BANK OF CHILE
Form 6-K
January 29, 2016
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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 January, 2016

Commission File Number 001-15266

BANK OF CHILE

(Translation of registrant s name into English)

Paseo 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.

Form 20-F x Form 40-F o

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):o

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):o

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 o No x

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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BANCO DE CHILE
REPORT ON FORM 6-K

Attached Banco de Chile s Consolidated Financial Statements with notes as of December 31, 2015.

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Consolidated Financial Statements

BANCO DE CHILE AND SUBSIDIARIES

Santiago, Chile

December 31, 2015 and 2014

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Consolidated Financial Statements

BANCO DE CHILE AND SUBSIDIARIES

December 31, 2015 and 2014

(Translation of consolidated financial statements originally issued in Spanish)

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Ch$ or CLP	=	Chilean pesos
MCh$	=	Millions of Chilean pesos
US$ or USD	=	U.S. dollars
ThUS$	=	Thousands of U.S. dollars
JPY	=	Japanese yen
EUR	=	Euro
MXN	=	Mexican pesos
HKD	=	Hong Kong dollars
PEN	=	Peruvian nuevo sol
CHF	=	Swiss franc
U.F. 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).
IFRS	=	International Financial Reporting Standards
IAS	=	International Accounting Standards
RAN	=	Compilation of Standards of the Chilean Superintendency of Banks
IFRIC	=	International Financial Reporting Interpretations Committee
SIC	=	Standards Interpretation Committee

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BANCO DE CHILE AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

For the years ended December 31, 2015 and 2014

(Expressed in million of Chilean pesos)

BANCO DE CHILE AND SUBSIDIARIES

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The accompanying notes 1 to 42 form an

integral part of these consolidated financial statements

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BANCO DE CHILE AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

For the years ended December 31, 2015 and 2014

(Expressed in million of Chilean pesos)

	Notes	2015 MCh$	2014 MCh$
ASSETS			
Cash and due from banks	7	1,361,222	915,133
Transactions in the course of collection	7	526,046	400,081
Financial assets held-for-trading	8	866,654	548,471
Cash collateral on securities borrowers and reverse repurchase	9	46,164	27,661
Derivative instruments	10	1,127,122	832,193
Loans and advances to banks	11	1,395,195	1,155,365
Loans to customers, net	12	23,956,275	21,348,033
Financial assets available-for-sale	13	1,000,001	1,600,189
Financial assets held-to-maturity	13		
Investments in other companies	14	28,126	25,312
Intangible assets	15	26,719	26,593
Property and equipment	16	215,671	205,403
Current tax assets	17	3,279	3,468
Deferred tax assets	17	255,972	202,869
Other assets	18	484,498	355,057
TOTAL ASSETS		**31,292,944**	**27,645,828**
LIABILITIES			
Current accounts and other demand deposits	19	8,327,048	6,934,373
Transactions in the course of payment	7	241,842	96,945
Cash collateral on securities lent and repurchase agreements	9	184,131	249,482
Savings accounts and time deposits	20	9,907,692	9,721,246
Derivative instruments	10	1,127,927	859,752
Borrowings from financial institutions	21	1,529,627	1,098,716
Debt issued	22	6,102,208	5,057,956
Other financial obligations	23	173,081	186,573
Current tax liabilities	17	27,993	22,498
Deferred tax liabilities	17	32,953	35,029
Provisions	24	639,043	601,714
Other liabilities	25	259,312	246,388
TOTAL LIABILITIES		**28,552,857**	**25,110,672**
EQUITY	27		
Attributable to equity holders of the parent:			
Capital		2,041,173	1,944,920
Reserves		390,616	263,258
Other comprehensive income		57,709	44,105
Retained earnings:			
Retained earnings from previous periods		16,060	16,379
Income for the year		558,995	591,080
Less:			

Provision for minimum dividends	(324,469)	(324,588)
Subtotal	**2,740,084**	**2,535,154**
Non-controlling interests	3	2
TOTAL EQUITY	**2,740,087**	**2,535,156**
TOTAL LIABILITIES AND EQUITY	**31,292,944**	**27,645,828**

The accompanying notes 1 to 42 form an

integral part of these consolidated financial statements

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BANCO DE CHILE AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2015 and 2014

(Expressed in million of Chilean pesos)

	Notes	2015 MCh$	2014 MCh$
Interest revenue	28	1,899,302	2,033,846
Interest expense	28	(680,169)	(788,788)
Net interest income		1,219,133	1,245,058
Income from fees and commissions	29	436,076	387,452
Expenses from fees and commissions	29	(130,097)	(115,264)
Net fees and commission income		305,979	272,188
Net financial operating income	30	36,539	29,459
Foreign exchange transactions, net	31	57,318	70,225
Other operating income	36	27,386	29,472
Total operating revenues		1,646,355	1,646,402
Provisions for loan losses	32	(303,062)	(283,993)
OPERATING REVENUES, NET OF PROVISIONS FOR LOAN LOSSES		1,343,293	1,362,409
Personnel expenses	33	(381,388)	(384,512)
Administrative expenses	34	(289,974)	(270,537)
Depreciation and amortization	35	(29,537)	(30,501)
Impairment	35	(263)	(2,085)
Other operating expenses	37	(25,076)	(27,027)
TOTAL OPERATING EXPENSES		(726,238)	(714,662)
NET OPERATING INCOME		617,055	647,747
Income attributable to associates	14	3,672	2,861
Income before income tax		620,727	650,608
Income tax	17	(61,730)	(59,527)
NET INCOME FOR THE YEAR		**558,997**	**591,081**
Attributable to:			
Equity holders of the parent		558,995	591,080
Non-controlling interests		2	1

		Ch$	Ch$
Net income per share attributable to equity holders of the parent:			
Basic net income per share	27	5.82	6.24
Diluted net income per share	27	5.82	6.24

The accompanying notes 1 to 42 form an

integral part of these consolidated financial statements

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BANCO DE CHILE AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2015 and 2014

(Expressed in million of Chilean pesos)

	Notes	2015 MCh$	2014 MCh$
NET INCOME FOR THE YEAR		**558,997**	**591,081**
OTHER COMPREHENSIVE INCOME THAT WILL BE RECLASIFFIED SUBSEQUENTLY TO PROFIT OR LOSS			
Net unrealized gains (losses):			
Net change in unrealized gains (losses) on available for sale instruments	13	8,596	7,107
Gains and losses on derivatives held as cash flow hedges	10	9,971	29,756
Cumulative translation adjustment		2	80
Subtotal Other comprehensive income before income taxes that will be reclassified subsequently to profit or loss		**18,569**	**36,943**
Income tax related to other comprehensive income that will be reclassified subsequently to profit or loss		(4,965)	(8,766)
Total other comprehensive income items that will be reclassified subsequently to profit or loss		**13,604**	**28,177**
OTHER COMPREHENSIVE INCOME THAT WILL NOT BE RECLASIFFIED SUBSEQUENTLY TO PROFIT OR LOSS			
Loss in defined benefit plans		(33)	(399)
Subtotal Other comprehensive income that will not be reclassified subsequently to profit or loss		**(33)**	**(399)**
Income tax related to other comprehensive income that will not be reclassified subsequently to profit or loss		9	103
Total other comprehensive income items that will not be reclassified subsequently to profit or loss		**(24)**	**(296)**
TOTAL CONSOLIDATED COMPREHENSIVE INCOME		**572,577**	**618,962**
Attributable to:			
Equity holders of the parent		572,575	618,961
Non-controlling interest		2	1
		Ch$	**Ch$**
Comprehensive net income per share attributable to equity holders of the parent:			

Basic net income per share	5.96	6.54
Diluted net income per share	5.96	6.54

The accompanying notes 1 to 42 form an

integral part of these consolidated financial statements

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BANCO DE CHILE AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2015 and 2014

(Expressed in millions of Chilean pesos)

			Reserves		**Other comprehensive income**			**Retained earnings**				
	Notes	**Paid-in Capital MCh$**	**Other reserves MCh$**	**Reserves from earnings MCh$**	**Unrealized gains (losses) on available-for- sale MCh$**	**Derivatives cash flow hedge MCh$**	**Cumulative translation adjustment MCh$**	**Retained earnings from previous periods MCh$**	**Income for the year MCh$**	**Provision for minimum dividends MCh$**	**Attributable to equity holders of the parent MCh$**	**Non-contr intere MCh**
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		95,569							(95,569)			
Income distribution	27											
Income retention (released) according to law	27			49,913					(49,913)			
Paid and distributed dividends									(368,120)	324,582	(43,538)	
Equity adjustment investment in other companies			5								5	
Defined benefit plans adjustment	27		(296)								(296)	
Other comprehensive income:												
Cumulative translation adjustment							80				80	
Derivatives cash flow hedge, net						23,507					23,507	
Valuation adjustment on available-for-sale instruments (net)					4,590						4,590	
Income for the period 2014									591,080		591,080	
Provision for minimum dividends	27									(324,588)	(324,588)	
Balances as of December 31, 2013	27	**1,944,920**	**31,834**	**231,424**	**33,962**	**10,086**	**57**	**16,379**	**591,080**	**(324,588)**	**2,535,154**	

	27										
Capitalization of retained earnings		96,253							(96,253)		
Income retention (released) according to law	27			127,383					(127,383)		
Paid and distributed dividends									(367,444)	324,588	(42,856)
Defined benefit plans adjustment			(24)								(24)
Capital increase investment in other companies			(1)								(1)
Other comprehensive income:											
Cumulative translation adjustment	27						2				2
Derivatives cash flow hedge, net	27					7,728					7,728
Valuation adjustment on available-for-sale instruments (net)	27				5,874						5,874
Income for the period 2015	27								558,995		558,995
Equity adjustment investment in other companies								(319)			(319)
Provision for minimum dividends										(324,469)	(324,469)
Balances as of December 31, 2014		**2,041,173**	**31,809**	**358,807**	**39,836**	**17,814**	**59**	**16,060**	**558,995**	**(324,469)**	**2,740,084**

The accompanying notes 1 to 42 form an

integral part of these consolidated financial statements

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BANCO DE CHILE AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2015 and 2014

(Expressed in million of Chilean pesos)

	Notes	2015 MCh$	2014 MCh$
OPERATING ACTIVITIES:			
Net income for the year		558,997	591,081
Items that do not represent cash flows:			
Depreciation and amortization	35	29,537	30,501
Impairment of intangibles assets and property and equipment	35	263	2,085
Provision for loan losses, net of recoveries	32	319,954	303,003
Provision of contingent loans	32	5,136	4,800
Additional provision	32	30,921	22,499
Fair value adjustment of financial assets held-for-trading		1,273	1,764
(Income) loss attributable to investments in other companies	14	(3,243)	(2,486)
(Income) loss sales of assets received in lieu of payment	36	(3,470)	(3,484)
(Income) loss on sales of property and equipment	36 - 37	(204)	(155)
(Increase) decrease in other assets and liabilities		(112,269)	(33,182)
Charge-offs of assets received in lieu of payment	37	1,302	1,622
Other credits (debits) that do not represent cash flows		(256)	(244)
(Gain) loss from foreign exchange transactions of other assets and other liabilities		(545,380)	(246,060)
Net changes in interest and fee accruals		132,751	(128,527)
Changes in assets and liabilities that affect operating cash flows:			
(Increase) decrease in loans and advances to banks, net		(239,618)	(94,186)
(Increase) decrease in loans to customers, net		(2,735,942)	(944,367)
(Increase) decrease in financial assets held-for-trading, net		(336,420)	27,620
(Increase) decrease in deferred taxes, net	17	(57,790)	(60,919)
Increase (decrease)in current account and other demand deposits		1,392,434	948,593
Increase (decrease) in payables from repurchase agreements and security lending		(59,374)	5,282
Increase (decrease) in savings accounts and time deposits		189,893	(650,150)
Proceeds from sale of assets received in lieu of payment		7,769	6,393
Total cash flows provided by (used in) operating activities		**(1,423,736)**	**(218,517)**
INVESTING ACTIVITIES:			
(Increase) decrease in financial assets available-for-sale		439,168	124,832
Purchases of property and equipment	16	(31,476)	(31,513)
Proceeds from sales of property and equipment		575	200
Purchases of intangible assets	15	(8,519)	(5,382)
Investments in other companies	14	(314)	(6,608)
Dividends received from investments in other companies	14	663	195
Total cash flows provided by (used in) investing activities		**400,097**	**81,724**
FINANCING ACTIVITIES:			
Redemption in mortgage finance bonds		(13,059)	(16,713)
Proceeds from bond issuances	22	2,470,407	1,826,552
Redemption of bond issuances		(1,292,647)	(1,149,274)

Proceeds from subscription and payment of shares			
Dividends paid	27	(367,444)	(368,120)
Increase (decrease) in borrowings from foreign financial institutions		430,098	110,091
Increase (decrease) in other financial obligations		(9,593)	(18,883)
Increase (decrease) in other obligations with Chilean Central Bank		(3)	(2)
Proceeds from other long-term borrowings		13,803	7,091
Payment of other long-term borrowings		(17,745)	(13,211)
Total cash flows provided by (used in) financing activities		**1,213,817**	**377,531**
TOTAL NET POSITIVE (NEGATIVE) CASH FLOWS FOR THE YEAR		190,178	240,738
Net effect of exchange rate changes on cash and cash equivalents		78,152	46,222
Cash and cash equivalents at beginning of year		1,825,578	1,538,618
Cash and cash equivalents at end of year	7	**2,093,908**	**1,825,578**

	2015 MCh$	**2014 MCh$**
Operating cash flow of Interest:		
Interest received	1,687,598	1,705,103
Interest paid	(335,714)	(588,572)

The accompanying notes 1 to 42 form an

integral part of these consolidated financial statements

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BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of December 31, 2015 and 2014

(Expressed in million of Chilean pesos)

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1. Company Information:

Banco de Chile is authorized to operate as a commercial bank from September 17, 1996, and according to the Article 25 of the Law 19.396 is the legal continuer of the Banco de Chile, which in turn resulted from the merger between Banco Nacional of Chile, Banco Agricola y Banco de Valparaiso. Banco de Chile was formed on October 28, 1893, granted in front of the Public Notary of Santiago Mr. Eduardo Reyes Lavalle, authorized by Supreme Decree of November 28, 1893.

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 Superintendencia). 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 domicile is Paseo Ahumada 251, Santiago, Chile and its Web site is www.bancochile.cl.

The consolidated financial statements of the Bank for the year ended December 31, 2015 were authorized for issuance in accordance with the directors resolution on January 28, 2015.

For convenience of reader, these financial statements and their accompanying notes have been translated from Spanish to English. Certain accounting practices applied by the Bank that conform to rules issued by the Chilean Superintendency of Banks (SBIF) may not conform to generally accepted accounting principles in the United States (US GAAP) or to International Financial Reporting Standards (IFRS).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Principles:

(a) Basis of preparation:

Legal provisions

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, 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, these shall prevail.

(b) Basis of consolidation:

The financial statements of Banco de Chile as of December 31, 2015 and 2014 have been consolidated with its Chilean subsidiaries and foreign subsidiary using the global integration method (line-by-line). They include preparation of individual financial statements of the Bank and companies that participate in the consolidation, and it include adjustments and reclassifications necessary to homologue accounting policies and valuation criteria applied by the Bank. The Consolidated Financial Statements have been prepared using the same accounting policies for similar transactions and other events in equivalent circumstances.

Significant intercompany transactions and balances (assets, liabilities, equity, income, expenses and cash flows) originated in operations performed between the Bank and its subsidiaries and between subsidiaries have been eliminated in the consolidation process. The non-controlling interest corresponding to the participation percentage of third parties in subsidiaries, which the Bank does not own directly or indirectly, has been recognized and is shown separately in the consolidated shareholders equity of Banco de Chile.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Principles, continued:

(b) Basis of consolidation, continued:

(i) Subsidiaries

Consolidated financial statements as of December 31, 2015 and 2014 incorporate financial statements of the Bank and its subsidiaries. According IFRS 10 Consolidated Financial Statements , control requires exposure or rights to variable returns and the ability to affect those returns through power over an investee. Specifically the Bank have power over the investee when has existing rights that give it the ability to direct the relevant activities of the investee.

When the Bank has less than a majority of the voting rights of an investee, but these voting rights are enough to have the ability to direct the relevant activities unilaterally, then conclude the Bank has control. The Bank considers all factors and relevant circumstances to evaluate if their voting rights are enough to obtain the control, which it includes:

- The amount of voting rights that the Bank has, related to the amount of voting rights of the others stakeholders.
- Potential voting rights maintained by the Bank, other holders of voting rights or other parties.
- Rights emanated from other contractual arrangements.
- Any additional circumstance that indicate that the Bank have or have not the ability to manage the relevant activities when that decisions need to be taken, including behavior patterns of vote in previous shareholders meetings.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Principles, continued:

(b) Basis of consolidation, continued:

(i) Subsidiaries, continued

The Bank reevaluates if it has or has not the control over an investee when the circumstances indicates that exists changes in one or more elements of control listed above.

The entities controlled by the Bank and which form parts of the consolidation are detailed as follows:

				Interest Owned					
				Direct		Indirect		Total	
			Functional	2015	2014	2015	2014	2015	2014
RUT	Subsidiaries	Country	Currency	%	%	%	%	%	%
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$	99.01	99.00	0.99	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

(*) On May 29, 2014 the Board of Banco de Chile agreed dissolution, liquidation and termination of this entity. At the end of the presents Financial Statements, the liquidation process is carried out.

(ii) Associates and Joint Ventures:

Associates

An associate is an entity over whose operating and financial management policy decisions the Bank has significant influence, without to have the control over the associate. Significant influence is generally presumed when the Bank holds between 20% and 50% of the voting rights. Other considered factors when determining whether the Bank has significant influence over another entity are the representation on the board of directors and the existence of material intercompany transactions. The existence of these factors could determine the existence of significant influence over an entity even though the Bank had participation less than 20% of the voting rights.

Investments in associates where exists significant influence, are accounted for using the equity method. In accordance with the equity method, the Bank s investments are initially recorded at cost, and subsequently increased or decreased to reflect the proportional participation of the Bank in the net income or loss of the associate and other movements recognized in its shareholders equity. Goodwill arising from the acquisition of an associate is included in the net book value, net of any accumulated impairment loss.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Principles, continued:

(b) Basis of consolidation, continued:

(ii) Associates and Joint Ventures, continued:

Joint Ventures

Joint Ventures are joint arrangements whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

According IFRS 11, an entity shall be determining type of joint arrangement: Joint Operation or Joint Venture .

For investments defined like Joint Operation , their assets, liabilities, income and expenses are recognised by their participation in joint operation.

For investments defined like Joint Venture , they will be registered according equity method.

Investments that, for their characteristics, are defined like Joint Ventures are the following:

- Artikos S.A.
- Servipag Ltda.

(iii) Shares or rights in other companies

These are entities in which the Bank does not have significant influence. They are presented at acquisition value (historical cost).

(iv) Special purpose entities

According to current regulation, the Bank must be analyzing periodically its consolidation area, considering that the principal criteria are the control that the Bank has in an entity and not its percentage of equity participation.

As of December 31, 2015 and 2014 the Bank does not control and has not created any SPEs.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Principles, continued:

(b) Basis of consolidation, continued:

(v) Fund management

The Bank and its subsidiaries manage and administer assets held in mutual funds and other investment products on behalf of investors, perceiving a paid according to the service provided and according to market conditions. Managed resources are owned by third parties and therefore not included in the Statement of Financial Position.

According to established in IFRS 10, for consolidation purposes is necessary to assess the role of the Bank and its subsidiaries with respect to the funds they manage, must determine whether that role is Agent or Principal. This assessment should consider the following:

- The scope of their authority to make decisions about the investee.
- The rights held by third parties.
- The remuneration to which he is entitled under remuneration arrangements.
- Exposure, decision maker, the variability of returns from other interests that keeps the investee.

The Bank and its subsidiaries manage on behalf and for the benefit of investors, acting in that relationship only as Agent. Under this category, and as provided in the aforementioned rule, do not control these funds when they exercise their authority to make decisions. Therefore, as of December 31, 2015 and 2014 act as agent, and therefore do not consolidate any fund.

(c) Non-controlling interest:

Non-controlling interest represents the share of losses, income and net assets that the Bank does not control, neither directly or indirectly. It is presented as a separate item in the Consolidated Statement of Comprehensive Income and the Consolidated Statement of Financial Position.

(d) Use of estimates and judgment:

The Consolidated Financial Statements include estimates made by the Senior Management of the Bank and of the consolidated entities to quantify certain of the assets, liabilities, income, expenses and commitments that are recorded in them. Basically, these estimates are made in function of the best information available, and refer to:

1. Goodwill valuation (Note No. 15);
2. Useful lives of property and equipment and intangible assets (Note No. 15 and No. 16);
3. Current 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, Note No. 12 and Note No. 32);
7. Fair value of financial assets and liabilities (Note No. 39)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Principles, continued:

(d) Use of estimates and judgment, continued:

During the year ended December 31, 2015, there have been no other significant changes, different to it indicated above.

Estimates and relevant assumptions are regularly reviewed by the Bank s Management to quantify certain assets, liabilities, income, expenses and commitments. The accounting estimations reviewed are recognised in the period in which the estimate is evaluated.

(e) Financial asset and liability valuation criteria:

Measurement is the process of determining the monetary amounts at which the elements of the financial statements are to be recognized and carried in the Statement of Financial Position and the Comprehensive Income. This involves selecting the particular basis or method of measurement.

In the Consolidated Financial Statements several measuring bases are used with different levels mixed among them. These bases or methods include the following:

(i) Initial recognition

The Bank and its subsidiaries recognize loans to customers, trading and investment securities, deposits, debt issued and subordinated liabilities and other assets o liabilities on the date of negotiation. Purchases and sales of financial assets performed on a regular basis are recognized as of the trade date on which the Bank committed to purchase or sell the asset.

(ii) Classification

Assets, liabilities and income accounts have been classified in conformity with standards issued by the Superintendency of Banks.

(iii) Derecognition

The Bank and its subsidiaries derecognize a financial asset (or where applicable part of a financial asset) from its Consolidated Statement of Financial Position when the contractual rights to the cash flows of the financial asset have expired or when the contractual rights to receive the cash flows of the financial asset are transferred during a transaction in which all ownership risks and rewards of the financial asset are transferred. Any portion of transferred financial assets that is created or retained by the Bank is recognized as a separate asset or liability.

When the Bank transfers a financial asset, it assesses to what extent it has retained the risks and rewards of ownership. In this case:

(a) If substantially all risks and rewards of ownership of the financial asset have been transferred, it is derecognized, and any rights or obligations created or retained upon transfer are recognized separately as assets or liabilities.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Principles, continued:

(e) Financial asset and liability valuation criteria, continued:

(iii) Derecognition, continued:

(b) If substantially all risks and rewards of ownership of the financial asset have been retained, the Bank continues to recognize it.

(c) If substantially all risks and rewards of ownership of the financial asset are neither transferred nor retained, the Bank will determine if it has retained control of the financial asset. In this case:

(i) If the Bank has not retained control, the financial asset will be derecognized, and any rights or obligations created or retained upon transfer will be recognized separately as assets or liabilities.

(ii) If the Bank has retained control, it will continue to recognize the financial asset in the Consolidated Financial Statement by an amount equal to its exposure to changes in value that can experience and recognize a financial liability associated to the transferred financial asset.

The Bank derecognizes a financial liability (or a portion thereof) from its Consolidated Statement of Financial Position if, and only if, it has extinguished or, in other words, when the obligation specified in the corresponding contract has been paid or settled or has expired.

(iv) Offsetting

Financial assets and liabilities are offset and the net amount is reported in the Statement of Financial Position if, and only if, the Bank has the legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis or to realize an asset and settle the liability simultaneously.

Income and expenses are shown net only if accounting standards allow such treatment, or in the case of gains and losses arising from a group of similar transactions such as the Bank s trading activities.

(v) Valuation at amortized cost

Amortized cost is the amount at which a financial asset or liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization (calculated using the effective interest rate method) of any difference between that initial amount and the maturity amount and minus any reduction for impairment.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Principles, continued:

(e) Financial asset and liability valuation criteria, continued:

(vi) Fair value measurements

Fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The most objective and common fair value is the price that you would pay on an active, transparent and deep market (quoted price or market price).

When available, the Bank estimates the fair value of an instrument using quoted prices in an active market for that instrument. A market is considered active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm s length basis.

If a market for a financial instrument is not active, the Bank establishes fair value using a valuation technique. These valuation techniques include the use of recent market transactions between knowledgeable, willing parties in an arm s length transaction, if available, as well as references to the fair value of other instruments that are substantially the same, discounted cash flows and options pricing models.

The chosen valuation technique use the maximum observable market data, relies as little as possible on estimates performed by the Bank, incorporates factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Inputs into the valuation technique reasonably represent market expectations and include risk and return factors that are inherent in the financial instrument. Periodically, the Bank calibrates the valuation techniques and tests it for validity using prices from observable current market transaction in the same instrument or based on any available observable market data.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets.

When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognized in income.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Principles, continued:

(e) Financial asset and liability valuation criteria, continued:

(vi) Fair value measurements, continued:

The Bank has financial assets and liabilities that offset each other s market risks. In these cases, average market prices are used as a basis for establishing these values.

Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties; to the extent that the Bank believes that a third-party market participant would take them into account in pricing a transaction.

The Bank s fair value disclosures are included in Note 39.

(f) Presentation and functional currency:

The items included in the financial statements of each of the entities of Banco de Chile and its subsidiaries are valued using the currency of the primary economic environment in which it operates (functional currency). The functional currency of Banco de Chile is the Chilean peso, which is also the currency used to present the entity s consolidated financial statements, that is the currency of the primary economic environment in which the Bank operates, as well as obeying to the currency that influences in the costs and income structure.

(g) Transactions in foreign currency:

Transactions in currencies other than the functional currency are considered to be in foreign currency and are initially recorded at the exchange rate of the functional currency on the transaction date. Monetary assets and liabilities denominated in foreign currencies are converted using the exchange rate of the functional currency as of the date of the Statement of Financial Position. All differences are recorded as a debit or credit to income.

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2. Summary of Significant Accounting Principles, continued:

(g) Transactions in foreign currency, continued:

As of December 31, 2015, the Bank applied the exchange rate of accounting representation according to the standards issued by the Superintendency of Banks, where assets expressed in dollars are shown to their equivalent value in Chilean pesos calculated using the following exchange rate of Ch$708.24 to US$1. As of December 31, 2014, the Bank used the observed exchange rate equivalent to Ch$606.09 to US$1.

The gain of MCh$57,318 for net foreign exchange transactions, net (foreign exchange income of MCh$70,225 in 2014) shown in the Consolidated Statement of Comprehensive Income, includes recognition of the effects of exchange rate variations on assets and liabilities in foreign currency or indexed to exchange rates, and the result of foreign exchange transactions conducted by the Bank and its subsidiaries.

(h) Segment reporting:

The Bank s operating segments are determined based on its different business units, considering the following factors:

(i) That it conducts business activities from which income is obtained and expenses are incurred (including income and expenses relating to transactions with other components of the same entity).

(ii) That its operating results are reviewed regularly by the entity s highest decision-making authority for operating decisions, to decide about resource allocation for the segment and evaluate its performance; and

(iii) That separate financial information is available.

(i) Cash and cash equivalents:

The Consolidated Statement of Cash Flows shows the changes in cash and cash equivalents derived from operating activities, investment activities and financing activities during the year. The indirect method has been used in the preparation of this statement.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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2. Summary of Significant Accounting Principles, continued:

(i) Cash and cash equivalents, continued:

For the preparation of Consolidated Financial Statements of Cash Flow it is considered the following concepts:

(i) Cash and cash equivalents correspond to Cash and Bank Deposits , plus (minus) the net balance of transactions in the course of collection that are shown in the Consolidated Statement of Financial Position, plus instruments held-for-trading and available-for-sale that are highly liquid and have an insignificant risk of change in value, maturing in less than three months from the date of acquisition, plus repurchase agreements that are in that situation. Also includes investments in fixed income mutual funds, according to instruccions of the SBIF, that are presented under Trading Instruments in the Consolidated Statement of Financial Position.

(ii) Operating activities: corresponds to normal activities of the Bank, as well as other activities that cannot classify like investing or financing activities.

(iii) Investing activities: correspond to the acquisition, sale or disposition other forms, of long-term assets and other investments that not include in cash and cash equivalent.

(iv) Financing activities: corresponds to the activities that produce changes in the amount and composition of the equity and the liabilities that are not included in the operating or investing activities.

(j) Financial assets held-for-trading:

Financial assets held-for-trading consist of securities acquired with the intention of generating profits as a result of short-term prices fluctuation or as a result of brokerage activities, or are part of a portfolio on which a short-term profit-generating pattern exists.

Financial assets held-for-trading are stated at their fair market value as of the Consolidated Statement of Financial Position date. Gains or losses from their fair market value adjustments, as well as gains or losses from trading activities, are included in Gains (losses) from trading and brokerage activities in the Consolidated Statement of Comprehensive Income. Accrued interest and revaluations are reported as Gains (losses) from trading and brokerage activities .

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Principles, continued:

(k) Repurchase agreements and security lending and borrowing transactions:

The Bank engages in transactions with repurchase agreements as a form of investment. The securities purchased under these agreements are recognized on the Bank s Consolidated Statement of Financial Position under Receivables from Repurchase Agreements and Security Lending , which is valued in accordance with the agreed-upon interest rate, through of method of amortised cost. According to rules, the Bank not register as own portfolio the instruments bought within resale agreements.

The Bank also enters into security repurchase agreements as a form of financing. Investments that are sold subject to a repurchase obligation and serve as collateral for borrowings are reclassified as Financial Assets held-for-trading or Available-for-sale Instruments . The liability to repurchase the investment is classified as Payables from Repurchase Agreements and Security Lending , which is valued in accordance with the agreed-upon interest rate.

As of December 31, 2015 and 2014 it not exist operations corresponding to securities lending.

(l) Derivative instruments:

The Bank maintains contracts of Derivative financial instruments, for cover the exposition of risk of foreign currency and interest rate. These contracts are recorded in the Consolidated Statement of Financial Position at their cost (included transactions costs) and subsequently measured at fair value. Derivative instruments are reported as an asset when their fair value is positive and as a liability when negative under the item Derivative Instruments .

Changes in fair value of derivative contracts held for trading purpose are included under Profit (loss) net of financial operations , in the Consolidated Statement of Comprehensive Income.

In addition, the Bank includes in the valorization of derivatives the Counterparty Valuation Adjustment (CVA), to reflect the counterparty risk in the determination of fair value. This valorization doesn t consider the Bank s own credit risk, known as Debit Valuation Adjustment (DVA) in conformity with standards issued by SBIF.

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

At the moment of subscription of a derivative contract must be designated by the Bank as a derivative instrument for trading or hedging purposes.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

2. **Summary of Significant Accounting Principles, continued:**

(l) Derivative instruments, continued:

If a derivative instrument is classified as a hedging instrument, it can be:

(1) A hedge of the fair value of existing assets or liabilities or firm commitments, or

(2) A hedge of cash flows related to existing assets or liabilities or forecasted transactions.

A hedge relationship for hedge accounting purposes must comply with all of the following conditions:

(a) at its inception, the hedge relationship has been formally documented;

(b) it is expected that the hedge will be highly effective;

(c) the effectiveness of the hedge can be measured in a reasonable manner; and

(d) the hedge is highly effective with respect to the hedged risk on an ongoing basis and throughout the entire hedge relationship.

The Bank presents and measures individual hedges (where there is a specific identification of hedged item and hedged instruments) by classification, according to the following criteria:

Fair value hedges: changes in the fair value of a hedged instruments derivative, designed like fair value hedges , are recognized in income under the line Net interest income and/or Foreign exchange transactions, net . Hedged item also is presented to fair value, related to the risk to be hedge. Gains or losses from hedged risk are recognized in income under the line Net interest income and adjust the book value of item hedged.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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2. Summary of Significant Accounting Principles, continued:

(l) Derivative instruments, continued:

Cash flow hedge: changes in the fair value of financial instruments derivative designated like cash flow hedge are recognised in Other Comprehensive Income , to the extent that hedge is effective and hedge is reclassified to income in the item Net interest income and/or Foreign exchange transactions, net , when hedged item affects the income of the Bank produced for the interest rate risk or foreign exchange risk , respectively. If the hedge is not effective, changes in fair value are recognised directly in income in the item Net financial operating income .

If the hedged instruments does not comply with criteria of hedge accounting of cash flow, it expires or is sold, it suspend or executed, this hedge must be discontinued prospectively. Accumulated gains or losses recognised previously in the equity are maintained there until projected transactions occur, in that moment will be registered in Consolidated Statement of Income (in te item Net interest income and/or Foreign exchange transactions, net , depend of the hedge), lesser than it foresees that the transaction will not execute, in this case it will be registered immediately in Consolidated Statement of Income (in te item Net interest income and/or Foreign exchange transactions, net , depend of the hedge).

(m) Loans to customers:

Loans to customers include originated and purchased non-derivative financial assets with fixed or determinable payments that are not quoted on an active market and which the Bank does not intend to sell immediately or in the short-term.

(i) Valuation method

Loans are initially measured at cost plus incremental transaction costs, and subsequently measured at amortized cost using the effective interest rate method, except when the Bank defined some loans as hedged items, which are measured at fair value, changes are recorded in the Consolidated Statement of Income, as described in letter (l) of this note.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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2. Summary of Significant Accounting Principles, continued:

(m) Loans to customers, continued:

(ii) Lease contracts

Accounts receivable for leasing contracts, included under the caption Loans to customers correspond to periodic rent installments of contracts which meet the definition to be classified as financial leases and are presented at their nominal value net of unearned interest as of each year-end.

(iii) Factoring transactions

Corresponds to invoices and other commercial instruments representative of credit, with or without recourse, received in discount and which are registered to book value plus interest and adjustments until to maturity.

In those cases where the transfer of these instruments it was made without responsibility of the grantor, the Bank assumes the default risk.

(iv) Impairment of loans

The impaired loans include the following assets, according to Chapter B-1 of Accounting rules Compendium of Superintendency of Banks:

a) In case of debtors subject to individual assessment, are considered in impaired portfolio Non-complying loans and the categories B3 y B4 of Substandar loans

b) Debtors subject to assessment group evaluation, the impaired portfolio includes all credits of the Non-complying loans defined in Note No. 2 m) v).

(v) Allowance for loan losses

Allowances are required to cover the risk of loan losses have been established in accordance with the instructions issued by the Superitendency of Banks. The loans are presented net of those allowances and, in the case of loans and in the case of contingent loans, they are shown in liabilities under Provisions .

In accordance with what is stipulated by the Superintendency of Banks, models or methods are used based on an individual and group analysis of debtors, to establish allowance for loan losses.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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2. Summary of Significant Accounting Principles, continued:

(m) Loans to customers, continued:

(v) Allowance for loan losses, continued:

(v.i) Allowance for individual evaluations, continued:

An individual analysis of debtors is applied to individuals and companies that are of such significance with respect to size, complexity or level of exposure to the bank, that they must be analyzed in detail.

Likewise, the analysis of borrowers should focus on its credit quality related to the ability to payment, to have sufficient and reliable information, and to analyze in regard to guarantees, terms, interest rates, currency and revaluation, etc.

For purposes of establish the allowances, the banks must be asses the credit quality, then clasify to one of three categories of loans portfolio: Normal, Substandard and Non-complying Loans, it must classify the debtors and their operations related to loans and contingent loans in the categories that apply.

v.i.1 Normal Loans and Substandard Loans:

Normal loans correspond to borrowers who are up to date on their payment obligations and show no sign of deterioration in their credit quality. Loans classified in categories A1 through A6.

Substandard loans includes all borrowers with insufficient payment capacity or significant deterioration of payment capacity that may be reasonably expected not to comply with all principal and interest payments obligations set forth in the credit agreement.

This category also includes all loans that have been non-performing for more than 30 days. Loans classified in this category are B1 through B4.

As a result of individual analysis of the debtors, the banks must classify them in the following categories, assigning, subsequently, the percentage of probability of default and loss given default resulting in the corresponding percentage of expected loss:

[redacted]				
Normal Loans	A1	0.04	90.0	0.03600
	A2	0.10	82.5	0.08250
	A3	0.25	87.5	0.21875
	A4	2.00	87.5	1.75000
	A5	4.75	90.0	4.27500
	A6	10.00	90.0	9.00000
[redacted]				

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Principles, continued:

(m) Loans to customers, continued:

(v) Allowance for loan losses, continued:

(v.i) Allowance for individual evaluations, continued:

v.i.1 Normal Loans and Substandard Loans, continued:

Allowances for Normal and Substandard Loans

To determine the amount of allowances to be constitute for normal and substandard portfolio, previously should be estimated the exposure to subject to the allowances, which will be applied to respective expected loss (expressed in decimals), which consist of probability of default (PD) and loss given default (LGD) established for the category in which the debtor and/or guarantor belong, as appropriate.

The exposure affects to allowances applicable to loans plus contingent loans minus the amounts to be recovered by way of the foreclosure of financial or real guarantees of the operatios. Also, in some cases, the risk credit of direct debtor can be replaced by credit quality of aval or surety. Loans means the book value of credit of the respective debtor, while for contingent loans, the value resulting from to apply the indicated in No.3 of Chapter B-3 of Compilation of Standards of the Chilean Superintendency of Banks (RAN).

The banks must use the following equation:

Provision = (ESA-GE) x (PD debtor /100)x(LGD debtor/100)+GE x(PD guarantor/100)x(LGD guarantor /100)

Where:

ESA = Exposure subject to allowances

GE = Guaranteed exposure

EAP = (Loans + Contingent Loans)   Financial Guarantees

However, independent of the results obtained from the equation above, the bank must be assigned a minimum provision level of 0.50% of the Normal Loans (including contingent loans).

v.i.2 Non-complying Loans

The non-complying loans corresponds to borrowers and its credits whose payment capacity is seriously at risk and who have obvious signs that the will not pay in the future. This category comprises all loans and contingent loans outstanding from debtors that have at least one installment payment of interest or principal overdue for 90 days or more. This group is composed of debtors belonging to categories C1 through C6 of the classification level and all loans, inclusive contingent loans, which maintain the same debtors.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Principles, continued:

(m) Loans to customers, continued:

(v) Allowance for loan losses, continued:

(v.i) Allowance for individual evaluations, continued:

v.i.2 Non-complying Loans, continued:

For purposes to establish the allowances on the non-complying loans, the Bank disposes the use of percentage of allowances to be applied on the amount of exposure, which corresponds to the amount of loans and contingent loans that maintain the same debtor. To apply that percentage, must be estimated a expected loss rate, less the amount of the exposure the recoveries by way of foreclosure of financial or real guarantees that to support the operation and, if there are available specific background, also must be deducting present value of recoveries obtainable exerting collection actions, net of expenses associated with them. This loss percentage must be categorized in one of the six levels defined by the range of expected actual losses by the Bank for all transactions of the same debtor.

These categories, their range of loss as estimated by the Bank and the percentages of allowance that definitive must be applied on the amount of exposures, are listed in the following table:

Type of Loan	Classification	Expected loss	Allowance (%)
Non-complying loans	C1	Up to 3%	2
	C2	More than 3% up to 20%	10
	C3	More than 20% up to 30%	25
	C4	More than 30% up to 50%	40
	C5	More than 50% up to 80%	65
	C6	More than 80%	90

For these loans, the expected loss must be calculated in the following manner:

Expected loss = (TE   R) / TE

Allowance = TE x (AP/100)

Where:

TE = total exposure

R = recoverable amount based on estimates of collateral value and collection efforts

AP = allowance percentage (based on the category in which the expected loss should be classified).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Principles, continued:

(m) Loans to customers, continued:

(v) Allowance for loan losses, continued:

(v.ii) Allowances for group evaluations

Group evaluations are relevant to address a large number of operations whose individual amounts are low or small companies. Such assessments, and the criteria for application, must be consistent with the transaction of give the credit.

Group evaluations requires the formation of groups of loans with similar characteristics in terms of type of debtors and conditions agreed, to establish technically based estimates by prudential criteria and following both the payment behavior of the group that concerned as recoveries of defaulted loans and consequently provide the necessary provisions to cover the risk of the portfolio.

Banks may use two alternative methods for determining provisions for retail loans that are evaluated as a group.

Under first method, it will be used the experience to explain the payment behavior of each homogeneous group of debtors and recoveries through collateral and of collection process, when it correspond, with objective of to estimate directly a percentage of expected losses that will be apply to the amount of the loans of respective group.

Under second method, the banks will segment to debtors in homogeneous groups, according described above, associating to each group a determined probability of default and a percentage of recovery based in a historic analysis. The amount of provisions to register it will be obtained multiplied the total loans of respective group by the percentages of estimated default and of loss given the default.

In both methods, estimated loss must be related with type of portfolio and terms of operations.

The Bank to determine its provisions has opted for using second method.

In the case of consumer loans are not considered collateral for purposes of estimating the expected loss.

Allowances are establish according with the results of the application of the methods used by the Bank, distinguishing between allowances over normal portfolio and over the non-complying loans, and those that protect the contingent credit risks associated with these portfolios.

The non-complying portfolio include loans and contingent loans related to debtors that present a delay in payment greater than 90 days, including 100% of the amount of contingent loans, that maintain those debtors.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Principles, continued:

(m) Loans to customers, continued:

(v) Allowance for loan losses, continued

(v.iii) Standard method of provisions for Mortgage Loans (See Note No.4)

The provision factor applicable, represented by expected loss over the mortgage loans, it will depend to the past due of each credit and the relation, at the end of month, between outstanding capital and the value of the mortgage guarantees (PVG), according the following table:

Provision factor applicable according past due and PVG

		Past due days at the end-month				
PVG	Concept	0	1-29	30-59	60-89	Non Complying Loans
PVG ≤ 40%	PI (%)	1.0916	21.3407	46.0536	75.1614	100.0000
	PDI (%)	0.0225	0.0441	0.0482	0.0482	0.0537
	PE (%)	0.0002	0.0094	0.0222	0.0362	0.0537
40% < PVG ≤ 80%	PI (%)	1.9158	27.4332	52.0824	78.9511	100.0000
	PDI (%)	2.1955	2.8233	2.9192	2.9192	3.0413
	PE (%)	0.0421	0.7745	1.5204	2.3047	3.0413
80% < PVG ≤ 90%	PI (%)	2.5150	27.9300	52.5800	79.6952	100.0000
	PDI (%)	21.5527	21.6600	21.9200	22.1331	22.2310
	PE (%)	0.5421	6.0496	11.5255	17.6390	22.2310
PVG > 90%	PI (%)	2.7400	28.4300	53.0800	80.3677	100.0000
	PDI (%)	27.2000	29.0300	29.5900	30.1558	30.2436
	PE (%)	0.7453	8.2532	15.7064	24.2355	30.2436

PI : Non-compliance probability

PDI : Loss by non-compliance

PE : Expected loss

PVG : Outstanding Capital of the Credit/Mortgage Guarantee Value

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Principles, continued:

(m) Loans to customers, continued:

(vi) Charge-offs

Generally, the charge-offs are produced when the contractual rights on cash flows end. In case of loans, even if the above does not happen, it will proceed to charge-offs the respective asset balances.

The charge-off refers to derecognition of the assets in the Statement of Financial Position, related to the respective transaction and, therefore, the part that could not be past-due if a loan is payable in installments, or a lease.

The charge-off must be to make using credit risk provisions constituted, whatever the cause for which the charge-off was produced.

(vi.i) Charge-offs of loans to customers

Charge-off loans to customers, other than leasing operations, shall be made in accordance to the following circumstances occurs:

a) The Bank, based on all available information, concludes that will not obtain any cash flow of the credit recorded as an asset.

b) When the debt (without executive title , a collectability category pursuant to local law) meets 90 days since it was recorded as an asset.

c) At the time the term set by the statute of limitations runs out and as result legal actions are precluded in order to request payment through executive trial or upon rejection or abandonment of title execution issued by judicial and non-recourse resolution.

d) When past-due term of a transaction complies with the following:

Type of Loan	**Term**
Consumer loans - secured and unsecured	6 months
Other transactions - unsecured	24 months
Commercial loans - secured	36 months
Residential mortgage loans	48 months

The term represents the time elapsed since the date on which payment of all or part of the obligation in default became due.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Principles, continued:

(m) Loans to customers, continued:

(vi) Charge-offs, continued

(vi.ii) Charge-offs of lease operations

Assets for leasing operations must be charge-offs against the following circumstances, whichever occurs first:

a) The bank concludes that there is no possibility of the rent recoveries and the value of the property cannot be considered for purposes of recovery of the contract, either because the lessee have not the asset, for the property s conditions, for expenses that involve its recovery, transfer and maintenance, due to technological obsolescence or absence of a history of your location and current situation.

b) When it complies the prescription term of actions to demand the payment through executory or upon rejection or abandonment of executory by court.

c) When past-due term of a transaction complies with the following:

Type of Loan	**Term**
Consumer leases	6 months
Other non-real estate lease transactions	12 months
Real estate leases (commercial or residential)	36 months

The term represents the time elapsed since the date on which payment of all or part of the obligation in default became due.

(vii) Loan loss recoveries

Cash recoveries on charge-off loans including loans that were reacquired from the Central Bank of Chile are recorded directly in income in the Consolidated Statement of Comprehensive Income, as a reduction of the Provisions for Loan Losses item.

In the event that there are recovery in assets, is recognized in income the revenues for the amount they are incorporated in the asset. The same criteria will be followed if the leased assets are recovered after the charge-off of a lease operation, to incorporate those to the asset.

(viii) Renegotiations of charge-off transactions

Any renegotiation of a charge-off loan it not recognize in income, while the operation continues to have deteriorated quality. Payments must be recognized as loan recoveries.

Therefore, renegotiated credit can be recorded as an asset only if it has not deteriorated quality; also recognizing revenue from activation must be recorded like recovery of loans.

The same criteria should apply in the case that was give credit to pay a charge-off loan.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Principles, continued:

(n) Financial assets held-to-maturity and available-for-sale:

Financial assets held-to-maturity includes only those securities for which the Bank has the ability and intention of keeping until maturity. The remaining investments are considered as financial assets available-for-sale.

Financial assets held-to-maturity are recorded at their cost plus accrued interest and indexations less impairment provisions made when the carrying amount exceeds the estimated recoverable amount.

A financial asset classified as available-for-sale is initially recognized at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset, subsequently measured at their fair value based on market prices or valuation models. Unrealized gains or losses as a result of fair value adjustments are recorded in Other comprehensive income within Equity. When these investments are sold, the cumulative fair value adjustment existing within equity is recorded directly in income under Net financial operating income .

Interest and indexations of financial assets held-to-maturity and available-for-sale are included in the line item Interest revenue .

Investment securities, which are subject to hedge accounting, are adjusted according to the rules for hedge accounting as described in Note No. 2 (l).

As of December 31, 2015 and 2014, the Bank does not held to maturity instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Principles, continued:

(o) Intangible assets:

Intangible assets are identified as non-monetary assets (separately identifiable from other assets) without physical substance which arise as a result of a legal transaction or are developed internally by the consolidated entities. They are assets whose cost can be estimated reliably and from which the consolidated entities have control and consider it probable that future economic benefits will be generated.

Intangible assets are recorded initially at acquisition cost and are subsequently measured at cost less any accumulated amortization or any accumulated impairment losses.

Software or computer programse purchased by the Bank and its subsidiaries is accounted for at cost less accumulated amortization and impairment losses.

The subsequent expense in software assets is capitalized only when it increases the future economic benefit for the specific asset. All other expenses are recorded as an expense as incurred.

Amortization is recorded in income using the straight-line amortization method based on the estimated useful life of the software, from the date on which it is available for use. The estimated useful life of software is a maximum of 6 years.

(p) Property and equipment:

Property and equipment includes the amount of land, real estate, furniture, computer equipment and other installations owned by the consolidated entities and which are for own use. These assets are stated at historical cost less depreciation and accumulated impairment. This cost includes expenses than have been directly attributed to the asset s acquisition.

Depreciation is recognized in income on a straight-line basis over the estimated useful lives of each part of an item of property and equipment.

Estimated useful lives for 2015 and 2014 are as follows:

-	Buildings	50 years
-	Installations	10 years
-	Equipment	5 years
-	Supplies and accessories	5 years

Maintenance expenses relating to those assets held for own uses are recorded as expenses in the period in which they are incurred.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Principles, continued:

(q) Deferred taxes and income taxes:

The income tax provision of the Bank and its subsidiaries has been determined in conformity with current legal provisions.

The Bank and its subsidiaries recognize, when appropriate, deferred tax assets and liabilities for future estimates of tax effects attributable to temporary differences between the book and tax values of assets and liabilities. Deferred tax assets and liabilities are measured based on the tax rate expected to be applied, in accordance with current tax law, in the year that deferred tax assets are realized or liabilities are settled. The effects of future changes in tax legislation or tax rates are recognized in deferred taxes starting on the date of publication of the law approving such changes.

Deferred tax assets and liabilities are recorded at their book value as of the date the deferred taxes are measured. Deferred tax assets are recognized only when it is likely that future tax profits will be sufficient to recover deductions for temporary differences. Deferred taxes are classified in conformity with established by Superintendency of Banks.

(r) Assets received in lieu of payment:

Assets received or awarded in lieu of payment of loans and accounts receivable from customers are recorded, in the case of assets received in lieu of payment, at the price agreed by the parties, or otherwise, when the parties do not reach an agreement, at the amount at which the Bank is awarded those assets at a judicial auction.

Assets received in lieu of payment are classified under Other Assets and they are recorded at the lower of its carrying amount or net realizable value, less charge-off and presented net of a portfolio valuation allowance. The Superitendency of Banks requires regulatory charge-offs if the asset is not sold within a one year of foreclosure.

(s) Investment properties:

Investments properties are real estate assets held to earn rental income or for capital appreciation or both, but are not held-for-sale in the ordinary course of business or used for administrative purposes. Investment properties are measured at cost, less accumulated depreciation and impairment and are presented under Other Assets .

(t) Debt issued:

Financial instruments issued by the Bank are classified in the Statement of Financial Position under Debt issued items, where the substance of the contractual arrangement results in the Bank having an obligation either to deliver cash or another financial asset to the holder or to satisfy the obligation other than by the exchange of a fixed amount of cash.

Debt issued is subsequently measured at amortized cost using the effective interest rate. Amortized cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the effective interest rate.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Principles, continued:

(u) Provisions and contingent liabilities:

Provisions are liabilities involving uncertainty about their amount or maturity. They are recorded in the Statement of Financial Position when the following requirements are jointly met:

i) a present obligation has arisen from a past event and,

ii) as of the date of the financial statements it is probable that the Bank or its subsidiaries have to disburse resources to settle the obligation and the amount can be reliably measured.

A contingent asset or liability is any right or obligation arising from past events whose existence will be confirmed by one or more uncertain future events which are not within the control of the Bank.

The following are classified as contingent in the complementary information:

i. Guarantors and pledges: Comprises guarantors, pledges and standby letters of credit. In addition it includes payment guarantees for purchases in factoring transactions.

ii. Confirmed foreign letters of credit: Corresponds to letters of credit confirmed by the Bank.

iii. Documentary letters of credit: Includes documentary letters of credit issued by the Bank which have not yet been negotiated.

iv. Documented guarantee: Guarantee with promissory notes.

v. Free disposal lines of credit: The unused amount of credit lines that allow customers to draw without prior approval by the Bank (for example, using credit cards or overdrafts in checking accounts).

vi. Other credit commitments: Amounts not yet lent under committed loans, which must be disbursed at an agreed future date when events contractually agreed upon with the customer occur, such as in the case of lines of credit linked to the progress of a construction or similar projects.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Principles, continued:

(u) Provisions and contingent liabilities, continued:

vii. Other contingent loans: Includes any other kind of commitment by the Bank which may exist and give rise to lending when certain future events occur. In general, this includes unusual transactions such as pledges made to secure the payment of loans among third parties or derivative contracts made by third parties that may result in a payment obligation and are not covered by deposits.

Exposure to credit risk on contingent loans:

In order to calculate provisions on contingent loans, as indicated in Chapter B-3 of the Compendium of Accounting Standards of the Superintendency of Banks, the amount of exposure that must be considered shall be equivalent to the percentage of the amounts of contingent loans indicated below:

Type of contingent loan		**Exposure**
a)	Guarantors and pledges	100%
b)	Confirmed foreign letters of credit	20%
c)	Documentary letters of credit issued	20%
d)	Guarantee deposits	50%
e)	Free disposal lines of credit	50%
f)	Other loan commitments	
	- College education loans Law No. 20,027	15%
	- Others	100%
g)	Other contingent loans	100%

Notwithstanding the above, when dealing with transactions performed with customers with overdue loans as indicated in Chapter B-1 of the Compendium of Accounting Standards of the SBIF: Impaired and/or Written-down Loans, that exposure shall be equivalent to 100% of its contingent loans.

Additional provisions:

In accordance to Superintendency of Banks regulations, the Bank has recorded additional allowances for its individually evaluated loan portfolio, taking into consideration the expected impairment of this portfolio. The calculation of this allowance is performed based on the Bank s historical experience and considering possible future adverse macroeconomic conditions or circumstances that could affect a specific sector.

The provisions made in order to forestall the risk of macroeconomic fluctuations should anticipate situations reversal of expansionary economic cycles in the future, could translate into a worsening in the conditions of the economic environment and thus, function as a countercyclical mechanism accumulation of additional provisions when the scenario is favorable and release or assignment to specific provisions when environmental conditions deteriorate.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Principles, continued:

(u) Provisions and contingent liabilities, continued:

Additional provisions, continued:

According to the above, additional provisions must always correspond to general provisions on commercial, consumer or mortgage loans, or segments identified, and in no case may be used to offset weaknesses of the models used by the bank.

During the current year, the Bank recorded additional provisions with a charge to income of MCh$30,921 (MCh$22,499 in 2014). As of December 31, 2015 the additional provisions amounted Ch$161,177 million (Ch$130,256 million), which are presents in the item Provisions of the liability in the Consolidated Statement of Financial Position.

(v) Provision for minimum dividends:

According with the Compendium of Accounting Standards of the SBIF, the Bank records within liabilities the portion of net income for the year that should be distributed to comply with the Corporations Law or its dividend policy. For these purposes, the Bank establishes a provision in a complementary equity account within retained earnings.

Distributable net income is considered for the purpose of calculating a minimum dividends provision, which in accordance with the Bank s bylaws is defined as that which results from reducing or adding to net income the value of price-level restatement for the concept of restatement or adjustment of paid-in capital and reserves for the year.

(w) Employee benefits:

(i) Staff vacations:

The annual costs of vacations and staff benefits are recognized on an accrual basis.

(ii) Short-term benefits

The Bank has a yearly bonus plan for its employees based on their ability to meet objectives and their individual contribution to the company s results, consisting of a given number or portion of monthly salaries. It is provisioned for based on the estimated amount to be distributed.

(iii) Staff severance indemnities:

Banco de Chile has recorded a liability for long-term severance indemnities in accordance with employment contracts it has with certain employees. The liability, which is payable to specified retiring employees with 30 or 35 years of service, is recorded at the present value of the accrued benefits, which are calculated by applying a real discount rate to the benefit accrued as of year-end over the estimated average remaining service period.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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2. Summary of Significant Accounting Principles, continued:

(w) Employee benefits, continued:

(iii) Staff severance indemnities, continued:

Obligations for this defined benefits plan are valued according to the projected unit credit actuarial valuation method, using inputs such as staff turnover rates, expected salary growth in wages and probability that this benefit will be used, discounted at current long-term rates (4.60% as of December 31, 2015 and 4.38% as of December 31, 2014).

The discount rate used corresponds to the return on bonds of the Central Bank with maturity in 10 years (BCP).

Actuarial gains and losses are recognised in Other Comprehensive Income . There are no other additional costs that must be recognised by the Bank.

(x) Earnings per share:

Basic earnings per share is determined by dividing net income for the year attributable to the Bank by the average weighted number of shares in circulation during that year.

Diluted earnings per share is determined in a similar manner as basic earnings per share, but the average weighted number of shares in circulation is adjusted to account for the dilutive effect of stock options, warrants and convertible debt. As of December 31, 2015 and 2014, the Bank does not have any instruments or contracts that could cause dilutions. Therefore, no adjustments have been made.

(y) Interest revenue and expense:

Interest income and expenses are recognized in the income statement using the effective interest rate method. The effective interest rate is the rate which exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument (or a shorter period) where appropriate, to the carrying amount of the financial asset or financial liability. To calculate the effective interest rate, the Bank determines cash flows by taking into account all contractual conditions of the financial instrument, excluding future credit losses.

The effective interest rate calculation includes all fees and other amounts paid or received that form part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the purchase or issuance of a financial asset or liability.

For its impaired portfolio and high risk loans and accounts receivables from clients, the Bank has applied a conservative position of discontinuing accrual-basis recognition of interest revenue in the income statement; they are only recorded once received. In accordance with the above, suspension occurs in the following cases:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Principles, continued:

(y) Interest revenue and expense, continued:

Loans with individual evaluation:

- Loans classified in categories C5 and C6: Accrual is suspended by the sole fact of being in the impaired portfolio.
- Loans classified in categories C3 and C4: Accrual is suspended due to having been three months in the impaired portfolio.

Group evaluation loans:

- Loans with less than 80% real guarantees: Accrual is suspended when payment of the loan or one of its installments has been overdue for six months.

Notwithstanding the above, in the case of loans subject to individual evaluation, recognition of income from accrual of interest and readjustments can be maintained for loans that are being paid normally and which correspond to obligations whose cash flows are independent, as can occur in the case of project financing.

The suspension of recognition of revenue on an accrual basis means that, while the credits are kept in the impaired portfolio, the related assets included in the Consolidated Statement of Financial Position will increase with no interest, or fees and adjustments in the Consolidated Statement of Comprehensive Income, and income will not be recognized for these items, unless they are actually received.

(z) Fees and commissions:

Income and expenses from fees and commissions are recognized in income using different criteria based on the nature of the income or expense: The most significant criteria include:

- Fees earned from an single act are recognized once the act has taken place.

- Fees earned from transactions or services provided over a longer period of time are recognized over the life of the transactions or services.

- Loan commitment fees for loans that are likely to be drawn down and other credit-related fees are deferred (together with incremental costs) and recognized as an adjustment to the effective interest rate of the loan. When it is unlikely that a loan is drawn down, the fees are recognized over the commitment period on a straight-line basis.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Principles, continued:

(aa) Identifying and measuring impairment:

Financial assets, different to loans to customers

Financial assets are reviewed throughout each year, and especially at each reporting date, to determine whether there is objective evidence of impairment as a result of a loss event that occurred after the initial recognition of the asset and the loss event had an impact on the estimated future cash flows of the financial asset that can be reliably calculated.

An impairment loss for financial assets (different to loans to customers) recorded at amortized cost is calculated as the difference between the asset s carrying amount and the present value of the estimated future cash flows, discounted using the effective interest rate original.

An impairment loss for available-for-sale financial assets is calculated using its fair value, considering fair value changes already recognized in other comprehensive income.

In the case of equity investments classified as available-for-sale financial assets, objective evidence includes a significant or prolonged decline in the fair value of the investment below cost. In the case of debt securities classified as available-for-sale financial assets, the Bank assesses whether there exists objective evidence for impairment based on the same criteria as for loans.

If there is evidence of impairment, any amounts previously recognized in equity, in net gains (losses) not recognized in the income statement, is removed from equity and recognized in the income statement for the period, reported in net gains (losses) on financial assets available for sale. This amount is determined as the difference between the acquisition cost (net of any principal repayments and amortization) and current fair value of the asset less any impairment loss on that investment previously recognized in the income statement.

When the fair value of the available-for-sale debt security recovers to at least amortised cost, it is no longer considered impaired and subsequent changes in fair value are reported in equity.

All impairment losses are recognized in the income statement. Any cumulative loss related to available-for-sale financial assets recognized previously in equity is transferred to the income statement.

An impairment loss can only be reversed if it can be related objectively to an event occurring after the impairment loss was recognized.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Principles, continued:

(aa) Identifying and measuring impairment, continued:

Financial assets, different to loans to customers, continued

The amount of the reversal is recognized in profit or loss up to the amount previously recognized as impairment.

An impairment loss is reversed if, in a subsequent period, the fair value of the debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss.

Non-financial assets

The carrying amounts of the non-financial assets of the Bank and its subsidiaries, excluding investment properties and deferred tax assets, are reviewed throughout the year and especially at each reporting date, to determine if any indication of impairment exists. If such indication exists, the recoverable amount of the asset is then estimated.

Impairment losses recognized in prior years are assessed at each reporting date in search of any indication that the loss has decreased or disappeared. An impairment loss is reversed if there has been a change in the estimations used to determine the recoverable amount. An impairment loss is reverted only to the extent that the book value of the asset does not exceed the carrying.

The Bank assesses at each reporting date and on an ongoing basis whether there is an indication that an asset may be impaired. If any indication exists, the Bank estimates the asset s recoverable amount. An asset s recoverable amount is the major value between fair value (less costs to sell) and its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, share prices and other available fair value indicators.

Impairment losses related to goodwill cannot be reversed in future periods.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Principles, continued:

(ab) Lease transactions:

(i) The Bank acting as lessor

Assets leased to customers under agreements which transfer substantially all the risks and rewards of ownership, with or without ultimate legal title, are classified as finance leases. When assets held are subject to a finance lease, the leased assets are derecognized and a receivable is recognized which is equal to the present value of the minimum lease payments, discounted at the interest rate implicit in the lease. Initial direct costs incurred in negotiating and arranging a finance lease are incorporated into the receivable through the discount rate applied to the lease. Finance lease income is recognized over the lease term based on a pattern reflecting a constant periodic rate of return on the net investment in the finance lease.

Assets leased to customers under agreements which do not transfer substantially all the risks and rewards of ownership are classified as operating leases.

The properties investment are include within Other Assets on the Group s balance sheet and depreciation is provided on the depreciable amount of these assets on a systematic basis over their estimated useful economic lives. Rental income is recognized on a straight-line basis over the period of the lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized as an expense on a straight-line basis over the lease term.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Principles, continued:

(ab) Lease transactions, continued:

(ii) The Bank acting as lessee

Assets held under finance leases are initially recognized on the balance sheet at an amount equal to the fair value of the leased property or, if lower, the present value of the minimum future payments guaranteed. As of December 31, 2015 and 2014, the Bank and its subsidiaries have not signed contracts of this nature.

Operating lease rentals payable are recognized as an expense on a straight-line basis over the lease term, which commences when the lessee controls the physical use of the property. Lease incentives are treated as a reduction of rental expense and are also recognized over the lease term on a straight-line basis. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

(ac) Fiduciary activities:

The Bank provides trust and other fiduciary services that result in the holding or investing of assets on behalf of the clients. Assets held in a fiduciary capacity are not reported in the financial statements, as they are not the assets of the Bank. Contingencies and commitments arising from this activity are disclosed in Note No. 26 (a).

(ad) Customer loyalty program:

The Bank maintains a customer loyalty programs as an incentive to its clients. The scheme grants its customers certain points depending on the value of credit card purchases they make. The so-collected points can be used to obtain services from a third party. The costs which the Bank incurs are recognized over accrual base considering total points that probably, it will be changed over the total points dollars accumulated, and the probability of change.

(ae) Reclassifications

There are no significant reclassifications at the end of period 2015.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

3. New Accounting Pronouncements:

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) that it is not effective as of December 31, 2015:

IFRS 9 Financial Instruments

The July 24, 2014, IASB completed its upgrade project about accounting for financial instruments with the publication of IFRS 9 Financial Instruments.

This standard includes new requirements based on new principles for the classification and measurement; it introduces a prospective model of expected credit losses on impairment accounting and changes in hedge accounting.

The classification determines how financial assets and liabilities are accounted in financial statements and, in particular, how they are measured. IFRS 9 introduces a new approach for the classification of financial assets, based in the business model of the entity for the management of financial assets and the characteristic of it contractual flows. The new model also results in a single impairment model being applied to all financial instruments, removing a source of complexity associated with previous accounting requirements.

The IASB has introduced a new impairment model that will require a timely recognition of expected credit losses.

IFRS 9 introduces a new model for hedge accounting with enhanced disclosures about risk management activity. The new model represents a substantial overhaul of hedge accounting that aligns the accounting treatment with risk management activities, enabling entities to better reflect these activities in their financial statements. In addition, as a result of these changes, users of the financial statements will be provided with better information about risk management and the effect of hedge accounting on the financial statements

IFRS 9 removes the volatility in profit or loss originated by changes in the credit risk of designated liabilities at fair value. This change means that the fair value of credit risk of the entity shall be recognized in Other Comprehensive Income. IFRS 9 permits early application of this improvement, before any other requirement of IFRS 9.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

3. New Accounting Pronouncements, continued:

IFRS 9 Financial Instruments, continued:

Adoption date mandatory ***January 1, 2018***. Early application is permitted.

Banco de Chile and its subsidiaries are assessing the possible impact of adoption of these changes on the consolidated financial statements. To date, this standard has not been approved by the Superintendency of Banks, event that is required for their application.

IFRS 11 Joint Arrangements

In May of 2014 the IASB modified IFRS 11, providing guides about the accounting of acquisitions of participations in joint operations, whose activity constitute a business. This standard requires the acquirer of a participation in a joint operation, whose activities constitutes a business, apply all the principles on accounting for business combinations of the IFRS 3.

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

Banco de Chile has assessing that the impact of this rule will have not significant impact in its consolidated financial statements.

IAS 16 Property, plant and equipment and IAS 38 Intangible assets

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.

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

This modification does not impact the consolidated financial statements of Banco de Chile and its subsidiaries, because it is not used a focus of income as a basis of depreciation and amortization.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

3. New Accounting Pronouncements, continued:

3.1 Accounting rules issued by IASB, continued:

IFRS 15 Revenue from Contracts with Customers

In May 2014 was issued IFRS 15, which it has like purpose established the principles that will apply an entity to present util information to users of financial statements about the nature, amount, opportunity and uncertainty of the income for ordinaries activities and cash flows that it is related to a contract with a client.

This new rule replace the following current rules and interpretations: IAS 18 Revenue, IAS 11 Construction contracts, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real State, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue: Barter Transactions involving.

The new model will apply to all contracts with customers, except those that are inside to the scope of the others IFRS, such as leases, insurance contracts and financial instruments.

Application of the standard is mandatory for annual reporting periods starting from ***January 1, 2018*** onward, early application is permitted.

Banco de Chile and its subsidiaries are assessing the impact of the adoption of this rule.

IAS 27 Consolidated and Separated Financial Statements

In August 2014, the IASB published the amendment that will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

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

This amendment does not impact the consolidated financial statements of Banco de Chile and its subsidiaries.

IAS 28 Investments in Associates and Join Venture and IFRS 10 - Consolidated Financial Statements

In September 2014, the IASB issued this amendment, which clarifies the scope of recognized gains and losses in a transaction involving an associate or joint venture, and this depends on whether the asset sold or contribution is a business. Therefore, IASB concluded that all of the profit or loss should be recognized against loss of control of a business. Likewise, gains or losses resulting from the sale or contribution of a subsidiary that is not a business (definition of IFRS 3) to an associate or joint venture should be recognized only to the extent of unrelated interests in the associate or joint venture.

It is permitted its immediately application

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

3. New Accounting Pronouncements, continued:

In December 2015 the IASB agreed to determine the application date of this rule in the future.

This amendment does not impact the consolidated financial statements of Banco de Chile and its subsidiaries.

Annual improvements IFRS

In September 2014, the IASB issued Annual improvements to IFRS: 2012 2014 Cycle, which include changes to the following standards.

- **IFRS 5 Non-current assets held for sale and discontinued operations**

Add specific guidelines in cases in which an entity reclassify an asset from held for sale to hold for distribution, or vice versa and cases in which asset held for distribution are accounting like discontinued operations. The effective date is beginning on January 1, 2016 and its early application is permitted.

Banco de Chile and subsidiaries don t register non-current asset held for sale and discontinued operations. Therefore, this modification does not impact the consolidated financial statements of Banco de Chile and its subsidiaries.

- **IFRS 7 Financial Instruments: Disclosures**

Add guidelines to clarify if a service contract corresponds to a continuing involvement in an asset transfer whit the purpose to determine the required disclosures. The effective date is beginning on January 1, 2016 and its early application is permitted.

This amendment does not impact the consolidated financial statements of Banco de Chile and its subsidiaries.

- **IAS 19 Employee Benefits. Discount rate: topic of the regional market**

Clarifies that corporate bonds with high quality credit used in the estimation of the discount rate for post-employment benefits must be denominated in the same currency as the benefit payed. The effective date is beginning on January 1, 2016 and its early application is permitted.

This amendment does not impact the consolidated financial statements of Banco de Chile and its subsidiaries.

- **IAS 34 Interim Financial Reporting**

Clarifies the meaning of disclose information in some other part of interim financial information and the need for a cross-reference. The effective date is beginning on January 1, 2016 and its early application is permitted

The application of this amendment will not have significant impact in disclosures of the consolidated financial statements of the Bank and its subsidiaries.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

3. New Accounting Pronouncements, continued:

Annual improvements IFRS, continued:

- **IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interest in Other Entities and IAS 28 Investments in Associates and Join Venture.**

In December 2014, the IASB has modified IFRS 10, IFRS 12 and IAS 28 related with the application of the exceptions in the consolidation in investment entities.

The amendments clarify about the requirement for the accounting of investment entities. In addition, these amendments in certain circumstances reduce the cost in the application of these standards.

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

The application of this amendment will not have significant impact in disclosures of the consolidated financial statements of the Bank and its subsidiaries.

- **IAS 1 Presentation of Financial Statements**

In December, 2014, the IASB has published Disclosure Initiative (Amendments to IAS 1) . The amendments aim at clarifying IAS 1 to improve the presentation and disclosure of information in the financial reports.

These amendments answer to requests about presentation and disclosure and have been designed with the finality to allow to the entities to apply their professional opinion to determine what information must be disclosed in the financial statements.

They are effective for annual periods beginning on or after 1 January 2016, with earlier application being permitted.

Banco de Chile and its subsidiaries are assessing that this rule will not have significant impact in disclosures of the consolidated financial statements.

- **IFRS 16 Leases**

On January 2016 was issued IFRS 16, which has like purpose to stablish principles to recognize, measurement, presentation and disclosure of leases contracts, for both lessee and lessor.

This new rule is no different to the previous rule, IAS 17 Lesses, related to the accounting treatment for the lessor. However, related to the lessee, the new rule requires recognize the assets and liabilities for the most of the lesses contracts.

IFRS 16 replace to IAS 17 Leases and its corresponding interpretations.

The effective date of application is beginning January 1, 2019. It is permitted its early application but, only if it is applied IFRS 15 also.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

3. New Accounting Pronouncements, continued:

- **IFRS 16 Leases, continued**

Banco de Chile and its subsidiaries are assessing the impact of this rule.

Accounting rules issued by Superintendency of Banks and Financial Institutions:

1) On December 30, 2014 the SBIF issue Circular No. 3,573 which established the changes to standards that regulates determination of Provision for loan losses , recorded in chapter B-1 of the compendium of accounting standards.

Modifications are in the following summary:

- **Substitution of Issuer Debtor in Factoring Operations:** instructions for calculating provisions on factoring transactions are modified; allowing, under certain conditions, be considered through the substitution mechanism of debtors, classification of debtor instead of the transferor of the invoice for purposes of provisioning.

- **The instructions on the portfolio defaulted loans subject to individual assessment are complemented**, including certain conditions must be complied to remove of such portfolio the credits of a debtor, in turn incorporated the same criteria for group loans. To remove a debtor from Default Portfolio, once overcome the circumstances that led to classify on this portfolio under these rules, the following conditions must be complied at least (updated by Circular No. 3,584; June 22, 2015):

i) Any obligation of the debtor with the bank no longer served at the time and in the amount that correspond (greater than 30 calendar days).

ii) Has not been granted new refinancing to pay its obligations.

iii) At least one of payments including amortization of capital.

iv) If the debtor has some credit with installments in periods of less than six months, has already made two payments.

v) If the debtor must pay monthly installments for one or more loans, have been paid at least four consecutive installments.

vi) The debtor does not appear with a direct debt not paid in the information of this Superintendency, at least that correspond to immaterial amounts.

2) On June 22, 2015 the Superintendency of Banks and Financial Institutions issued Circular No. 3,584, related to the instructions of the changes in the Chapter B-1 Provisions for loan losses that was published on December 30, 2014. These instructions are related to the Standard Method of Mortgage Loans and the treatment of Non-Complying Loans.

3) On September 25, 2015 the Superintendency of Banks and Financial Institutions issued Circular No. 3,588, where includes minor changes in the Chapters A-1, B-1, B-3 and C-3 of the Compendim of Accounting Standards. It clarifies that Non-complying loans can to exclude the mortgage loans that its past due are less than 90 days, at least that the same debtor has other credit of the same type with more 90 days of past due.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

3. New Accounting Pronouncements, continued:

Accounting rules issued by Superintendency of Banks and Financial Institutions, continued:

4) On December 24, 2015 the Superintendency of Banks and Financial Institutions issued Circular No. 3,588, where are incorporated modifications to the Chapters B-1 Provison for loan losses of the Compendium of Accounting Standards related to the requirements for the use of internal methodologies. It was incorporated the following modifications:

- Requirements for the internal methodologies with the purpose to determine the provision for loan losses
- Requirements information for the request of assessing of the internal methodologies for the provision for loan losses.

At the date of issue of present financial statements and, with available information, the Bank believes that the application of this rule will not have material impact in the income.

The rules related to the Mortgage Matrix, for the determination of Provisions of Mortgage Loans mentioned in the Circular No. 3,573 it was applied since November 2015. See details in Note No. 4 Changes in Accounting Policies and Disclosures .

4. Changes in Accounting Policies and Disclosures:

On December 30, 2014 the Superintendency of Banks and Financial Institutions issued Circular No. 3,573, where established changes to the rules of Provisions of Credit Risk , contained in Chapter B-1 of Compendium of accounting rules. These changes corresponds to the implementation of Standar Method of Provisions for Mortgages Loans, which considers explicitly past due and the relation between outstanding capital amount of each credits and the value of mortgage guarantees.

This modification corresponds to a change in accounting estimate, so its effect was registered in income for the period under the item Provisions for loan losses . The effect of such change produced an expense in the period 2015 by an amount of Ch$4,960 millions. Until before this change, the Bank applied according the previous rules, internal methods for determination of provision of mortgage loans.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

5. Relevant Events:

(a) On January 9, 2015 through Resolución Exenta No. 7 the Superintendency of Securities and Insurance approved the reform to the by-laws of Banchile Securitizadora S.A. related to a capital increase of Ch$240,000,000 by means of the issuance of 1,550 shares, as agreed in the fourth Extraordinary Shareholders Meeting of the company held on December 1, 2014. The capital increase was carried out on January 20, 2015.

(b) On January 26, 2015 the board of Banchile Administradora General de Fondos SA accepted the resignation of the director of the company Mr. Jorge Tagle Ovalle.

It was also agreed to appoint new director of the company, from the day January 26, 2015 until the next Annual Meeting, Don Eduardo Ebensperger Orrego.

(c) On January 29, 2015 and Ordinary Meeting No. BCH 2,811 the Board of Banco de Chile agreed to call an Ordinary Shareholders for the day March 26, 2015 for the purpose of proposing, among other things, the distribution Dividend No. 203 on $ 3.42915880220, to each of the 94,655,367,544 shares Banco de Chile , payable out of distributable net income for the year ended December 31, 2014, corresponding to 70% of such profits.

The Board also agreed to call an Extraordinary Shareholders for the same date in order to propose among other matters the capitalization of 30% of the distributable net profit of the Bank for the year 2014, by issuing bonus shares without nominal value, determined at a value of $ 65.31 per share Banco de Chile , distributed among the shareholders at the rate of 0.02250251855 shares for each share Banco de Chile and adopt the necessary arrangements subject to the exercise of the options provided Article 31 of Law No. 19,396.

(d) On March 23, 2015 the subsidiary Banchile Securitizadora S.A. informed that in ordinary meeting held on March 23, 2015 the Board of Directors accepted the resignation of the Director José Vial Cruz.

(e) On March 24, 2015 the subsidiary Banchile Securitizadora S.A. informed as an Essential Information that in the Tenth Ordinary Shareholders meeting proceeded to the total renovation of the Board of Directors of the society.

According to established in seventh and eighth articles of the bylaws, were elected as Directors for a period of three years, the following persons: Pablo Granifo Lavín, Arturo Tagle Quiroz, Eduardo Ebensperger Orrego, Alain Rochette García y José Miguel Quintana Malfanti.

(f) On March 30, 2015 it was reported that the Central Bank of Chile has informed the Bank of Chile that the Council of the Institution, Special Session No. 1894E on the same day, considering the resolutions adopted by the Shareholders Banco de Chile, held dated March 26, 2015, regarding the distribution of dividends and capital increase by issuing bonus shares by the share of 30% of profits for the year ended December 31 2014, decided to opt for the entire surplus that apply, including the part proportional to the agreed cap utility, will be paid in cash, in accordance with the provisions of subparagraph b) of Article 31 of Law 19,396, on modification of the payment of the subordinated obligation, and other applicable standards.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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5. **Relevant Events, continued:**

(g) The Board of Director s meeting held on April 9, 2015, it was resolved to accept the resignation of the Director Mr. Juan José Bruchou.

Also, the Board of Directors appointed Mr. Samuel Libnic as new Director until the next Ordinary Shareholder s Meeting.

(h) On April 10, 2015 Mr. Samuel Libnic, Acting Director of subsidiary Banchile Corredores de Bolsa S.A. presented its resignation to the Board of Director s.

(i) On June 25, 2015 it was informed as Essential Information that, at the Board of Director s meeting was resolved to accept the resignation of the Director and Vice President of the Board Mr. Francisco Aristeguieta Silva.

Also, in the same meeting, the Board of Directors appointed Mrs. Jane Fraser as new Director and new Vice President of the Board, until the next Ordinary Shareholder s Meeting.

(j) On July 6, 2015, according to the powers conferred by article 19 of the Chilean General Banking Act, the Superintendency of Banks and Financial Institutions imposed a fine of 2,000 (two thousand) *Unidades de Fomento* to Banco de Chile, in connection with the erroneous delivery to that Superintendency of file D33 contained in the Information System Manual of the Debtors System (*Sistema de Deudores del Manual de Sistemas de Información*), in which a number of credit lines and overdraft in current account operations corresponding to December 2014 and month before, were omitted.

(k) On July 10, 2015 Banco de Chile inform that, on July 3, 2015 Banco Penta informed acceptance of Banco de Chile s Offer related to Purchase of Portfolio Loan of that institution. In the same date, Banco Penta informed to the Superintendency of Banks and Financial Institutions, confidentially, acceptance of the offer, and Banco Penta requested to Banco de Chile the refrain its divulgation until its communication to the market.

The credits of that offer, approximately amounted to Ch$587,564 million for capital concept as of May 31, 2015 and corresponds to 95.4% of total portfolio of Banco Penta.

The acceptance offer is subject to the compliance of conditions established in it, particularly the legal and financial due diligences over the portfolio loan of this transaction, and other legal terms agreed with the parties.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

5. Relevant Events, continued:

(l) On July 23, 2015 and regarding the capitalization of 30% of the distributable net income obtained during the fiscal year ending the 31st of December, 2014, through the issuance of fully paid-in shares, agreed in the Extraordinary Shareholders Meeting held on the 26th of March, 2015, it was informed as an essential information:

i. In the said Extraordinary Shareholders Meeting, it was agreed to increase the Bank´s capital in the amount of $ 96,252,499,241 through the issuance of 1,473,778,889 fully paid-in shares, of no par value, payable under the distributable net income for the year 2014 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°285 dated June 5, 2015, which was registered on page 42,128 N° 24,868 of the register of the Chamber of Commerce of Santiago for the year 2015, and was published at Diario Oficial on June 10, 2015.

The issuance of fully in paid shares was registered in the Securities Register of the Superintendence of Banks and Financial Institutions with N°2/2015, on July 14, 2015.

ii. The Board of Directors of Banco de Chile, at the meeting N°2,821, dated July 23, 2015, set August 6, 2015, as the date for issuance and distribution of the fully paid in shares.

iii. The shareholders that will be entitled to receive the new shares, at a ratio of 0.02250251855 fully in paid shares for each Banco de Chile share, shall be those registered in the Register of Shareholders on July 31, 2015.

iv. 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.

v. As a consequence of the issuance of the fully in paid shares, the capital of the Bank will be divided in 96,129,146,433 nominative shares, without par value, completely subscribed and paid.

(m) On October 22, 2015 It was informed as essential information, that Banco de Chile and Citigroup Inc. have subscribed new Agreements of *Cooperation*, *Global Connectivity* and *License (Trademark License Agreement).* These agreements will have an initial duration period of two years beginning on January 1, 2016. Although, the parties may convene before August 31, 2017, an extension for another period of two years commencing on January 1, 2018. In the event that the aforesaid extension is not convened by the parties, these agreements will be extended for a period of one year starting on January 1, 2018 until January 1, 2019. The same extension procedure may apply afterwards as many times as agreed by the parties.

Original *Cooperation*, *Global Connectivity* and *License* Agreements, subscribed on December 27, 2008 will expire on January 1, 2016.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

5. Relevant Events, continued:

Likewise, the parties have extended the Master Services Agreement for a period of six months, beginning on January 1, 2016.

The aforementioned agreements and extension were duly authorized by Banco de Chile s Board of Directors on Meetings N° 2,825 celebrated on September 24, 2015 and N° 2,827 celebrated on October 22, 2015, according to the requirements of the Articles 146 and subsequent of the Chilean Corporations Act (Law N° 18,046).

(n) On November 23, 2015 Banco de Chile informed like essential information that it has made a voluntary application to each of the UK Listing Authority and the London Stock Exchange for the cancellation of the standard listing of the Company s American Depositary Receipts representing shares in the Company s common stock (**ADRs**) on the Official List of the UK Listing Authority, which will result in the cancellation of the trading of its ADRs on the London Stock Exchange.

(o) On December 22, 2015 pursuant to its announcement made on November 23, 2015, Banco de Chile (the Company), applied to each of the UK Listing Authority and the London Stock Exchange for, respectively, the cancellation of the standard listing of the Company s American Depositary Receipts representing shares of its common stock (the ADRs) from the Official List and the cancellation of the admission to trading of the ADRs from the Main Market of the London Stock Exchange.

(p) On December 30, 2015 Banco de Chile informed as an essential information that it has concluded the execution process of the insurance agreements between Banco de Chile and its subsidiary Banchile Corredores de Seguros Limitada, with Banchile Seguros de Vida S.A., which were entered into through the private instruments detailed below, all of them in force from January 1, 2016 until January 1, 2020, excluding those insurances, as applicable, related to loan mortgages which must be subject to a public tender in compliance with article 40, DFL 251 of 1931:

1. Brokerage Agreement entered into by the affiliate Banchile Corredores de Seguros Limitada and the related company Banchile Seguros de Vida S.A.

2. Agreements entered into by Banco de Chile and Banchile Seguros de Vida S.A.:

a. Collection and Data Administration Agreement.

b. Use Agreement for Distribution Channels.

c. Banchile s Trademark License Agreement.

d. Credit Life Insurance Agreement.

3. Framework Agreement for Insurance Banking, entered into by Banco de Chile, Banchile Corredores de Seguros Limitada and Banchile Seguros de Vida S.A.

It is worth noting that Banchile Seguros de Vida S.A. is a related party to Banco de Chile in accordance with Article 146 of the Chilean Corporations Law. In turn, Banchile Corredores de Seguros Limitada is a subsidiary of Banco de Chile, incorporated pursuant to Article 70 letter a) of the Chilean Banking Act.

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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 UF 70,000, 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 UF 70,000, 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.

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 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.
- Banchile Trade Services Limited
- 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 Note No. 2 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 additionally applies 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 party that exceed 10% of its total income in 2015 and 2014.

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

6. Segment Reporting, continued:

The following tables present the income for 2015 and 2014 for each of the segments defined above:

	December 31, 2015						
	Retail MCh$	Wholesale MCh$	Treasury MCh$	Subsidiaries MCh$	Subtotal MCh$	Adjustments MCh$	Total MCh$
Net interest income	840,333	355,783	27,942	(6,380)	1,217,678	1,455	1,219,133
Net fees and commissions income	150,249	43,853	(2,163)	128,881	320,820	(14,841)	305,979
Other operating income	24,908	64,861	10,355	24,838	124,962	(3,719)	121,243
Total operating revenue	1,015,490	464,497	36,134	147,339	1,663,460	(17,105)	1,646,355
Provisions for loan losses	(229,669)	(73,510)		117	(303,062)		(303,062)
Depreciation and amortization	(21,275)	(5,364)	(267)	(2,631)	(29,537)		(29,537)
Other operating expenses	(464,587)	(138,638)	(4,770)	(105,811)	(713,806)	17,105	(696,701)
Income attributable to associates	2,521	716	34	401	3,672		3,672
Income before income taxes	302,480	247,701	31,131	39,415	620,727		620,727
Income taxes							(61,730)
Income after income taxes							558,997
Assets	14,503,435	11,926,049	4,383,945	523,080	31,336,509	(302,816)	31,033,693
Current and deferred taxes							259,251
Total assets							31,292,944
Liabilities	9,726,434	9,934,304	8,605,278	374,824	28,640,840	(148,929)	28,491,911
Current and deferred taxes							60,946
Total liabilities							28,552,857

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

6. Segment Reporting, continued:

	December 31, 2014						
	Retail MCh$	Wholesale MCh$	Treasury MCh$	Subsidiaries MCh$	Subtotal MCh$	Adjustments MCh$	Total MCh$
Net interest income	836,917	379,456	35,005	(8,834)	1,242,544	2,514	1,245,058
Net fees and commissions income	134,635	40,316	(1,825)	114,246	287,372	(15,184)	272,188
Other operating income	30,582	60,278	13,871	29,552	134,283	(5,127)	129,156
Total operating revenue	1,002,134	480,050	47,051	134,964	1,664,199	(17,797)	1,646,402
Provisions for loan losses	(232,802)	(51,348)		157	(283,993)		(283,993)
Depreciation and amortization	(22,497)	(5,324)	(296)	(2,384)	(30,501)		(30,501)
Other operating expenses	(464,323)	(134,211)	(4,364)	(99,060)	(701,958)	17,797	(684,161)
Income attributable to associates	1,867	584	50	360	2,861		2,861
Income before income taxes	284,379	289,751	42,441	34,037	650,608		650,608
Income taxes							(59,527)
Income after income taxes							591,081
Assets	11,789,339	10,307,291	4,981,302	538,445	27,616,377	(176,886)	27,439,491
Current and deferred taxes							206,337
Total assets							27,645,828
Liabilities	8,419,469	9,664,423	6,754,592	391,547	25,230,031	(176,886)	25,053,145
Current and deferred taxes							57,527
Total liabilities							25,110,672

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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 year-end are detailed as follows:

	2015 MCh$	2014 MCh$
Cash and due from banks:		
Cash (*)	672,253	476,429
Current account with the Chilean Central Bank (*)	111,330	147,215
Deposits in other domestic banks	9,676	12,778
Deposits abroad	567,963	278,711
Subtotal - Cash and due from banks	1,361,222	915,133
Net transactions in the course of collection	284,204	303,136
Highly liquid financial instruments	407,111	590,417
Repurchase agreements	41,371	16,892
Total cash and cash equivalents	2,093,908	1,825,578

(*) 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:

	2015 MCh$	2014 MCh$
Assets		
Documents drawn on other banks (clearing)	293,908	290,866
Funds receivable	232,138	109,215
Subtotal - assets	526,046	400,081
Liabilities		
Funds payable	(241,842)	(96,945)
Subtotal - liabilities	(241,842)	(96,945)

Net transactions in the course of collection	284,204	303,136

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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:

	2015 MCh$	2014 MCh$
Instruments issued by the Chilean Government and Central Bank of Chile:		
Central Bank bonds	46,068	13,906
Central Bank promissory notes	103,832	2,996
Other instruments issued by the Chilean Government and Central Bank	100,016	71,968
Other instruments issued in Chile		
Deposit promissory notes from domestic banks		
Mortgage bonds from domestic banks		9
Bonds from domestic banks	21	3,197
Deposits in domestic banks	583,217	199,665
Bonds from other Chilean companies		1,351
Other instruments issued in Chile	10,420	366
Instruments issued by foreign institutions		
Instruments from foreign governments or central banks		
Other instruments issued abroad		
Mutual fund investments:		
Funds managed by related companies	23,080	255,013
Funds managed by third parties		
Total	866,654	548,471

In Instruments issued by the Chilean Government and Central Bank of Chile are classified instruments sold under agreements to repurchase to customers and financial instruments, by an amount of MCh$9,244 as of December 31, 2015 (as of December 31, 2014 was no balance).

Agreements to repurchase have an average expiration of 6 days as of year-end.

Other instruments issued in Chile include instruments sold under agreements to repurchase to customers and financial instruments, amounting to MCh$149,333 as of December 31, 2015 (MCh$148,525 in 2014).

Agreements to repurchase have an average expiration of 10 days as of year-end (12 days in 2014).

Additionally, the Bank holds financial investments in mortgage finance bonds issued by itself in the amount of MCh$25,303 as of December 31, 2015 (MCh$32,956 in 2014), 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. Repurchase Agreements and Security Lending and Borrowing:

(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 December 31, 2014 and 2013, the Bank has the following receivables resulting from such transactions:

	Up to 1 month		Over 1 month and up to 3 month		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	
	2015 MCh$	2014 MCh$	2015 MCh$	2014 MCh$	2015 MCh$	2014 MCh$	2015 MCh$	2014 MCh$	2015 MCh$	2014 MCh$	2015 MCh$	2014 MCh$	2015 MCh$	2014 MCh$
Instruments issued by the Chilean Governments and Central Bank of Chile														
Central Bank bonds		820												820
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														
Bonds from domestic banks														
Deposits in domestic banks	3,461												3,461	
Bonds from other Chilean companies														
Other instruments issued in Chile	32,448	11,043	8,704	6,291	1,551	9,507							42,703	26,841
Instruments issued by foreign institutions														
Instruments from foreign governments														

or central bank								
Other instruments								
Total	35,909	11,863	8,704	6,291	1,551	9,507	46,164	27,661

Securities received:

The Bank has received securities that it is allowed to sell or repledge in the absence of default by the owner. At December 31, 2015 the Bank held securities with a fair value of Ch$ 46,324 million (Ch$27,549 million in 2014) on such terms. The Bank has an obligation to return the securities to its counterparties.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

9. Repurchase Agreements and Security Lending and Borrowing, 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 December 31, 2015 and 2014, the Bank has the following payables resulting from such transactions:

	Up to 1 month		Over 1 month and up to 3 month		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	
	2015 MCh$	2014 MCh$	2015 MCh$	2014 MCh$	2015 MCh$	2014 MCh$	2015 MCh$	2014 MCh$	2015 MCh$	2014 MCh$	2015 MCh$	2014 MCh$	2015 MCh$	2014 MCh$
Instruments issued by the Chilean Governments and Central Bank of Chile														
Central Bank bonds	3,052												3,052	
Central Bank promissory notes	7,301	25,643											7,301	25,643
Other instruments issued by the Chilean Government and Central Bank	1,942												1,942	
Other Instruments Issued in Chile														
Deposit promissory notes from domestic banks														
Mortgage bonds from domestic banks														
Bonds from domestic banks		3,152												3,152
Deposits in domestic banks	158,156	220,528	13,680	159									171,836	220,687
Bonds from other Chilean companies														
Other instruments issued in Chile														
Instruments issued by foreign														

institutions						
Instruments from foreign governments or central bank						
Other instruments						
Total	170,451	249,323	13,680	159	184,131	249,482

Securities given:

The carrying amount of securities lent and of Payables from Repurchase Agreements and Security Lending at December 31, 2015 is Ch$184,919 million (Ch$252,465 million in 2014). The counterparty is allowed to sell or repledge 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 December 31, 2015 and 2014, 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 12 months		Over 1 year and up to 3 years		Over 3 year and up to 5 years		Over 5 years		Asset	
	2015 MCh$	2014 MCh$	2015 MCh$	2014 MCh$	2015 MCh$	2014 MCh$	2015 MCh$	2014 MCh$	2015 MCh$	2014 MCh$	2015 MCh$	2014 MCh$	2015 MCh$	2 M
Derivatives held for hedging purposes														
Cross currency swap								15,565		11,734	19,222	21,312		
Interest rate swap					14,947	16,486	11,332	22,488	66,504	59,942	81,271	47,669	279	
Total derivatives held for hedging purposes					14,947	16,486	11,332	38,053	66,504	71,676	100,493	68,981	279	
Derivatives held as cash flow hedges														
Interest rate swap and cross currency swap			103,638		201,723	137,134	441,930	437,575	318,240	411,283	306,582	237,038	203,892	7
Total Derivatives held as cash flow hedges			103,638		201,723	137,134	441,930	437,575	318,240	411,283	306,582	237,038	203,892	7
Derivatives held-for-trading purposes														
Currency forward	6,361,172	4,813,454	5,658,682	4,114,955	6,392,029	6,702,632	1,097,148	589,179	79,217	38,389		1,802	180,616	14
Cross currency swap	1,444,510	109,701	3,626,015	260,261	8,414,998	1,229,651	9,190,933	2,003,936	5,063,262	1,174,052	5,676,905	2,039,353	173,365	39
Interest rate swap	1,283,607	1,330,696	835,357	1,395,103	1,369,605	6,728,804	2,370,091	7,376,807	1,513,471	4,249,358	2,394,036	3,809,968	566,412	21
Call currency options	25,127	41,715	69,802	47,586	77,364	69,218	35	182					1,878	
Put currency options	16,503	34,116	50,578	42,051	66,038	40,897	35	182					680	
Total derivatives of negotiation	9,130,919	6,329,682	10,240,434	5,859,956	16,320,034	14,771,202	12,658,242	9,970,286	6,655,950	5,461,799	8,070,941	5,851,123	922,951	75
Total	9,130,919	6,329,682	10,344,072	5,859,956	16,536,704	14,924,822	13,111,504	10,445,914	7,040,694	5,944,758	8,478,016	6,157,142	1,127,122	83

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NOTES 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. The aforementioned hedge instruments change the effective cost of long-term issuances from a fixed interest rate to a floating interest rate, decreasing the duration and modifying the sensitivity to the shortest segments of the curve.

Below is a detail of nominal values of the hedged elements and hedge instruments under fair value hedges as of December 31, 2015 and 2014:

	2015 MCh$	2014 MCh$
Hedged element		
Commercial loans	19,222	48,611
Corporate bonds	174,054	146,585
Hedge instrument		
Cross currency swap	19,222	48,611
Interest rate swap	174,054	146,585

(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 bonds issued abroad in Mexican pesos, Hong Kong dollars, Peruvian nuevo sol, Swiss franc, Japanese yen to and Euros. 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) Cash flow Hedges, continued:

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

	2015						
	Up to1 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$	Total MCh$
Hedge item							
Outflows:			(602)	(1,207)	(1,207)	(39,340)	(42,356)
Corporate Bond EUR			(12,852)	(25,658)	(79,631)	(368,924)	(487,065)
Corporate Bond HKD			(636)	(16,219)			(16,855)
Corporate Bond PEN	(255)	(108,678)	(166,473)	(279,477)	(217,702)		(772,585)
Corporate Bond CHF	(678)		(1,736)	(229,377)			(231,791)
Obligation USD		(314)	(66,316)	(1,901)	(76,302)	(29,853)	(174,686)
Corporate Bond JPY							
Hedge instruments							
Inflows:							
Cross Currency Swap EUR			602	1,207	1,207	39,340	42,356
Cross Currency Swap HKD			12,852	25,658	79,631	368,924	487,065
Cross Currency Swap PEN			636	16,219			16,855
Cross Currency Swap CHF	255	108,678	166,473	279,477	217,702		772,585
Cross Currency Swap USD	678		1,736	229,377			231,791
Cross Currency Swap JPY		314	66,316	1,901	76,302	29,853	174,686
Net cash flow							

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

10. Derivative Instruments and Accounting Hedges, continued:

(c) Cash flow Hedges, continued:

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

	2014						
	Up to1 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$**	**Total MCh$**
Hedge item							
Outflows:							
Corporate Bond MXN							
Corporate Bond HKD			(9,508)	(19,070)	(66,617)	(268,771)	(363,966)
Corporate Bond PEN			(622)	(16,442)			(17,064)
Corporate Bond CHF	(219)	(1,135)	(5,413)	(317,811)	(344,146)		(668,724)
Obligation USD	(498)	(95)	(156,333)	(61,751)			(218,677)
Corporate Bond JPY		(271)	(968)	(58,445)	(41,062)	(51,563)	(152,309)
Hedge instruments							
Inflows:							
Cross Currency Swap MXN							
Cross Currency Swap HKD			9,508	19,070	66,617	268,771	363,966
Cross Currency Swap PEN			622	16,442			17,064
Cross Currency Swap CHF	219	1,135	5,413	317,811	344,146		668,724
Cross Currency Swap USD	498	95	156,333	61,751			218,677
Cross Currency Swap JPY		271	968	58,445	41,062	51,563	152,309
Net cash flow							

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

10. Derivative Instruments and Accounting Hedges, continued:

(c) Cash flow Hedges, continued:

(c.2) Bellow are the cash flows of underlying assets portfolio and cash flow of pasive part of derivative:

	2015						
	Up to1 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$**	**Total MCh$**
Hedge ítem							
Inflows:							
Cash flow in CLF	2,961	107,007	231,948	494,015	345,015	359,902	1,540,848
Hedge instruments							
Outflows:							
Cross Currency Swap HKD			(9,062)	(17,999)	(63,301)	(288,281)	(378,643)
Cross Currency Swap PEN			(493)	(16,135)			(16,628)
Cross Currency Swap JPY		(1,024)	(68,015)	(5,660)	(79,042)	(30,716)	(184,457)
Cross Currency Swap USD			(3,866)	(216,820)			(220,686)
Cross Currency Swap CHF	(2,961)	(105,983)	(149,493)	(235,376)	(200,642)		(694,455)
Cross Currency Swap EUR			(1,019)	(2,025)	(2,030)	(40,905)	(45,979)
Net cash flow							

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

10. Derivative Instruments and Accounting Hedges, continued:

(c) Cash flow Hedges, continued:

(c.2) Bellow are the cash flows of underlying assets portfolio and cash flows of pasive part of derivative:

	2014						
	Up to1 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$**	**Total MCh$**
Hedge ítem							
Inflows:							
Cash flow in CLF	2,892	490,949	3,230	165,707	442,808	283,714	1,389,300
Hedge instruments							
Outflows:							
Cross Currency Swap MXN		(14,578)		(7,273)	(59,188)	(224,232)	(305,271)
Cross Currency Swap HKD		(15,978)		(475)			(16,453)
Cross Currency Swap PEN		(69,059)	(976)	(3,471)	(48,703)	(59,482)	(181,691)
Cross Currency Swap JPY		(58,945)		(141,795)			(200,740)
Cross Currency Swap USD	(2,892)	(332,389)	(2,254)	(12,693)	(334,917)		(685,145)
Cross Currency Swap CHF	(2,751)		(9,834)	(150,119)	(209,546)	(102,805)	(475,055)
Net cash flow							

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

10. Derivative Instruments and Accounting Hedges, continued:

(c) Cash flow Hedges, continued:

Respect to 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) The accumulated amount of unrealized gain was a credit to equity for an amount of Ch$9,971 million (credit to equity for Ch$29,756 million in 2014) generated from hedging instruments, which has been recorded in equity. The net effect of deferred tax was a credit to equity for Ch$7,728 millions in 2015 (credit to equity for Ch$23,507 millions in 2014)

The accumulated balance for this concept net of deferred tax as of December 31, 2015 corresponds to a credit of equity amounted Ch$17,814 million (credit to equity amounted Ch$10,086 million in 2014)

(c.4) The net effect in income of derivatives cash flow hedges was a credit in income for an amount of Ch$148,555 million in 2015 (charge in income for Ch$9,659 million in 2014).

(c.5) As of December 31, 2015 and 2014, 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 December 31, 2015 and 2014, 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) As of December 31, 2015 and 2014, amounts are detailed as follows:

	2015 MCh$	2014 MCh$
Domestic Banks		
Interbank loans	45,258	170,014
Provisions for loans to domestic banks	(72)	(61)
Subtotal	45,186	169,953
Foreign Banks		
Loans to foreign banks	211,573	216,632
Chilean exports trade loans	47,355	93,366
Credits with third countries	91,278	125,061
Provisions for loans to foreign banks	(630)	(755)
Subtotal	349,576	434,304
Central Bank of Chile		
Non-available Central Bank deposits	1,000,000	550,000
Other Central Bank credits	433	1,108
Subtotal	1,000,433	551,108
Total	1,395,195	1,155,365

(b) Movements in provisions for loans to banks, during periods 2015 and 2014 are detailed below:

	Bank s Location		
Detail	**Chile MCh$**	**Abroad MCh$**	**Total MCh$**
Balance as of January 1, 2014	36	1,256	1,292
Charge-offs			
Provisions established	25		25
Provisions released		(501)	(501)
Balance as of December 31, 2014	61	755	816
Charge-offs			
Provisions established	11		11
Provisions released		(125)	(125)
Balance as of December 31, 2015	72	630	702

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

12. Loans to Customers, net:

(a.i) Loans to Customers:

As of December 31, 2015 and 2014, the composition of the portfolio of loans is the following:

	As of December 31, 2015							
	Assets before allowance				Allowances established			
	Normal Portfolio MCh$	Substandard Portfolio MCh$	Non-Complying Portfolio MCh$	Total MCh$	Individual Provisions MCh$	Group Provisions MCh$	Total MCh$	Net assets MCh$
Commercial loans								
Commercial loans	10,340,497	89,792	383,965	10,814,254	(154,115)	(83,521)	(237,636)	10,576,618
Foreign trade loans	1,318,078	64,849	60,318	1,443,245	(84,282)	(3,286)	(87,568)	1,355,677
Current account debtors	227,063	2,519	9,646	239,228	(5,728)	(4,082)	(9,810)	229,418
Factoring transactions	483,797	2,282	754	486,833	(10,571)	(1,773)	(12,344)	474,489
Commercial lease transactions (1)	1,334,038	15,367	25,651	1,375,056	(6,908)	(11,004)	(17,912)	1,357,144
Other loans and accounts receivable	50,898	257	7,147	58,302	(2,115)	(3,414)	(5,529)	52,773
Subtotal	13,754,371	175,066	487,481	14,416,918	(263,719)	(107,080)	(370,799)	14,046,119
Mortgage loans								
Mortgage bonds	49,849		3,771	53,620		(68)	(68)	53,552
Transferable mortgage loans	82,826		1,818	84,644		(95)	(95)	84,549
Other residential real estate mortgage loans	6,146,484		111,423	6,257,907		(34,760)	(34,760)	6,223,147
Credits from ANAP	17			17				17
Residential lease transactions								
Other loans and accounts receivable	8,644		154	8,798		(29)	(29)	8,769
Subtotal	6,287,820		117,166	6,404,986		(34,952)	(34,952)	6,370,034
Consumer loans								
Consumer loans in installments	2,188,881		233,217	2,422,098		(153,216)	(153,216)	2,268,882
Current account debtors	292,534		4,325	296,859		(7,476)	(7,476)	289,383

Credit card debtors	991,831		24,518	1,016,349		(34,968)	(34,968)	981,381
Consumer lease transactions								
Other loans and accounts receivable	50		781	831		(355)	(355)	476
Subtotal	3,473,296		262,841	3,736,137		(196,015)	(196,015)	3,540,122
Total	23,515,487	175,066	867,488	24,558,041	(263,719)	(338,047)	(601,766)	23,956,275

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

12. **Loans to Customers net, continued:**

(a.i) Loans to Customers continued:

	As of December 31, 2014							
	Assets before allowance				Allowances established			
	Normal Portfolio MCh$	Substandard Portfolio MCh$	Non-Complying Portfolio MCh$	Total MCh$	Individual Provisions MCh$	Group Provisions MCh$	Total MCh$	Net assets MCh$
Commercial loans								
Commercial loans	9,239,021	76,365	308,808	9,624,194	(106,518)	(89,392)	(195,910)	9,428,284
Foreign trade loans	1,131,926	72,208	62,665	1,266,799	(78,619)	(1,480)	(80,099)	1,186,700
Current account debtors	303,906	2,697	3,532	310,135	(3,141)	(4,189)	(7,330)	302,805
Factoring transactions	474,046	3,164	1,525	478,735	(9,283)	(1,361)	(10,644)	468,091
Commercial lease transactions (1)	1,330,752	22,191	28,579	1,381,522	(6,163)	(11,898)	(18,061)	1,363,461
Other loans and accounts receivable	39,274	257	7,320	46,851	(2,298)	(3,426)	(5,724)	41,127
Subtotal	12,518,925	176,882	412,429	13,108,236	(206,022)	(111,746)	(317,768)	12,790,468
Mortgage loans								
Mortgage bonds	65,211		4,893	70,104		(58)	(58)	70,046
Transferable mortgage loans	101,957		2,218	104,175		(72)	(72)	104,103
Other residential real estate mortgage loans	5,151,358		86,273	5,237,631		(23,857)	(23,857)	5,213,774
Credits from ANAP	21			21				21
Residential lease transactions								
Other loans and accounts receivable	6,482		210	6,692		(34)	(34)	6,658
Subtotal	5,325,029		93,594	5,418,623		(24,021)	(24,021)	5,394,602
Consumer loans								
Consumer loans in installments	2,003,452		190,697	2,194,149		(145,439)	(145,439)	2,048,710
Current account debtors	264,473		7,347	271,820		(7,331)	(7,331)	264,489
Credit card debtors	856,555		26,455	883,010		(33,713)	(33,713)	849,297
Consumer lease transactions								
Other loans and accounts receivable	106		704	810		(343)	(343)	467

Subtotal	3,124,586		225,203	3,349,789		(186,826)	(186,826)	3,162,963
Total	20,298,540	176,882	731,226	21,876,648	(206,022)	(322,593)	(528,615)	21,348,033

(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 December 31, 2015, MCh$653,225 (MCh$615,723 in 2014) correspond to finance leases for real estate and MCh$721,831 (MCh$765,799 in 2014), correspond to finance leases for other assets.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

12. Loans to Customers net, continued:

(a.ii) Impaired Portfolio

As of December 31, 2015 and 2014, the Bank presents the following details of normal and impaired portfolio:

	Assets before Allowances						Allowances established						
	Normal Portfolio		Impaired Portfolio		Total		Individual Provisions		Group Provisions		Total		Net a
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
Commercial loans	13,871,526	12,612,620	545,392	495,616	14,416,918	13,108,236	(263,719)	(206,022)	(107,080)	(111,746)	(370,799)	(317,768)	14,046,119
Mortgage loans	6,287,820	5,325,029	117,166	93,594	6,404,986	5,418,623			(34,952)	(24,021)	(34,952)	(24,021)	6,370,034
Consumer loans	3,473,296	3,124,586	262,841	225,203	3,736,137	3,349,789			(196,015)	(186,826)	(196,015)	(186,826)	3,540,122
Total	**23,632,642**	**21,062,235**	**925,399**	**814,413**	**24,558,041**	**21,876,648**	**(263,719)**	**(206,022)**	**(338,047)**	**(322,593)**	**(601,766)**	**(528,615)**	**23,956,275**

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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 the 2015 and 2014 periods are as follows:

	Allowances		
	Individual MCh$	Group MCh$	Total MCh$
Balance as of January 1, 2014	182,862	297,616	480,478
Charge-offs:			
Commercial loans	(27,573)	(39,151)	(66,724)
Mortgage loans		(2,978)	(2,978)
Consumer loans		(184,647)	(184,647)
Total charge-offs	(27,573)	(226,776)	(254,349)
Sale or transfer of credit	(993)		(993)
Allowances established	51,726	251,753	303,479
Balance as of December 31, 2014	206,022	322,593	528,615
Balance as of January 1, 2015	206,022	322,593	528,615
Charge-offs:			
Commercial loans	(13,228)	(44,760)	(57,988)
Mortgage loans		(2,553)	(2,553)
Consumer loans		(196,015)	(196,015)
Total charge-offs	(13,228)	(243,328)	(256,556)
Sale or transfers of credit	(2,690)		(2,690)
Purchase of loans	12,329		12,329
Allowances established	61,286	258,782	320,068
Balance as of December 31, 2015	263,719	338,047	601,766

In addition to these allowances for loan losses, the Bank also establishes country risk provisions to hedge foreign transactions as well as additional provisions agreed upon by the Board of Directors, which are presented within liabilities in Provisions (Note No. 24).

Other Disclosures:

1. As of December 31, 2015 and 2014, the Bank and its subsidiaries accomplished buy and sell of loan portfolios. The effect in income is no more than 5% of net income before taxes, as detailed in Note No. 12 (e).

2. As of December 31, 2015 and 2014, 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. (see note No. 12 letter (f)).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

12. Loans to Customers, continued:

(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 (*)	
	2015 MCh$	2014 MCh$	2015 MCh$	2014 MCh$	2015 MCh$	2014 MCh$
Due within one year	460,004	465,397	(54,353)	(55,663)	405,651	409,734
Due after 1 year but within 2 years	333,374	328,815	(39,913)	(40,553)	293,461	288,262
Due after 2 years but within 3 years	218,308	220,128	(27,287)	(27,233)	191,021	192,895
Due after 3 years but within 4 years	152,329	144,099	(19,090)	(19,753)	133,239	124,346
Due after 4 years but within 5 years	106,806	107,651	(13,652)	(14,375)	93,154	93,276
Due after 5 years	281,489	296,482	(30,492)	(32,370)	250,997	264,112
Total	1,552,310	1,562,572	(184,787)	(189,947)	1,367,523	1,372,625

(*) The net balance receivable does not include past-due portfolio totaling MCh$7,533 as of December 31, 2015 (MCh$8,897 in 2014).

The bank has entered into commercial leases of real estate, industrial machinery, vehicles and computer equipment. These leases have an average useful life of between 3 and 8 years.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

12. Loans to Customers, continued:

(d) Loans by industry sector:

The following table details the Bank s loan portfolio (before allowances for loans losses) as of December 31, 2015 and 2014 by the customer s industry sector:

	Location							
	Chile		Abroad		Total			
	2015 MCh$	2014 MCh$	2015 MCh$	2014 MCh$	2015 MCh$	%	2014 MCh$	%
Commercial loans:								
Commerce	2,265,154	2,338,393	80,164	66,796	2,345,318	9.55	2,405,189	10.99
Financial Services	2,117,466	1,848,774	13,480	24,381	2,130,946	8.68	1,873,155	8.56
Transportation	1,656,111	1,654,258	12,517	13,845	1,668,628	6.80	1,668,103	7.63
Services	1,668,022	1,565,233	324	544	1,668,346	6.79	1,565,777	7.16
Manufacturing	1,534,131	1,414,821	92,384	84,083	1,626,515	6.62	1,498,904	6.85
Construction	1,585,940	1,423,597			1,585,940	6.46	1,423,597	6.51
Agriculture and livestock	1,185,113	946,795			1,185,113	4.83	946,795	4.33
Mining	545,375	356,363			545,375	2.22	356,363	1.63
Electricity, gas and water	473,172	438,638		3,428	473,172	1.93	442,066	2.02
Fishing	351,531	261,189			351,531	1.43	261,189	1.19
Other	836,034	667,098			836,034	3.40	667,098	3.05
Subtotal	14,218,049	12,915,159	198,869	193,077	14,416,918	58.71	13,108,236	59.92
Residential mortgage loans	6,404,986	5,418,623			6,404,986	26.08	5,418,623	24.77
Consumer loans	3,736,137	3,349,789			3,736,137	15.21	3,349,789	15.31
Total	24,359,172	21,683,571	198,869	193,077	24,558,041	100.00	21,876,648	100.00

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

12. Loans to Customers, continued:

(e) Purchase of loan portfolio

During the year 2015, the Bank acquired portfolio loans, whose nominal value amounted to Ch$649,144 millions. The most important transaction was a purchase made to a local bank (See note No. 5 (k)).

During the period 2014 has not acquired portfolio loans.

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

During 2015 and 2014 Banco de Chile has carried out transactions of sale or transfer of the loan portfolio according to the following:

As of December 31, 2015

	Carrying amount MCh$	Allowances released MCh$	Sale price MCh$	Effect on income (loss) gain MCh$
Sale of outstanding loans	89,085	(2,690)	89,085	2,690
Sale of writte-off loans(*)			1,440	1,440
Totales	**89,085**	**(2,690)**	**90,525**	**4,130**

(*) The nominal value of the credits amounted to MCh$327,360 millions.

As of December 31, 2014

	Carrying amount MCh$	Allowances released MCh$	Sale price MCh$	Effect on income (loss) gain MCh$
Sale of outstanding loans	454,465	(993)	454,465	993
Sale of writte-off loans(*)				
Totales	**454,465**	**(993)**	**454,465**	**993**

(g) Own assets securitizations:

During 2015 and 2014 the bank has not executed securitization transaction involving owns assets.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

13. Investment Securities:

As of December 31, 2015 and 2014, investment securities classified as available-for-sale and held-to-maturity are detailed as follows:

	2015 Available for sale MCh$	2015 Held to maturity MCh$	2015 Total MCh$	2014 Available for sale MCh$	2014 Held to maturity MCh$	2014 Total MCh$
Instruments issued by the Chilean Government and Central Bank of Chile:						
Bonds issued by the Chilean Government and Central Bank	36,258		36,258	28,795		28,795
Promissory notes issued by the Chilean Government and Central Bank				149,755		149,755
Other instruments	50,250		50,250	160,774		160,774
Other instruments issued in Chile						
Deposit promissory notes from domestic banks						
Mortgage bonds from domestic banks	87,610		87,610	96,294		96,294
Bonds from domestic banks	83,960		83,960	251,231		251,231
Deposits from domestic banks	450,976		450,976	657,467		657,467
Bonds from other Chilean companies	17,766		17,766	29,519		29,519
Promissory notes issued by other Chilean companies						
Other instruments	191,537		191,537	162,829		162,829
Instruments issued abroad						
Instruments from foreign governments or central banks						
Other instruments	81,644		81,644	63,525		63,525
Total	1,000,001		1,000,001	1,600,189		1,600,189

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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, for December 31, 2015 this amount was $3,054 million ($25,673 million in 2014). Repurchase agreements had an average maturity of 6 days in December 2015 (4 days in December 2014).

Under classification of Other instruments issued in Chile are included securities sold under repurchase agreements to customers and financial institutions for an amount of MCh$14 as of December 31, 2014. Repurchase agreements had an average maturity of 5 days in December 2014.

In instruments issued abroad are include mainly banks bonds and shares.

As of December 31, 2015, the portfolio of financial assets available-for-sale includes a net unrealized loss of MCh$39,836 (MCh$33,962 in 2014), recorded in other comprehensive income within equity.

As of December 31, 2015 and 2014 there is not impairment of financial assets available-for-sale.

Realized profits and losses are calculated as the proceeds from sales less the cost (specific identification method) of the investments identified as for sale. In addition, any unrealized profit or loss previously recorded in equity for these investments is reversed when recorded in the income statements.

Profits and losses realized on the sale of available-for-sale investments as of December 31, 2015 and 2014 are shown in Note No. 30 Net Financial Operating Income .

Gross profits and losses realized and unrealized on the sale of available for sale investments for the years-ended December 31, 2015 and 2014 are as follows:

	2015 MCh$	2014 MCh$
Unrealized (losses)/profits during the period	17,003	23,593
Realized losses/(profits) (reclassified)	(8,407)	(16,486)
Subtotal	8,596	7,107
Income tax over other comprehensive income	(2,722)	(2,517)
Net effect	5,874	4,590

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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$28,126 in 2015 (MCh$25,312 in 2014), which is detailed s follows:

		Ownership Interest		Equity		Investment Book Value		Income (Loss)	
	Shareholder	2015	2014	2015	2014	2015	2014	2015	2014
Company		%	%	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
Associates									
Transbank S.A. (*)	Banco de Chile	26.16	26.16						