

BANK OF CHILE
Form 6-K
April 29, 2014
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FORM 6-K
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Private Issuer

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

For the month of April, 2014

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 Form 40-F

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

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

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

Yes No

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

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

BANCO DE CHILE AND SUBSIDIARIES

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For the periods ended March 31, 2014 and December 31, 2013

(Translation of financial statements originally issued in Spanish)

(Expressed in million of Chilean pesos)

| | Notes | March 2014 MCh\$ | December 2013 MCh\$ |
|--|-------|------------------------|---------------------------|
| ASSETS | | | |
| Cash and due from banks | 7 | 794,834 | 873,308 |
| Transactions in the course of collection | 7 | 404,457 | 374,471 |
| Financial assets held-for-trading | 8 | 489,216 | 393,134 |
| Cash collateral on securities borrowed and reverse repurchase agreements | 9 | 37,863 | 82,422 |
| Derivative instruments | 10 | 516,919 | 374,688 |
| Loans and advances to banks | 11 | 1,557,200 | 1,062,056 |
| Loans to customers, net | 12 | 20,456,023 | 20,389,033 |
| Financial assets available-for-sale | 13 | 1,156,370 | 1,673,704 |
| Financial assets held-to-maturity | 13 | | |
| Investments in other companies | 14 | 16,811 | 16,670 |
| Intangible assets | 15 | 28,400 | 29,671 |
| Property and equipment | 16 | 197,727 | 197,578 |
| Current tax assets | 17 | 2,809 | 3,202 |
| Deferred tax assets | 17 | 149,961 | 145,904 |
| Other assets | 18 | 321,460 | 318,029 |
| TOTAL ASSETS | | 26,130,050 | 25,933,870 |
| LIABILITIES | | | |
| Current accounts and other demand deposits | 19 | 6,596,559 | 5,984,332 |
| Transactions in the course of payment | 7 | 212,751 | 126,343 |
| Cash collateral on securities lent and repurchase agreements | 9 | 370,735 | 256,766 |
| Savings accounts and time deposits | 20 | 9,973,468 | 10,402,725 |
| Derivative instruments | 10 | 570,886 | 445,132 |
| Borrowings from financial institutions | 21 | 593,258 | 989,465 |
| Debt issued | 22 | 4,746,683 | 4,366,960 |
| Other financial obligations | 23 | 198,014 | 210,926 |
| Current tax liabilities | 17 | 4,932 | 10,333 |
| Deferred tax liabilities | 17 | 38,701 | 36,569 |
| Provisions | 24 | 296,808 | 551,898 |
| Other liabilities | 25 | 235,006 | 268,105 |
| TOTAL LIABILITIES | | 23,837,801 | 23,649,554 |
| EQUITY | | | |
| | 27 | | |
| Attributable to Bank's Owners: | | | |
| Capital | | 1,944,920 | 1,849,351 |
| Reserves | | 263,549 | 213,636 |
| Other comprehensive income | | 1,532 | 15,928 |
| Retained earnings: | | | |
| Retained earnings from previous periods | | 16,379 | 16,379 |
| Income for the period | | 150,750 | 513,602 |

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| | | |
|-------------------------------------|-------------------|-------------------|
| Less: | | |
| Provision for minimum dividends | (84,883) | (324,582) |
| Subtotal | 2,292,247 | 2,284,314 |
| Non-controlling interests | 2 | 2 |
| TOTAL EQUITY | 2,292,249 | 2,284,316 |
| TOTAL LIABILITIES AND EQUITY | 26,130,050 | 25,933,870 |

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

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

For the three-month ended March 31, 2014 and 2013

(Translation of financial statements originally issued in Spanish)

(Expressed in million of Chilean pesos)

A. CONSOLIDATED STATEMENT OF INCOME

| | Notes | March 2014 MCh\$ | March 2013 MCh\$ |
|--|-------|------------------------|------------------------|
| Interest revenue | 28 | 507,366 | 397,542 |
| Interest expense | 28 | (205,893) | (153,082) |
| Net interest income | | 301,473 | 244,460 |
| Income from fees and commissions | 29 | 95,403 | 94,356 |
| Expenses from fees and commissions | 29 | (29,119) | (22,766) |
| Net fees and commission income | | 66,284 | 71,590 |
| Net financial operating income | 30 | 11,895 | 4,870 |
| Foreign exchange transactions, net | 31 | 22,578 | 9,960 |
| Other operating income | 36 | 5,723 | 7,892 |
| Total operating revenues | | 407,953 | 338,772 |
| Provisions for loan losses | 32 | (76,354) | (49,843) |
| OPERATING REVENUES, NET OF PROVISIONS FOR LOAN LOSSES | | 331,599 | 288,929 |
| Personnel expenses | 33 | (82,276) | (77,932) |
| Administrative expenses | 34 | (63,231) | (59,299) |
| Depreciation and amortization | 35 | (6,505) | (7,201) |
| Impairment | 35 | (203) | (5) |
| Other operating expenses | 37 | (7,765) | (4,773) |
| TOTAL OPERATING EXPENSES | | (159,980) | (149,210) |
| NET OPERATING INCOME | | 171,619 | 139,719 |
| Income attributable to associates | 14 | 207 | 608 |
| Income before income tax | | 171,826 | 140,327 |
| Income tax | 17 | (21,075) | (18,857) |
| NET INCOME FOR THE PERIOD | | 150,751 | 121,470 |

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| | | | |
|---|----|---------|---------|
| Attributable to: | | | |
| Bank s Owners | | 150,750 | 121,470 |
| Non-controlling interests | | 1 | |
| Net income per share attributable to Bank s Owners: | | | |
| | | \$ | \$ |
| Basic net income per share | 27 | 1.62 | 1.33 |
| Diluted net income per share | 27 | 1.62 | 1.33 |

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

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

For the three-month ended March 31, 2014 and 2013

(Translation of financial statements originally issued in Spanish)

(Expressed in million of Chilean pesos)

| | Notes | March 2014 MCh\$ | March 2013 MCh\$ |
|--|-------|------------------------|------------------------|
| NET INCOME FOR THE YEAR | | 150,751 | 121,470 |
| Other comprehensive income that will be reclassified subsequently to profit or loss | | | |
| Net unrealized gains (losses): | | | |
| Net change in unrealized gains (losses) on available for sale instruments | 13 | 2,339 | 7,751 |
| Gains and losses on derivatives held as cash flow hedges | 10 | (20,383) | (542) |
| Cumulative translation adjustment | | 39 | (12) |
| Subtotal Other comprehensive income before income taxes | | (18,005) | 7,197 |
| Income tax | | 3,609 | (1,442) |
| Total other comprehensive income items that will be reclassified subsequently to profit or loss | | (14,396) | 5,755 |
| Other comprehensive income that will not be reclassified subsequently to profit or loss | | | |
| Loss in defined benefit plans | | | |
| Subtotal other comprehensive income before income taxes | | | |
| Income taxes | | | |
| Total other comprehensive income items that will not be reclassified subsequently to profit or loss | | | |
| TOTAL CONSOLIDATED COMPREHENSIVE INCOME | | 136,355 | 127,225 |
| Attributable to: | | | |
| Equity holders of the parent | | 136,354 | 127,225 |
| Non-controlling interest | | 1 | |
| Comprehensive net income per share from continued operations attributable to equity holders of the parent: | | | |
| Basic net income per share | | \$ 1.46 | \$ 1.39 |
| Diluted net income per share | | 1.46 | 1.39 |

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

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For the three-month ended March 31, 2014 and 2013

(Translation of financial statements originally issued in Spanish)

(Expressed in millions of Chilean pesos)

| Notes | Reserves | | Other comprehensive income | | | | Retained earnings | | | Attributable to equity holders of the parent MCh\$ | Non-controlling interest MCh\$ |
|---|-----------------------|----------------------|------------------------------|---|-----------------------------------|---|---|---------------------------|---------------------------------------|--|--------------------------------|
| | 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\$ | | |
| Balances as of December 31, 2012 | 1,629,078 | 30,496 | 145,318 | 17,995 | 1,034 | (94) | 16,379 | 467,610 | (300,759) | 2,007,057 | |
| Capitalization of retained earnings | 27 | 86,202 | | | | | | (86,202) | | | |
| Income distribution | | 1,760 | | | | | | (1,760) | | | |
| Retention (released) earnings | 27 | | 36,193 | | | | | (36,193) | | | |
| Dividends distributions and paid | 27 | | | | | | | (343,455) | 300,759 | (42,696) | |
| Other comprehensive income: | 27 | | | | | | | | | | |
| Cumulative translation adjustment | | | | | | (12) | | | | (12) | |
| Cash flow hedge adjustment, net | | | | | (433) | | | | | (433) | |
| Valuation adjustment on available-for-sale instruments, net | | | | 6,200 | | | | | | 6,200 | |
| Subscribed and paid shares | | 134,153 | | | | | | | | 134,153 | |
| Income for the period 2013 | | | | | | | | 121,470 | | 121,470 | |
| Provision for minimum dividends | 27 | | | | | | | | (80,658) | (80,658) | |
| Balances as of March 31, 2013 | 1,849,433 | 32,256 | 181,511 | 24,195 | 601 | (106) | 16,379 | 121,470 | (80,658) | 2,145,081 | (133) |

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| | | | | | | | | | | | |
|--|----|------------------|---------------|----------------|---------------|-----------------|-------------|---------------|----------------|------------------|------------------|
| Defined benefit plans adjustment | | | | | | | | | | | |
| Equity adjustment associates | | 2 | | | | | | | | | 2 |
| Dividends distributions and paid | | | | | | | | | | | |
| Other comprehensive income: | | | | | | | | | | | |
| Cumulative translation adjustment | | | | | | 83 | | | | | 83 |
| Cash flow hedge adjustment, net | | | | | | (14,022) | | | | | (14,022) |
| Valuation adjustment on available-for-sale instruments, net | | | | 5,177 | | | | | | | 5,177 |
| Shares issue costs | | (82) | | | | | | | | | (82) |
| Income for the period 2013 | | | | | | | | 392,132 | | | 392,132 |
| Provision for minimum dividends | | | | | | | | | (243,924) | | (243,924) |
| Balances as of December 31, 2013 | | 1,849,351 | 32,125 | 181,511 | 29,372 | (13,421) | (23) | 16,379 | 513,602 | (324,582) | 2,284,314 |
| Capitalization of retained earnings | 27 | 95,569 | | | | | | | (95,569) | | |
| Retention (released) earnings | 27 | | 49,913 | | | | | | (49,913) | | |
| Dividends distributions and paid | 27 | | | | | | | | (368,120) | 324,582 | (43,538) |
| Other comprehensive income: | 27 | | | | | | | | | | |
| Cumulative translation adjustment | | | | | | | 39 | | | | 39 |
| Cash flow hedge adjustment, net | | | | | | (16,306) | | | | | (16,306) |
| Valuation adjustment on available-for-sale instruments (net) | | | | 1,871 | | | | | | | 1,871 |
| Income for the period 2014 | | | | | | | | 150,750 | | | 150,750 |
| Provision for minimum dividends | 27 | | | | | | | | | (84,883) | (84,883) |
| Balances as of March 31, 2014 | | 1,944,920 | 32,125 | 231,424 | 31,243 | (29,727) | 16 | 16,379 | 150,750 | (84,883) | 2,292,247 |

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

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

For the three-month ended March 31, 2014 and 2013

(Translation of financial statements originally issued in Spanish)

(Expressed in million of Chilean pesos)

| | Notes | March 2014 MCh\$ | March 2013 MCh\$ |
|--|-------|------------------------|------------------------|
| OPERATING ACTIVITIES: | | | |
| Net income for the period | | 150,751 | 121,470 |
| Items that do not represent cash flows: | | | |
| Depreciation and amortization | 35 | 6,505 | 7,201 |
| Impairment of intangible assets and property and equipment | 35 | 203 | 5 |
| Provision for loan losses | 32 | 84,446 | 57,140 |
| Provision of contingent loans | 32 | 1,831 | 1,561 |
| Fair value adjustment of financial assets held-for-trading | | 84 | (346) |
| Income attributable to investments in other companies | 14 | (207) | (608) |
| Income from sales of assets received in lieu of payment | 36 | (856) | (1,777) |
| Net gain on sales of property and equipment | | (37) | (160) |
| (Increase) decrease in other assets and liabilities | | (88,796) | (80,504) |
| Charge-offs of assets received in lieu of payment | 37 | 333 | 388 |
| Other charges (credits) to income that do not represent cash flows | | 381 | (237) |
| (Gain) loss from foreign exchange transactions of other assets and other liabilities | | (154,459) | 11,400 |
| Net changes in interest and fee accruals | | 19,441 | 24,562 |
| Changes in assets and liabilities that affect operating cash flows: | | | |
| (Increase) decrease in loans and advances to banks, net | | (494,939) | 376,721 |
| (Increase) decrease in loans to customers | | (73,988) | (484,889) |
| (Increase) decrease in financial assets held-for-trading, net | | (122,348) | (118,379) |
| (Increase) decrease in deferred taxes, net | 17 | (2,393) | 5,102 |
| (Increase) decrease in current account and other demand deposits | | 611,675 | (15,796) |
| (Increase) decrease in payables from repurchase agreements and security lending | | 124,615 | 109,187 |
| (Increase) decrease in savings accounts and time deposits | | (428,102) | 196,836 |
| Proceeds from sale of assets received in lieu of payment | | 1,450 | 1,885 |
| Total cash flows from operating activities | | (364,410) | 210,762 |
| INVESTING ACTIVITIES: | | | |
| (Increase) decrease in financial assets available-for-sale, net | | 415,789 | (150,906) |
| Purchases of property and equipment | 16 | (4,587) | (3,358) |
| Proceeds from sales of property and equipment | | 40 | 416 |
| Purchases of intangible assets | 15 | (821) | (1,040) |
| Investments in other companies | 14 | | |
| Dividends received from investments in other companies | 14 | | |
| Total cash flows from investing activities | | 410,421 | (154,888) |
| FINANCING ACTIVITIES: | | | |
| Proceeds of mortgage finance bonds | | | |
| Repayment of mortgage finance bonds | | (4,219) | (5,785) |
| Proceeds from bond issuances | 22 | 555,108 | 374,323 |

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| | | | |
|--|----|------------------|---------------|
| Redemption of bond issuances | | (124,865) | (188,958) |
| Proceeds from subscription and payment of shares | | | 134,153 |
| Dividends paid | 27 | (368,120) | (343,455) |
| (Increase) decrease in borrowings from financial institutions | | (97,911) | (85,528) |
| (Increase) decrease in other financial obligations | | (11,170) | (10,708) |
| (Increase) decrease in borrowings from Central Bank of Chile | | | |
| Borrowings from Central Bank of Chile (long-term) | | 7 | |
| Payment of borrowings from Central Bank of Chile (long-term) | | (8) | (3) |
| Long-term foreign borrowings | | 110,627 | 252,109 |
| Payment of long-term foreign borrowings | | (408,355) | (90,468) |
| Proceeds from other long-term borrowings | | 6,373 | 53 |
| Payment of other long-term borrowings | | (8,491) | (1,248) |
| Total cash flows from financing activities | | (351,024) | 34,485 |
| TOTAL NET POSITIVE CASH FLOWS FOR THE PERIOD | | (305,013) | 90,359 |
| Net effect of exchange rate changes on cash and cash equivalents | | 15,375 | (5,935) |
| Cash and cash equivalents at beginning of year | | 1,538,618 | 1,236,324 |
| Cash and cash equivalents at end of period | 7 | 1,248,980 | 1,320,748 |

| | 2014 MCh\$ | 2013 MCh\$ |
|--|---------------|---------------|
| Supplemental disclosure of cash flow information: | | |
| Cash paid during the year for: | | |
| Interest received | 434,806 | 396,318 |
| Interest paid | (113,892) | (127,296) |

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

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BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Translation of financial statements originally issued in Spanish)

(Expressed in million of Chilean pesos)

1. Corporate information:

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

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

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

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

The Interim Condensed Consolidated Financial Statements of Banco de Chile, for the period ended March 31, 2014 were approved for issuance in accordance with the directors on April 24, 2014.

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

(a) Legal provisions:

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

2. Legal provisions, basis of preparation and other information, continued:**(b) Basis of preparation:**

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

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

| Rut | Subsidiaries | Country | Functional Currency | Direct | | Interest Owned Indirect | | Total | |
|--------------|---|--------------|------------------------|--------------------|-----------------------|----------------------------|-----------------------|--------------------|-----------------------|
| | | | | March 2014 % | December 2013 % | March 2014 % | December 2013 % | March 2014 % | December 2013 % |
| 44,000,213-7 | | Hong Kong | US\$ | 100.00 | | | | 100.00 | 100.00 |
| 96,767,630-6 | Banchile Trade Services Limited | | | | 100.00 | | | | |
| | 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 | 0.03 | 0.03 | 100.00 | 100.00 |
| 96,932,010-K | Banchile Securitizadora S.A. | Chile | Ch\$ | 99.00 | 99.00 | 1.00 | 1.00 | 100.00 | 100.00 |
| 96,645,790-2 | Socofin S.A. | Chile | Ch\$ | 99.00 | 99.00 | 1.00 | 1.00 | 100.00 | 100.00 |
| 96,510,950-1 | Promarket S.A. | Chile | Ch\$ | 99.00 | 99.00 | 1.00 | 1.00 | 100.00 | 100.00 |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

(c) Use of estimates and judgment:

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

1. Goodwill valuation (Note No. 15);
2. Useful lives of property and equipment and intangible assets (Notes No. 15 and No. 16);
3. Income taxes and deferred taxes (Note No. 17);
4. Provisions (Note No. 24);
5. Contingencies and Commitments (Note No. 26);
6. Provision for loan losses (Note No. 11, No. 12 and No. 32);
7. Impairment of other financial assets (Note No. 35);
8. Fair value of financial assets and liabilities (Note No. 39);
9. Counterparty value adjustment (Note No. 10).

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

During the period ended March 31, 2014 there have been no significant changes to estimates made during period 2013.

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

Due to the nature of its business, the Bank and its subsidiaries' activities do not have a cyclical or seasonal character. Accordingly, no specific details have been included on the notes to this Interim Condensed Consolidated Financial Statements with the information regarding the period of three-month ended March 31, 2014.

(e) Relative Importance:

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

(f) Reclassifications:

During the period of three-month ended as of March 31, 2013, the expense that, by their nature is directly related with credit cards was reclassified from Other operational expenses to Expenses from fees and commissions, in order to relate them better with the revenues from that product. The effect of this reclassification is the following:

| | Balance as of March 31, 2013 MCh\$ | Reclassification MCh\$ | Reclassified Balance as of March 31, 2013 MCh\$ |
|------------------------------------|---|---------------------------|--|
| Expenses from fees and commissions | (17,388) | (5,378) | (22,766) |
| Other operational expenses | (10,151) | 5,378 | (4,773) |

This reclassification does not affect any comply of covenants.

During the period ended as of March 31, 2014 there are not other significant reclassifications, different to described above.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

3. New Accounting Pronouncements:

3.1 Accounting rules issued by IASB

The following is a summary of new standards, interpretations and improvements to the International Financial Reporting Standards issued by the International Accounting Standards Board (IASB), which are no effective as of March 31, 2014:

3.1 Accounting rules issued by IASB:

IFRS 9 Financial Instruments: Financial liabilities

In October, 2010, the IASB published the requirements for classifying and measuring financial liabilities were added to IFRS 9. Most of the added requirements were carried forward unchanged from IAS 39. However, the requirements related to the fair value option for financial liabilities were changed to address the issue of own credit risk in response to consistent feedback from users of financial statements and others that the effects of changes in a liability's credit risk ought not to affect profit or loss unless the liability is held for trading.

IFRS 9 Financial Instruments: Recognition and Measurement

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

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

3. New Accounting Pronouncements, continued:

IFRS 9 Financial Instruments: Recognition and Measurement, continued

In November 2013, the IASB issued amendments to IFRS 9 for introduce a new model of hedge accounting, which align hedge accounting and risk management. In that amendment is deleted January 1, 2015 as effective date of application, the new effective date is in process of definition by the IASB.

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

IAS 19 Employee benefits

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

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

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

Annual improvements IFRS 2010 2012 Cycle and 2011 2013 Cycle

On December 12, 2013, IASB issued two cycles of annual improvements to IFRS: 2010 2012 and 2011 2013 Cycles, these contain 11 changes in 9 rules:

2010-2012 Cycle

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

This rule was amended to change definitions of vesting conditions and market condition and add definition for performance condition and service condition which were previously included within the definition of vesting condition. The amendment is applicable since July 1, 2014.

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

This amendment clarifies that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date. The amendment is applicable since July, 2014.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

3. New Accounting Pronouncements, continued:

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

2010-2012 Cycle, continued

IFRS 8 Operating Segments. The Bank and its subsidiaries are assessing the impact of adoption of these changes in its financial position.

The amendment requires an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have similar economic characteristics . The amendment is applicable since July, 2014.

IAS 16 Property, plant and equipment. Not applicable

The amendment clarifies that gross carrying amount and depreciation are adjusted for to make consistent with revaluation, when an entity uses revaluation model. The amendment is applicable since July, 2014.

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

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

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

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The amendment requirements clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount, when an entity uses revaluation model. The amendment is applicable since July, 2014.

2011-2013 Cycle

IFRS 1 First time adoption. Not applicable

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

IFRS 3 Business combination. Not applicable

The amendment clarifies that IFRS 3 does not apply to the accounting for the formation of all types of joint arrangements in the financial statements of the joint arrangements itself. The amendment is applicable since July, 2014.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

3. New Accounting Pronouncements, continued:

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

2011-2013 Cycle, continued

IFRS 13 Fair Value Measurement. The Bank and its subsidiaries are assessing the impact of adoption of these changes in its financial position.

The scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis was amended to clarify that it includes all contracts that are within the scope of, and accounted for in accordance with IAS 39 or IFRS 9, even if those contracts do not meet the definition of financial assets or financial liabilities within IAS 32. The amendment is applicable since July, 2014.

IAS 40 Investment Properties

IAS 40 was amended to clarify that this standard and IFRS 3 Business Combinations are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether, the property meets the definition of investment property in IAS 40 and, the transactions meet the definition of business combination under IFRS 3. The amendment is applicable since July, 2014.

IFRS 14 Regulatory Deferral Accounts. The Bank and its subsidiaries are assessing the impact of adoption of these changes in its financial position.

On January 31, 2014 IASB issued IFRS 14, which specifies the financial reporting requirements for regulatory deferral account balances that arise when an entity provides good or services to customers at a price or rate that is subject to rate regulation. This rule is effective since January 1, 2016. Its early application is permitted.

3.2 Accounting rules issued by SBIF:

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

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

4. Changes in Accounting Policies and Disclosures:

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

During the period ended as of March 31, 2014, the Bank and its subsidiary Banchile Corredores de Seguros have established provisions for the concept of commission s refunds to the insurance companies for the policies (paid in advance) commercialized since December 1, 2013. This estimation is based in the history of the prepayments and disclaimers of its products portfolio that originate the commissions. This estimation corresponds to a change in accounting estimates and its effect is recognised in income under item of Income from fees and commissions . The effect of the change was a charge to income of MCh\$2,340.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

5. Relevant Events:

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

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

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

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

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

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

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

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

45. Relevants events, continued

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

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

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

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

45. Relevants events, continued

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

| | |
|------------------------|------------------------------|
| President: | Pablo Granifo Lavín |
| Vice-President: | Andrónico Luksic Craig |
| Vice-President: | Francisco Aristeguieta Silva |
| Advisers to the Board: | Hernán Büchi Buc |
| | Francisco Garcés Garrido |
| | Jacob Ergas Ergas |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

6. Segment Reporting:

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

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

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

Treasury and money market operations:

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

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

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

Entity

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

6. Segment Reporting, continued:

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

- The net interest margin of loans and deposits is measured on an individual transaction and individual client basis, stemming from the difference between the effective customer rate and the related Bank's fund transfer price in terms of maturity, re-pricing and currency.
- The internal performance profitability system considers capital allocation in each segment in accordance to the Basel guidelines.
- Operating expenses are distributed at each area level. The Bank allocates all of its indirect operating costs to each business segment by utilizing a different cost driver in order to allocate such costs to the specific segment.

The Bank did not enter into transactions with a particular customer or third parties that exceed 10% or more of its total income during the three-month period ended March 31, 2014 and 2013.

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

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

On July 1, 2013, Banco de Chile absorbed its subsidiary Banchile Factoring SA. This subsidiary was previously presented under the Subsidiaries operating segment. As a result of being absorbed by the Bank, now its operations are presented under Retail and Wholesale segments. Operating segment information for March 31, 2013 has been reclassified for comparative purposes.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

6. Segment Reporting, continued:

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

| | Retail | | Wholesale | | Treasury(1) | | Subsidiaries | | Subtotal | | Consolidation adjustment | | Total | |
|--|------------|------------|------------|------------|-------------|------------|--------------|------------|------------|------------|--------------------------|------------|------------|------------|
| | March 2014 | March 2013 | March 2014 | March 2013 | March 2014 | March 2013 | March 2014 | March 2013 | March 2014 | March 2013 | March 2014 | March 2013 | March 2014 | March 2013 |
| | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ |
| Net interest income | 225,060 | 174,534 | 87,260 | 68,749 | (9,515) | 1,395 | (2,036) | (3,049) | 300,769 | 241,629 | 704 | 2,831 | 301,473 | 244,460 |
| Net fees and commissions income (loss) | 32,002 | 39,498 | 10,128 | 10,210 | (450) | (67) | 28,038 | 24,729 | 69,718 | 74,370 | (3,434) | (2,780) | 66,284 | 71,590 |
| Other operating income | 973 | 4,271 | 8,128 | 8,690 | 23,537 | 3,639 | 8,899 | 9,539 | 41,537 | 26,139 | (1,341) | (3,417) | 40,196 | 22,722 |
| Total operating revenue | 258,035 | 218,303 | 105,516 | 87,649 | 13,572 | 4,967 | 34,901 | 31,219 | 412,024 | 342,138 | (4,071) | (3,366) | 407,953 | 338,772 |
| Provisions for loan losses | (61,603) | (51,999) | (14,877) | 2,184 | | | 126 | (28) | (76,354) | (49,843) | | | (76,354) | (49,843) |
| Depreciation and amortization | (4,740) | (5,190) | (1,223) | (1,449) | (54) | (139) | (488) | (423) | (6,505) | (7,201) | | | (6,505) | (7,201) |
| Other operating expenses | (102,194) | (95,024) | (30,739) | (27,199) | (1,181) | (1,554) | (23,432) | (21,598) | (157,546) | (145,375) | 4,071 | 3,366 | (153,475) | (142,009) |
| Income attributable to associates | 174 | 472 | 18 | 108 | 5 | 11 | 10 | 17 | 207 | 608 | | | 207 | 608 |
| Income before income taxes | 89,672 | 66,562 | 58,695 | 61,293 | 12,342 | 3,285 | 11,117 | 9,187 | 171,826 | 140,327 | | | 171,826 | 140,327 |
| Income taxes | | | | | | | | | | | | | (21,075) | (18,857) |
| Income after income taxes | | | | | | | | | | | | | 150,751 | 121,470 |

(1) The Treasury's income of March 2014 considers effect of Counterparty Value Adjustment, equivalent to a charge of income of Ch\$4,393 million, corresponds to this segment.

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

| | Retail | | Wholesale | | Treasury | | Subsidiaries | | Subtotal | | Consolidation adjustment | | Ma 20 M |
|----------------------------|------------------------|---------------------------|------------------------|---------------------------|------------------------|---------------------------|------------------------|---------------------------|------------------------|---------------------------|--------------------------|---------------------------|---------------|
| | March 2014 MCh\$ | December 2013 MCh\$ | March 2014 MCh\$ | December 2013 MCh\$ | March 2014 MCh\$ | December 2013 MCh\$ | March 2014 MCh\$ | December 2013 MCh\$ | March 2014 MCh\$ | December 2013 MCh\$ | March 2014 MCh\$ | December 2013 MCh\$ | |
| Assets | 10,880,762 | 10,635,940 | 10,289,035 | 10,385,698 | 4,323,307 | 4,319,777 | 671,164 | 634,466 | 26,164,268 | 25,975,881 | (186,988) | (191,117) | 25,975,881 |
| Current and deferred taxes | | | | | | | | | | | | | 15 |
| Total assets | | | | | | | | | | | | | 26,13 |
| Liabilities | 8,044,908 | 8,299,048 | 9,760,047 | 9,633,395 | 5,639,368 | 5,378,699 | 536,833 | 482,627 | 23,981,156 | 23,793,769 | (186,988) | (191,117) | 23,793,769 |
| Current and deferred taxes | | | | | | | | | | | | | 4 |
| Total liabilities | | | | | | | | | | | | | 23,83 |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

7. Cash and Cash Equivalents:

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

| | March | December |
|--|--------------|-----------------|
| | 2014 | 2013 |
| | MCh\$ | MCh\$ |
| Cash and due from banks: | | |
| Cash | 414,668 | 485,537 |
| Current account with the Chilean Central Bank(*) | 91,134 | 71,787 |
| Deposits in other domestic banks | 7,693 | 15,588 |
| Deposits abroad | 281,339 | 300,396 |
| Subtotal - Cash and due from banks | 794,834 | 873,308 |
| Net transactions in the course of collection | 191,706 | 248,128 |
| Highly liquid financial instruments | 237,252 | 358,093 |
| Repurchase agreements | 25,188 | 59,089 |
| Total cash and cash equivalents | 1,248,980 | 1,538,618 |

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

(b) Transactions in the course of collection:

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

| | March | December |
|---|--------------|-----------------|
| | 2014 | 2013 |
| | MCh\$ | MCh\$ |
| Assets | | |
| Documents drawn on other banks (clearing) | 195,125 | 232,698 |
| Funds receivable | 209,332 | 141,773 |
| Subtotal transactions in the course of collection | 404,457 | 374,471 |
| Liabilities | | |

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| | | |
|--|-----------|-----------|
| Funds payable | (212,751) | (126,343) |
| Subtotal transactions in the course of payment | (212,751) | (126,343) |
| Net transactions in the course of collection | 191,706 | 248,128 |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

8. Financial Assets Held-for-trading:

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

| | March 2014 MCh\$ | December 2013 MCh\$ |
|--|---------------------------------|------------------------------------|
| Instruments issued by the Chilean Government and Central Bank of Chile: | | |
| Central Bank bonds | 114,969 | 34,407 |
| Central Bank promissory notes | 2,995 | 2,995 |
| Other instruments issued by the Chilean Government and Central Bank | 18,798 | 27,535 |
| Other instruments issued in Chile | | |
| Promissory notes from deposits in domestic banks | | |
| Mortgage bonds from domestic banks | 13 | 14 |
| Bonds from domestic banks | 849 | 1,926 |
| Deposits in domestic banks | 304,621 | 255,582 |
| Bonds issued in Chile | 3,612 | 3,427 |
| Other instruments issued in Chile | 907 | 1,035 |
| Instruments issued by foreign institutions | | |
| Instruments from foreign governments or central banks | | |
| Other instruments issued abroad | | |
| Mutual fund investments: | | |
| Funds managed by related companies | 42,452 | 66,213 |
| Funds managed by thirds | | |
| Total | 489,216 | 393,134 |

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

Other instruments issued in Chile include instruments sold under agreements to repurchase to customers and financial instruments, amounting to MCh\$285,402 as of March 31, 2014 (MCh\$227,453 as of December 31, 2013).

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

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Additionally, the Bank holds financial investments in mortgage finance bonds issued by itself in the amount of MCh\$38,983 as of March 31, 2014 (MCh\$41,313 as of December 31, 2013), which are presented as a reduction of the liability line item Debt issued .

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

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

| | Up to 1 month | | Over 1 month and up to 3 months | | Over 3 months and up to 12 months | | Over 1 year and up to 3 years | | Over 3 years and up to 5 years | | Over 5 years | | Total | |
|--|---------------|---------------|---------------------------------|---------------|-----------------------------------|---------------|-------------------------------|---------------|--------------------------------|---------------|--------------|---------------|------------|---------------|
| | March 2014 | December 2013 | March 2014 | December 2013 | March 2014 | December 2013 | March 2014 | December 2013 | March 2014 | December 2013 | March 2014 | December 2013 | March 2014 | December 2013 |
| | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ |
| Instruments issued by the Chilean Governments and Central Bank of Chile | | | | | | | | | | | | | | |
| Central Bank bonds | | | | | | | | | | | | | | |
| Central Bank promissory notes | | | | | | | | | | | | | | |
| Other instruments issued by the Chilean Government and Central Bank | | | | | | | | | | | | | | |
| Other Instruments issued in Chile | | | | | | | | | | | | | | |
| Deposit promissory notes from domestic banks | | | | | | | | | | | | | | |
| Mortgage bonds from domestic banks | | | | | | | | | | | | | | |
| Bonds from domestic | 14,908 | 8,443 | | | | | | | | | | | 14,908 | 8,443 |

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| | | | | | | | | | |
|--|---------------|---------------|---------------|---------------|------------|---------------|--|---------------|---------------|
| banks | | | | | | | | | |
| Deposits in domestic banks | 1,101 | 46,084 | | | | | | 1,101 | 46,084 |
| Bonds from other Chilean companies | | | | | | | | | |
| Other instruments issued in Chile | 9,109 | 3,902 | 12,297 | 12,250 | 448 | 11,743 | | 21,854 | 27,895 |
| Instruments issued by foreign institutions | | | | | | | | | |
| Instruments from foreign governments or central bank | | | | | | | | | |
| Other instruments | | | | | | | | | |
| Total | 25,118 | 58,429 | 12,297 | 12,250 | 448 | 11,743 | | 37,863 | 82,422 |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

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

| | Up to 1 month | | Over 1 month and up to 3 months | | Over 3 months and up to 12 months | | Over 1 year and up to 3 years | | Over 3 years and up to 5 years | | Over 5 years | | Total | |
|--|---------------|----------|---------------------------------|----------|-----------------------------------|----------|-------------------------------|----------|--------------------------------|----------|--------------|----------|--------|----------|
| | March | December | March | December | March | December | March | December | March | December | March | December | March | December |
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ |
| Instruments issued by the Chilean Governments and Central Bank of Chile | | | | | | | | | | | | | | |
| Central Bank bonds | 26,895 | 16,831 | | | | | | | | | | | 26,895 | 16,831 |
| Central Bank promissory notes | 16,758 | | | | | | | | | | | | 16,758 | |
| Other instruments issued by the Chilean Government and Central Bank | | | | | | | | | | | | | | |
| Other Instruments Issued in Chile | | | | | | | | | | | | | | |
| Deposit promissory notes from domestic banks | | | | | | | | | | | | | | |
| Mortgage bonds from domestic banks | | | | | | | | | | | | | | |
| Bonds from domestic banks | | | | | | | | | | | | | | |

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| | | | | | | | |
|--|----------------|----------------|--------------|--------------|------------|----------------|----------------|
| Deposits in domestic banks | 319,881 | 232,512 | 6,270 | 7,217 | | 326,151 | 239,729 |
| Bonds from other Chilean companies | | | | | | | |
| Other instruments issued in Chile | 410 | 206 | | 521 | | 931 | 206 |
| Instruments issued by foreign institutions | | | | | | | |
| Instruments from foreign governments or central bank | | | | | | | |
| Other instruments | | | | | | | |
| Total | 363,944 | 249,549 | 6,270 | 7,217 | 521 | 370,735 | 256,766 |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

(c) Securities given (purchases):

As part of reverse repurchase and securities borrowing agreements the Bank has received securities that it is allowed to sell or pledge in the absence of default by the owner. As of March 31, 2014, the Bank held securities with a fair value of Ch\$37,695 million (Ch\$81,830 million in December 2013) on such terms. The Bank has an obligation to return the securities to its counterparties.

(d) Securities received (sales):

The carrying amount of securities lent and of Payables from Repurchase Agreements and Security Lending as of March 31, 2014 is Ch\$358,643 million (Ch\$255,302 million in December 2013). The counterparty is allowed to sell or pledge those securities in the absence of default by the Bank.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

10. Derivative Instruments and Accounting Hedges:

(a) As of March 31, 2014 and 2013, the Bank's portfolio of derivative instruments is detailed as follows:

| | Notional amount of contract with final expiration date in | | | | | | | | | | | |
|--|---|---------------------------|---------------------------------|---------------------------|--------------------------------|---------------------------|-------------------------------|---------------------------|-------------------------------|---------------------------|------------------------|---------------------------|
| | Up to 1 month | | Over 1 month and up to 3 months | | Over 3 months and up to 1 year | | Over 1 year and up to 3 years | | Over 3 year and up to 5 years | | Over 5 years | |
| | March 2014 MCh\$ | December 2013 MCh\$ | March 2014 MCh\$ | December 2013 MCh\$ | March 2014 MCh\$ | December 2013 MCh\$ | March 2014 MCh\$ | December 2013 MCh\$ | March 2014 MCh\$ | December 2013 MCh\$ | March 2014 MCh\$ | December 2013 MCh\$ |
| Derivatives held for hedging purposes | | | | | | | | | | | | |
| Cross currency swap | | | | | 32,441 | 32,032 | 17,312 | 17,094 | 13,587 | 13,416 | 36,901 | 66,392 |
| Interest rate swap | | 8,569 | | | 4,945 | 4,731 | 26,542 | 25,394 | 11,539 | 8,412 | 117,229 | 117,420 |
| Total derivatives held for hedging purposes | | 8,569 | | | 37,386 | 36,763 | 43,854 | 42,488 | 25,126 | 21,828 | 154,130 | 183,812 |
| Derivatives held as cash flow hedges | | | | | | | | | | | | |
| Interest rate swap and cross currency swap | | | | | 60,493 | 59,730 | 412,722 | 313,263 | 333,783 | 209,465 | 273,364 | 300,386 |
| Total Derivatives held as cash flow hedges | | | | | 60,493 | 59,730 | 412,722 | 313,263 | 333,783 | 209,465 | 273,364 | 300,386 |
| Derivatives held-for-trading purposes | | | | | | | | | | | | |
| Currency forward | 3,227,258 | 2,815,835 | 1,938,522 | 2,194,765 | 5,354,920 | 3,812,356 | 473,854 | 323,882 | 54,793 | 52,513 | 23 | 39 |
| Cross currency swap | 279,330 | 124,909 | 402,213 | 470,928 | 1,069,604 | 1,400,553 | 1,474,208 | 1,195,627 | 1,051,683 | 1,024,721 | 1,631,352 | 1,465,280 |
| Interest rate swap | 1,031,666 | 567,058 | 1,113,575 | 1,318,722 | 4,154,905 | 4,275,295 | 5,166,060 | 4,767,240 | 3,113,543 | 2,919,321 | 2,689,235 | 2,549,584 |
| Call currency options | 26,091 | 12,491 | 85,116 | 39,109 | 144,269 | 138,809 | 5,220 | 6,572 | | | | |
| Put currency options | 17,430 | 7,034 | 51,116 | 31,078 | 99,340 | 75,379 | | | | | | |
| Total derivatives of negotiation | 4,581,775 | 3,527,327 | 3,590,542 | 4,054,602 | 10,823,038 | 9,702,392 | 7,119,342 | 6,293,321 | 4,220,019 | 3,996,555 | 4,320,610 | 4,014,903 |

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Total

4,581,775 3,535,896 3,590,542 4,054,602 10,920,917 9,798,885 7,575,918 6,649,072 4,578,928 4,227,848 4,748,104 4,499,101

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

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

| | March 2014 MCh\$ | December 2014 MCh\$ |
|-------------------------|---------------------------------|------------------------------------|
| Hedged element | | |
| Commercial loans | 100,241 | 128,934 |
| Corporate bonds | 160,255 | 164,526 |
| Hedge instrument | | |
| Cross currency swap | 100,241 | 128,934 |
| Interest rate swap | 160,255 | 164,526 |

(c) Cash flow Hedges:

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

10. Derivative Instruments and Accounting Hedges, continued:

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

| | As of March 31, 2014 | | | | | | Total MCh\$ |
|--|---------------------------|--|--|--|---|--------------------------|----------------|
| | Up to 1 month MCh\$ | Over 1 month and up to 3 months MCh\$ | Over 3 months and up to 12 months MCh\$ | Over 1 year and up to 3 years MCh\$ | Over 3 years and up to 5 years MCh\$ | Over 5 years MCh\$ | |
| Hedge item | | | | | | | |
| <u>Outflows</u> | | | | | | | |
| Hedged item (Corporate bonds MXN) | (216) | (431) | (64,422) | | | | (65,069) |
| Hedged item (Corporate bonds HKD) | (1,602) | | (5,724) | (14,651) | (14,638) | (251,002) | (287,617) |
| Hedged item (Corporate bonds PEN) | (300) | | (301) | (1,200) | (15,278) | | (17,079) |
| Hedged item (Corporate bonds CHF) | (217) | (1,961) | (4,690) | (245,621) | (320,387) | (110,394) | (683,270) |
| Hedged item (Obligation USD) | (285) | (86) | (1,113) | (141,227) | | | (142,711) |
| Hedged item (Corporate bonds JPY) | | (219) | (644) | (60,917) | (42,443) | | (104,223) |
| Hedge instruments | | | | | | | |
| <u>Inflows</u> | | | | | | | |
| Hedged Instrument (Cross currency swap MXN leg) | 216 | 431 | 64,422 | | | | 65,069 |
| Hedged Instrument (Cross currency swap HKD leg) | 1,602 | | 5,724 | 14,651 | 14,638 | 251,002 | 287,617 |
| Hedged Instrument (Cross currency swap PEN leg) | 300 | | 301 | 1,200 | 15,278 | | 17,079 |
| Hedged Instrument (Cross currency swap CHF leg) | 217 | 1,961 | 4,690 | 245,621 | 320,387 | 110,394 | 683,270 |
| Hedged Instrument (Cross currency swap USD leg) | 285 | 86 | 1,113 | 141,227 | | | 142,711 |
| Hedged Instrument (Cross currency swap JPY leg) | | 219 | 644 | 60,917 | 42,443 | | 104,223 |
| Net cash flows | | | | | | | |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

10. Derivative Instruments and Accounting Hedges, continued:

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

10. Derivative Instruments and Accounting Hedges, continued:

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

| | As of March 31, 2014 | | | | | | Total MCh\$ |
|--|---------------------------|---|---|--|---|--------------------------|----------------|
| | Up to 1 month MCh\$ | Over 1 month and up to 3 months MCh\$ | Over 3 months and up to 12 months MCh\$ | Over 1 year and up to 3 years MCh\$ | Over 3 years and up to 5 years MCh\$ | Over 5 years MCh\$ | |
| Hedge item | | | | | | | |
| Inflows | | | | | | | |
| Hedged item (Cash flows CLF) | 3,000 | 5,649 | 83,201 | 464,969 | 366,464 | 324,939 | 1,248,222 |
| Hedge instruments | | | | | | | |
| Outflows | | | | | | | |
| Hedged Instrument (Cross currency swap MXN leg) | | (847) | (61,344) | | | | (62,191) |
| Hedged Instrument (Cross currency swap HKD leg) | (1,480) | | (4,386) | (11,767) | (11,711) | (220,809) | (250,153) |
| Hedged Instrument (Cross currency swap PEN leg) | (227) | | (228) | (910) | (14,862) | | (16,227) |
| Hedged Instrument (Cross currency swap JPY leg) | | (821) | (2,071) | (65,105) | (44,569) | | (112,566) |
| Hedged Instrument (Cross currency swap USD leg) | (1,293) | (380) | (1,683) | (134,810) | | | (138,166) |
| Hedged Instrument (Cross currency swap CHF leg) | | (3,601) | (13,489) | (252,377) | (295,322) | (104,130) | (668,919) |
| Net cash flows | | | | | | | |

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

10. Derivative Instruments and Accounting Hedges, continued:

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

(c.3) Unrealized gain of fair value adjustment for the period 2014 was Ch\$20,383 million (Ch\$542 charge to equity as of March 31, 2013) generated from hedging instruments, which has been recorded in equity. The accumulated net effect for deferred taxes as of March 31, 2014 was a charge to equity of Ch\$16,306 million (Ch\$433 charge to equity as of March 31, 2013).

The accumulated amount for this concept (net of deferred taxes) as of March 31, 2014 correspond to a charge to equity amounted Ch\$29,727 million (charge to equity of Ch\$13,421 million as of March 31, 2013)

(c.4) The net effect in income of derivatives cash flow hedges amount to Ch\$26,496 millions in 2014 (Ch\$531 charge to equity as of March 31, 2013).

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

(c.6) As of March 31, 2014 and 2013, the Bank has not hedges of net investments in foreign business

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

11. Loans and advances to Banks:

(a) Amounts are detailed as follows:

| | March 2014 MCh\$ | December 2013 MCh\$ |
|--|------------------------|---------------------------|
| Domestic Banks | | |
| Interbank loans | 14,000 | 100,012 |
| Others credits with domestic banks | | |
| Provisions for loans to domestic banks | (17) | (36) |
| Subtotal | 13,983 | 99,976 |
| Foreign Banks | | |
| Loans to foreign banks | 184,845 | 252,697 |
| Chilean exports trade loans | 84,826 | 97,194 |
| Credits with third countries | 23,395 | 12,864 |
| Provisions for loans to foreign banks | (687) | (1,256) |
| Subtotal | 292,379 | 361,499 |
| Central Bank of Chile | | |
| Non-available Central Bank deposits | 1,250,000 | 600,000 |
| Other Central Bank credits | 838 | 581 |
| Subtotal | 1,250,838 | 600,581 |
| Total | 1,557,200 | 1,062,056 |

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

| Detail | Bank s Location | | Total MCh\$ |
|---------------------------------|-----------------|-----------------|----------------|
| | Chile MCh\$ | Abroad MCh\$ | |
| Balance as of January 1, 2013 | 5 | 954 | 959 |
| Charge-offs | | | |
| Provisions established | 16 | 173 | 189 |
| Provisions released | | | |
| Balance as of March 31, 2013 | 21 | 1,127 | 1,148 |
| Charge-offs | | | |
| Provisions established | 15 | 129 | 144 |
| Provisions released | | | |
| Balance as of December 31, 2013 | 36 | 1,256 | 1,292 |
| Charge-offs | | | |
| Provisions established | | | |

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|------------------------------|------|-------|-------|
| Provisions released | (19) | (569) | (588) |
| Balance as of March 31, 2014 | 17 | 687 | 704 |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

12. Loans to Customers, net:

(a) Loans to Customers:

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

| | Assets before allowances | | | As of March 31, 2014 | | Allowances established | | Net assets MCh\$ |
|--|------------------------------|--------------------------------|---|----------------------|-----------------------------------|------------------------------|----------------|---------------------|
| | Normal Portfolio MCh\$ | Impaired Portfolio MCh\$ | Non- Complying Portfolio MCh\$ | Total MCh\$ | Individual Provisions MCh\$ | Group Provisions MCh\$ | Total MCh\$ | |
| Commercial loans | | | | | | | | |
| Commercial loans | 9,172,508 | 110,256 | 283,739 | 9,566,503 | (101,515) | (91,064) | (192,579) | 9,373,924 |
| Foreign trade loans | 1,173,705 | 83,300 | 57,632 | 1,314,637 | (76,689) | (661) | (77,350) | 1,237,287 |
| Current account debtors | 210,565 | 3,059 | 3,254 | 216,878 | (3,062) | (3,434) | (6,496) | 210,382 |
| Factoring transactions | 471,301 | 2,569 | 868 | 474,738 | (8,993) | (786) | (9,779) | 464,959 |
| Commercial lease transactions (1) | 1,228,066 | 24,514 | 25,198 | 1,277,778 | (5,217) | (10,577) | (15,794) | 1,261,984 |
| Other loans and accounts receivable | 46,617 | 309 | 6,232 | 53,158 | (1,698) | (2,991) | (4,689) | 48,469 |
| Subtotal | 12,302,762 | 224,007 | 376,923 | 12,903,692 | (197,174) | (109,513) | (306,687) | 12,597,005 |
| Mortgage loans | | | | | | | | |
| Mortgage bonds | 78,054 | | 5,238 | 83,292 | | (221) | (221) | 83,071 |
| Transferable mortgage loans | 116,370 | | 2,384 | 118,754 | | (160) | (160) | 118,594 |
| Other residential real estate mortgage loans | 4,655,424 | | 67,219 | 4,722,643 | | (19,249) | (19,249) | 4,703,394 |
| Credits from ANAP | 23 | | | 23 | | | | 23 |
| Residential lease transactions | | | | | | | | |
| Other loans and accounts receivable | 5,444 | | 94 | 5,538 | | | | 5,538 |
| Subtotal | 4,855,315 | | 74,935 | 4,930,250 | | (19,630) | (19,630) | 4,910,620 |
| Consumer loans | | | | | | | | |
| Consumer loans in installments | 1,905,179 | | 171,628 | 2,076,807 | | (142,051) | (142,051) | 1,934,756 |
| Current account debtors | 230,368 | | 8,219 | 238,587 | | (7,725) | (7,725) | 230,862 |

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|-------------------------------------|------------|---------|---------|------------|-----------|-----------|-----------|------------|
| Credit card debtors | 789,318 | | 25,853 | 815,171 | | (32,827) | (32,827) | 782,344 |
| Consumer lease transactions | | | | | | | | |
| Other loans and accounts receivable | 185 | | 516 | 701 | | (265) | (265) | 436 |
| Subtotal | 2,925,050 | | 206,216 | 3,131,266 | | (182,868) | (182,868) | 2,948,398 |
| Total | 20,083,127 | 224,007 | 658,074 | 20,965,208 | (197,174) | (312,011) | (509,185) | 20,456,023 |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

12. Loans to Customers net, continued:

(a) Loans to Customers, continued:

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

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

(1) In this item, the Bank finances its customers purchases of assets, including real estate and other personal property, through finance lease agreements. As of March 31, 2014 MCh\$520,993 (MCh\$503,972 as of December 31, 2013) correspond to finance leases for real estate and MCh\$756,785 (MCh\$705,775 as of December 31, 2013), correspond to finance leases for other assets.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

13. Loans to Customers net, continued:

(a.ii) Impaired Portfolio

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

| | Normal Portfolio | | Assets before Allowances Impaired Portfolio | | Total | | Individual Provisions | | Allowances established Group Provisions | | Total | | Ma |
|--------------|-------------------|-------------------|--|----------------|-------------------|-------------------|-----------------------|------------------|--|------------------|------------------|------------------|--------------|
| | March | December | March | December | March | December | March | December | March | December | March | December | |
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | |
| | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MC |
| Commercial | | | | | | | | | | | | | |
| loans | 12,438,545 | 12,629,450 | 465,147 | 447,058 | 12,903,692 | 13,076,508 | (197,174) | (182,862) | (109,513) | (104,836) | (306,687) | (287,698) | 12,59 |
| Mortgage | | | | | | | | | | | | | |
| loans | 4,855,316 | 4,662,977 | 74,934 | 69,330 | 4,930,250 | 4,732,307 | | | (19,630) | (18,502) | (19,630) | (18,502) | 4,91 |
| Consumer | | | | | | | | | | | | | |
| loans | 2,925,049 | 2,856,365 | 206,217 | 204,331 | 3,131,266 | 3,060,696 | | | (182,868) | (174,278) | (182,868) | (174,278) | 2,94 |
| Total | 20,218,910 | 20,148,792 | 746,298 | 720,719 | 20,965,208 | 20,869,511 | (197,174) | (182,862) | (312,011) | (297,616) | (509,185) | (480,478) | 20,45 |

Table of Contents**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued****12. Loans to Customers, continued:**

(b) Allowances for loan losses:

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

| | Individual MCh\$ | Allowances Group MCh\$ | Total MCh\$ |
|---------------------------------|---------------------|------------------------------|----------------|
| Balance as of January 1, 2013 | 164,901 | 262,534 | 427,435 |
| Charge-offs: | | | |
| Commercial loans | (2,314) | (6,512) | (8,826) |
| Mortgage loans | | (677) | (677) |
| Consumer loans | | (36,383) | (36,383) |
| Total charge-offs | (2,314) | (43,572) | (45,886) |
| Allowances established | | 58,586 | 58,586 |
| Allowances released | (1,635) | | (1,635) |
| Balance as of March 31, 2013 | 160,952 | 277,548 | 438,500 |
| Charge-offs: | | | |
| Commercial loans | (6,334) | (20,869) | (27,203) |
| Mortgage loans | | (2,565) | (2,565) |
| Consumer loans | | (120,881) | (120,881) |
| Total charge-offs | (6,334) | (144,315) | (150,649) |
| Debt swap | (12,556) | | (12,556) |
| Allowances established | 40,800 | 164,383 | 205,183 |
| Allowances released | | | |
| Balance as of December 31, 2013 | 182,862 | 297,616 | 480,478 |
| Charge-offs: | | | |
| Commercial loans | (4,084) | (8,471) | (12,555) |
| Mortgage loans | | (804) | (804) |
| Consumer loans | | (42,968) | (42,968) |
| Total charge-offs | (4,084) | (52,243) | (56,327) |
| Allowances established | 18,396 | 66,638 | 85,034 |
| Allowances released | | | |
| Balance as of March 31, 2014 | 197,174 | 312,011 | 509,185 |

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

Other Disclosures:

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

12. Loans to Customers, continued:

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

(c) Finance lease contracts:

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

| | Total receivable | | Unearned income | | Net lease receivable(*) | |
|--------------------------------------|------------------------|---------------------------|------------------------|---------------------------|-------------------------|---------------------------|
| | March 2014 MCh\$ | December 2013 MCh\$ | March 2014 MCh\$ | December 2013 MCh\$ | March 2014 MCh\$ | December 2013 MCh\$ |
| Due within one year | 449,109 | 435,789 | (53,921) | (53,920) | 395,188 | 381,869 |
| Due after 1 year but within 2 years | 322,389 | 314,546 | (41,013) | (39,405) | 281,376 | 275,141 |
| Due after 2 years but within 3 years | 204,103 | 197,979 | (26,049) | (25,097) | 178,054 | 172,882 |
| Due after 3 years but within 4 years | 130,567 | 121,241 | (18,081) | (16,987) | 112,486 | 104,254 |
| Due after 4 years but within 5 years | 87,402 | 78,992 | (13,618) | (12,663) | 73,784 | 66,329 |
| Due after 5 years | 261,015 | 232,607 | (31,206) | (29,879) | 229,809 | 202,728 |
| Total | 1,454,585 | 1,381,154 | (183,888) | (177,951) | 1,270,697 | 1,203,203 |

(*) The net balance receivable does not include past-due portfolio totaling MCh\$7,081 as of March 31, 2014 (MCh\$6,544 as of December 31, 2013).

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

(d) Purchase of credits:

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

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

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

| Carrying amount MCh\$ | As of March 31, 2014 | | Effect on income (loss) gain MCh\$ |
|--------------------------|----------------------|---------------------|---------------------------------------|
| | Allowances MCh\$ | Sale price MCh\$ | |
| 263,402 | (557) | 263,402 | 557 |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

12. Loans to Customers, continued:

(f) Securitization of own assets

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

13. Investment Securities:

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

