |
| Other instruments issued in | | | | | |
| Chile | 79,896 | 3,198 | 9 | (6,128) | 76,975 |
| Instruments issued abroad | 10,023 | 50 | (77) | (8,317) | 1,679 |
| Subtotal | 89,919 | 3,248 | (68) | (14,445) | 78,654 |
| Total | 89,919 | 4,286 | (68) | (13,044) | 81,093 |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

39. Fair Value of Financial Assets and Liabilities, continued:

- (d) Sensitivity of level 3 instruments to changes in key assumptions of the input parameters for the valuation model.

The following table shows the sensitivity, by instrument, for instruments classified as level 3 to changes in key assumptions:

| | As of June 30, 2014 | | As of December 31, 2013 | |
|--|---|-----------------|---|-----------------|
| | Sensitivity to changes in key assumptions of | | Sensitivity to changes in key assumptions of | |
| | Level 3 MCh\$ | models MCh\$ | Level 3 MCh\$ | models MCh\$ |
| Financial Assets | | | | |
| Financial assets held-for-trading | | | | |
| Financial assets available-for-Sale | 1,309 | (166) | 2,439 | (273) |
| | 1,309 | (166) | 2,439 | (273) |
| Available-for- Sale Instruments | | | | |
| Other instruments issued in Chile | 72,520 | (1,202) | 76,974 | (895) |
| Instruments issued abroad | 1,849 | (20) | 1,679 | (25) |
| Total | 74,369 | (1,222) | 78,653 | (920) |

With the purpose to determine the sensitivity of the financial investments to changes in significant factors market, the Bank has made alternative calculations at fair value, changing those key parameters for the valuation and which are not directly observables in screens. In the case of financial assets presented above table, which corresponds to bank bonds and corporate bonds, considering that these instruments do not have current prices or observables, was used as inputs prices, prices based on Non-Binding broker quotes or runs. Prices are generally calculated as a base rate plus a spread. For local bonds, this was determined by applying only a 10% impact on the price, while for offshore bonds this was determined by applying only a 10% impact on the spread because the base rate is hedged with instruments on interest rate swaps so-called hedge accounting. The impact of 10% is considered a reasonable move considering the market performance of these instruments and comparing it against the adjustment bid/offer that is provided for by these instruments.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

39. Fair Value of Financial Assets and Liabilities, continued:

(e) Other assets and liabilities

The following table summarizes the fair values of the Bank's main financial assets and liabilities that are not recorded at fair value in the Statement of Financial Position. The values shown in this note do not attempt to estimate the value of the Bank's income-generating assets, nor forecast their future behavior. The estimated fair value is as follows:

| | Book Value | | Fair Value | |
|--|-----------------------|---------------------------|-----------------------|---------------------------|
| | June 2014 MCh\$ | December 2013 MCh\$ | June 2014 MCh\$ | December 2013 MCh\$ |
| Assets | | | | |
| Cash and due from banks | 732,161 | 873,308 | 732,161 | 873,308 |
| Transactions in the course of collection | 390,327 | 374,471 | 390,327 | 374,471 |
| Cash collateral on securities borrowed and reverse repurchase agreements | 32,876 | 82,422 | 32,876 | 82,422 |
| Subtotal | 1,155,364 | 1,330,201 | 1,155,364 | 1,330,201 |
| Loans and advances to banks | | | | |
| Domestic banks | 69,970 | 99,976 | 69,970 | 99,976 |
| Central Bank of Chile | 370,992 | 600,581 | 370,992 | 600,581 |
| Foreign banks | 309,658 | 361,499 | 309,658 | 361,499 |
| Subtotal | 750,620 | 1,062,056 | 750,620 | 1,062,056 |
| Loans to customers, net | | | | |
| Commercial loans | 12,320,000 | 12,788,810 | 12,307,466 | 12,695,722 |
| Residential mortgage loans | 5,098,495 | 4,713,805 | 5,269,556 | 4,760,593 |
| Consumer loans | 2,973,489 | 2,886,418 | 2,998,531 | 2,914,188 |
| Subtotal | 20,391,984 | 20,389,033 | 20,575,553 | 20,370,503 |
| Total | 22,297,968 | 22,781,290 | 22,481,537 | 22,762,760 |
| Liabilities | | | | |
| Current accounts and other demand deposits | 6,141,163 | 5,984,332 | 6,141,163 | 5,984,332 |
| Transactions in the course of payment | 185,143 | 126,343 | 185,143 | 126,343 |
| Cash collateral on securities lent and repurchase agreements | 225,148 | 256,766 | 225,148 | 256,766 |
| Savings accounts and time deposits | 9,522,184 | 10,402,725 | 9,536,635 | 10,422,095 |
| Borrowings from financial institutions | 727,759 | 989,465 | 725,077 | 984,999 |
| Other financial obligations | 194,135 | 210,926 | 194,135 | 210,926 |
| Subtotal | 16,995,532 | 17,970,557 | 17,007,301 | 17,985,461 |
| Debt Issued | | | | |
| Letters of credit for residential purposes | 59,401 | 67,514 | 62,295 | 70,351 |
| Letters of credit for general purposes | 15,466 | 18,977 | 16,220 | 19,775 |

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| | | | | |
|-------------------|------------|------------|------------|------------|
| Bonds | 4,017,432 | 3,533,462 | 3,995,370 | 3,446,571 |
| Subordinate bonds | 757,893 | 747,007 | 759,524 | 739,184 |
| Subtotal | 4,850,192 | 4,366,960 | 4,833,409 | 4,275,881 |
| Total | 21,845,724 | 22,337,517 | 21,840,710 | 22,261,342 |

The fair value of assets not presented at fair value in the Statement of Financial Position is derived from balance sheet stocks and cash flows that Banco de Chile expects to receive, discounted using the relevant market interest rate for each type of transaction. These last cash flows are obtained from regulatory reports, in particular the C40 report.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

39. Fair Value of Financial Assets and Liabilities, continued:

(e) Other assets and liabilities, continued

The C40 report contains cash flows, in future value, for assets and liabilities, by maturity and currency. For long term assets and liabilities, contractual cash flows are used to calculate the fair value. The cash flows are discounted by type of asset and currency to obtain their present value. The discount rates used to calculate the present value for each type of asset and liability correspond to the marginal rates of each product, considering specific rates by currency and term to capture both the risk inherent to the term as well as the expected level of each currency.

For financial assets and liabilities that have a short term maturity (less than three months) it is assumed that the carrying amounts approximate their fair value. This assumption is also applied to demand deposits and savings accounts without specific maturity.

For loans, contractual cash flows and loan loss provisions are used to calculate the fair value. The cash flows are discounted by type of asset and currency to obtain their present value. Consecutively, the loan loss provision, by type of asset, is subtracted from the present value to take into account the fact that the Bank has already model the estimate probability that his customers do not fulfill their obligations.

In the case of held to maturity investment, the fair value is based on market prices. The fair value of liabilities that do not have quoted market prices, it is based on discounted cash flows, using interest rates to similar terms.

Table of Contents**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued****39. Fair Value of Financial Assets and Liabilities, continued:**

(f) Offsetting of financial assets and liabilities

The Bank trades financial derivatives with foreign counterparties using ISDA Master Agreement (International Swaps and Derivatives Association, Inc.), under legal jurisdiction of the City of New York USA or London United Kingdom. Legal framework in these jurisdictions, along with documentation mentioned, it allows to Banco de Chile the right to anticipate the maturity of the transaction and then, offset the net value of those transactions in case of default of counterparty. The Bank has negotiated with these counterparties an additional annex (CSA Credit Support Annex), including other credit mitigating, such as margins about a certain threshold, early termination (optional or mandatory), coupon adjustment transaction over a certain threshold amount, etc.

Below are detail contracts susceptible to offset:

| | Fair Value MCh\$ | Negative Fair Value of contracts with right to offset MCh\$ | Positive Fair Value of contracts with right to offset MCh\$ | Financial Collateral MCh\$ | Net Fair Value MCh\$ |
|---|---------------------|--|--|----------------------------------|----------------------------|
| Derivative financial assets as of June 30, 2014 | 548,173 | (67,759) | (128,646) | (19,591) | 332,177 |
| Derivative financial assets as of December 31, 2013 | 374,688 | (42,315) | (116,095) | (31,651) | 184,627 |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

40. Maturity of Assets and Liabilities:

The table below shows details of loans and other financial assets and liabilities grouped in accordance with their remaining maturity, including accrued interest as of June 30, 2014 and December 31, 2013, respectively. Trading and available-for-sale instruments are included at their fair value:

| | As of June 30, 2014 | | | | | | Total MCh\$ |
|--|---------------------------|--|---|--|--|--------------------------|----------------|
| | Up to 1 month MCh\$ | Over 1 month and up to 3 months MCh\$ | Over 3 month and up to 12 months MCh\$ | Over 1 year and up to 3 years MCh\$ | Over 3 year and up to 5 years MCh\$ | Over 5 years MCh\$ | |
| Assets | | | | | | | |
| Cash and due from banks | 732,161 | | | | | | 732,161 |
| Transactions in the course of collection | 390,327 | | | | | | 390,327 |
| Financial Assets held-for-trading | 418,422 | | | | | | 418,422 |
| Cash collateral on securities borrowed and reverse repurchase agreements | 26,909 | 3,965 | 2,002 | | | | 32,876 |
| Derivative instruments | 22,161 | 29,999 | 87,464 | 142,843 | 115,901 | 149,805 | 548,173 |
| Loans and advances to banks(*) | 562,018 | 15,572 | 160,474 | 13,273 | | | 751,337 |
| Loans to customers(*) | 3,173,913 | 1,731,296 | 3,871,956 | 4,466,039 | 2,229,751 | 5,441,574 | 20,914,529 |
| Financial assets available-for-sale | 336,236 | 51,424 | 535,495 | 86,468 | 92,742 | 387,142 | 1,489,507 |
| Financial assets held-to-maturity | | | | | | | |
| Total assets | 5,662,147 | 1,832,256 | 4,657,391 | 4,708,623 | 2,438,394 | 5,978,521 | 25,277,332 |

| | As of December 31, 2013 | | | | | | Total MCh\$ |
|--|---------------------------|--|---|--|--|-----------------------|----------------|
| | Up to 1 month MCh\$ | Over 1 month and up to 3 months MCh\$ | Over 3 month and up to 12 months MCh\$ | Over 1 year and up to 3 years MCh\$ | Over 3 year and up to 5 years MCh\$ | Over 5 years MCh\$ | |
| Assets | | | | | | | |
| Cash and due from banks | 873,308 | | | | | | 873,308 |
| Transactions in the course of collection | 374,471 | | | | | | 374,471 |
| Financial Assets held-for-trading | 393,134 | | | | | | 393,134 |

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| | | | | | | | |
|--|-----------|-----------|-----------|-----------|-----------|-----------|------------|
| Cash collateral on securities borrowed and reverse repurchase agreements | 58,429 | 12,250 | 11,743 | | | | 82,422 |
| Derivative instruments | 15,374 | 21,074 | 53,595 | 94,914 | 86,438 | 103,293 | 374,688 |
| Loans and advances to banks(*) | 791,112 | 116,968 | 155,268 | | | | 1,063,348 |
| Loans to customers(*) | 2,962,896 | 1,988,697 | 4,014,131 | 4,543,507 | 2,252,631 | 5,107,649 | 20,869,511 |
| Financial assets available-for-sale | 116,319 | 63,919 | 184,940 | 442,170 | 466,247 | 400,109 | 1,673,704 |
| Financial assets held-to-maturity | | | | | | | |
| Total assets | 5,585,043 | 2,202,908 | 4,419,677 | 5,080,591 | 2,805,316 | 5,611,051 | 25,704,586 |

(*) The respective provisions, which amount to MCh\$522,545 (MCh\$480,478 as of December 31, 2013) for loans to customers and MCh\$717 (MCh\$1,292 as of December 31, 2013) for borrowings from financial institutions, have not been deducted from these balance.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

40. Maturity of Assets and Liabilities, continued:

| | As of June 30, 2014 | | | | | | Total MCh\$ |
|--|---------------------------|--|---|--|--|--------------------------|----------------|
| | Up to 1 month MCh\$ | Over 1 month and up to 3 months MCh\$ | Over 3 month and up to 12 months MCh\$ | Over 1 year and up to 3 years MCh\$ | Over 3 year and up to 5 years MCh\$ | Over 5 years MCh\$ | |
| Liabilities | | | | | | | |
| Current accounts and other demand deposits | 6,141,163 | | | | | | 6,141,163 |
| Transactions in the course of payment | 185,143 | | | | | | 185,143 |
| Cash collateral on securities lent and repurchase agreements | 225,148 | | | | | | 225,148 |
| Savings accounts and time deposits(**) | 4,648,596 | 2,457,687 | 2,177,527 | 50,985 | 247 | 39 | 9,335,081 |
| Derivative instruments | 21,865 | 32,927 | 90,100 | 155,860 | 100,819 | 179,571 | 581,142 |
| Borrowings from financial institutions | 49,548 | 82,843 | 359,064 | 236,304 | | | 727,759 |
| Debt issued: | | | | | | | |
| Mortgage bonds | 4,237 | 4,832 | 11,627 | 23,746 | 14,144 | 16,281 | 74,867 |
| Bonds | 303,798 | 240,434 | 131,692 | 475,917 | 859,615 | 2,005,976 | 4,017,432 |
| Subordinate bonds | 1,826 | 2,641 | 35,503 | 167,825 | 49,961 | 500,137 | 757,893 |
| Other financial obligations | 147,073 | 919 | 4,206 | 8,194 | 13,028 | 20,715 | 194,135 |
| Total liabilities | 11,728,397 | 2,822,283 | 2,809,719 | 1,118,831 | 1,037,814 | 2,722,719 | 22,239,763 |

| | As of December 31, 2013 | | | | | | Total MCh\$ |
|--|---------------------------|--|---|--|--|--------------------------|----------------|
| | Up to 1 month MCh\$ | Over 1 month and up to 3 months MCh\$ | Over 3 month and up to 12 months MCh\$ | Over 1 year and up to 3 years MCh\$ | Over 3 year and up to 5 years MCh\$ | Over 5 years MCh\$ | |
| Liabilities | | | | | | | |
| Current accounts and other demand deposits | 5,984,332 | | | | | | 5,984,332 |
| Transactions in the course of payment | 126,343 | | | | | | 126,343 |
| Cash collateral on securities lent and repurchase agreements | 249,549 | 7,217 | | | | | 256,766 |
| Savings accounts and time deposits(**) | 4,875,437 | 2,193,563 | 2,948,201 | 207,347 | 135 | 31 | 10,224,714 |
| Derivative instruments | 26,750 | 37,008 | 95,582 | 96,757 | 67,742 | 121,293 | 445,132 |
| Borrowings from financial institutions | 99,553 | 359,752 | 262,574 | 267,586 | | | 989,465 |
| Debt issued: | | | | | | | |

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| | | | | | | | |
|-----------------------------|------------|-----------|-----------|-----------|---------|-----------|------------|
| Mortgage bonds | 4,554 | 4,966 | 13,534 | 27,826 | 16,095 | 19,516 | 86,491 |
| Bonds | 287,732 | 117,008 | 47,271 | 471,230 | 797,585 | 1,812,636 | 3,533,462 |
| Subordinate bonds | 1,560 | 2,476 | 34,865 | 162,382 | 47,890 | 497,834 | 747,007 |
| Other financial obligations | 161,053 | 901 | 4,948 | 8,736 | 13,503 | 21,785 | 210,926 |
| Total liabilities | 11,816,863 | 2,722,891 | 3,406,975 | 1,241,864 | 942,950 | 2,473,095 | 22,604,638 |

(***) Excluding term saving accounts, which amount to MCh\$187,103 (MCh\$178,011 as of December 31, 2013).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

41. Subsequent Events:

In Management's opinion, there are no other significant subsequent events that affect or could affect the Interim Condensed Consolidated Financial Statements of the Bank and its subsidiaries between June 30, 2014 and the date of issuance of these Interim Condensed Consolidated Financial Statements.

Héctor Hernández G.
General Accounting Manager

Arturo Tagle Q.
Chief Executive Officer

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: July 30, 2014

Banco de Chile

/s/ Arturo Tagle Q.
By:

Arturo Tagle Q.
CEO