

BANK OF CHILE
Form 6-K
October 29, 2015
[Table of Contents](#)

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 October, 2015

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.

Edgar Filing: BANK OF CHILE - Form 6-K

Form 20-F Form 40-F

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

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

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

Yes No

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

Table of Contents

BANCO DE CHILE
REPORT ON FORM 6-K

Attached Banco de Chile's Consolidated Financial Statements with notes as of September 30, 2015.

Table of Contents

BANCO DE CHILE AND SUBSIDIARIES

Index

- I. Interim Condensed Consolidated Statements of Financial Position
- II. Interim Condensed Consolidated Statements of Comprehensive Income for the Period
- III. Interim Condensed Consolidated Statements of Other Comprehensive Income for the Period
- IV. Interim Condensed Consolidated Statements of Changes in Equity
- V. Interim Condensed Consolidated Statements of Cash Flows
- VI. Notes to the Interim Condensed Consolidated Financial Statements

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

Table of Contents

BANCO DE CHILE AND SUBSIDIARIES

INDEX

	Page
<u>Interim Condensed Consolidated Statement of Financial Position</u>	3
<u>Interim Condensed Consolidated Statements of Comprehensive Income</u>	4
<u>interim Condensed Consolidated Statement of Changes in Equity</u>	6
<u>Interim Condensed Consolidated Statements of Cash Flows</u>	7
<u>1. Corporate information:</u>	8
<u>2. Legal provisions, basis of preparation and other information:</u>	8
<u>3. New Accounting Pronouncements:</u>	11
<u>4. Changes in Accounting policies and Disclosures:</u>	15
<u>5. Relevant Events:</u>	16
<u>6. Segment Reporting:</u>	19
<u>7. Cash and Cash Equivalents:</u>	22
<u>8. Financial Assets Held-for-trading:</u>	23
<u>9. Cash collateral on securities borrowed and reverse repurchase agreements:</u>	24
<u>10. Derivative Instruments and Accounting Hedges:</u>	26
<u>11. Loans and advances to Banks:</u>	31
<u>12. Loans to Customers, net:</u>	32
<u>13. Investment Securities:</u>	38
<u>14. Investments in Other Companies:</u>	40
<u>15. Intangible Assets:</u>	42
<u>16. Property and equipment:</u>	45
<u>17. Current Taxes and Deferred Taxes:</u>	48
<u>18. Other Assets:</u>	53
<u>19. Current accounts and Other Demand Deposits:</u>	54
<u>20. Savings accounts and Time Deposits:</u>	54
<u>21. Borrowings from Financial Institutions:</u>	55
<u>22. Debt Issued:</u>	56
<u>23. Other Financial Obligations:</u>	61
<u>24. Provisions:</u>	61
<u>25. Other Liabilities:</u>	65
<u>26. Contingencies and Commitments:</u>	66
<u>27. Equity:</u>	72
<u>28. Interest Revenue and Expenses:</u>	76
<u>29. Income and Expenses from Fees and Commissions:</u>	78
<u>30. Net Financial Operating Income:</u>	78
<u>31. Foreign Exchange Transactions, net:</u>	79
<u>32. Provisions for Loan Losses:</u>	80
<u>33. Personnel Expenses:</u>	81
<u>34. Administrative Expenses:</u>	82
<u>35. Depreciation, Amortization and Impairment:</u>	83
<u>36. Other Operating Income:</u>	84
<u>37. Other Operating Expenses:</u>	85
<u>38. Related Party Transactions:</u>	86
<u>39. Fair Value of Financial Assets and Liabilities:</u>	92
<u>40. Maturity of Assets and Liabilities:</u>	106
<u>41. Subsequent Events:</u>	108

Table of Contents**BANCO DE CHILE AND SUBSIDIARIES****INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

For the periods ended September 30, 2015 and December 31, 2014

(Translation of financial statements originally issued in Spanish)

(Expressed in million of Chilean pesos)

	Notes	September 2015 MCh\$	December 2014 MCh\$
ASSETS			
Cash and due from banks	7	982,340	915,133
Transactions in the course of collection	7	579,892	400,081
Financial assets held-for-trading	8	570,562	548,471
Cash collateral on securities borrowed and reverse repurchase agreements	9	36,890	27,661
Derivative instruments	10	1,416,203	832,193
Loans and advances to banks	11	1,563,739	1,155,365
Loans to customers, net	12	23,446,019	21,348,033
Financial assets available-for-sale	13	1,241,722	1,600,189
Financial assets held-to-maturity	13		
Investments in other companies	14	27,570	25,312
Intangible assets	15	25,984	26,593
Property and equipment	16	212,585	205,403
Current tax assets	17	3,104	3,468
Deferred tax assets	17	238,524	202,869
Other assets	18	476,732	355,057
TOTAL ASSETS		30,821,866	27,645,828
LIABILITIES			
Current accounts and other demand deposits	19	7,292,658	6,933,679
Transactions in the course of payment	7	386,559	96,945
Cash collateral on securities lent and repurchase agreements	9	267,548	249,482
Savings accounts and time deposits	20	10,308,250	9,721,246
Derivative instruments	10	1,344,472	859,752
Borrowings from financial institutions	21	1,569,095	1,098,716
Debt issued	22	5,978,984	5,057,956
Other financial obligations	23	153,508	186,573
Current tax liabilities	17	23,048	22,498
Deferred tax liabilities	17	33,391	35,029
Provisions	24	545,465	601,714
Other liabilities	25	251,069	247,082
TOTAL LIABILITIES		28,154,047	25,110,672
EQUITY			
	27		
Attributable to Bank's Owners:			
Capital		2,041,173	1,944,920
Reserves		390,640	263,258
Other comprehensive income		42,870	44,105
Retained earnings:			
Retained earnings from previous periods		16,060	16,379
Income for the period		418,897	591,080

Edgar Filing: BANK OF CHILE - Form 6-K

Less:		
Provision for minimum dividends	(241,823)	(324,588)
Subtotal	2,667,817	2,535,154
Non-controlling interests	2	2
TOTAL EQUITY	2,667,819	2,535,156
TOTAL LIABILITIES AND EQUITY	30,821,866	27,645,828

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 nine-month ended September 30, 2015 and 2014

(Translation of financial statements originally issued in Spanish)

(Expressed in million of Chilean pesos)

	Notes	September 2015 MCh\$	September 2014 MCh\$
A, CONSOLIDATED STATEMENT OF INCOME			
Interest revenue	28	1,396,266	1,480,538
Interest expense	28	(489,714)	(577,679)
Net interest income		906,552	902,859
Income from fees and commissions	29	320,520	286,153
Expenses from fees and commissions	29	(97,361)	(85,663)
Net fees and commission income		223,159	200,490
Net financial operating income	30	36,923	23,551
Foreign exchange transactions, net	31	44,598	61,561
Other operating income	36	20,742	17,488
Total operating revenues		1,231,974	1,205,949
Provisions for loan losses	32	(229,051)	(210,362)
OPERATING REVENUES, NET OF PROVISIONS FOR LOAN LOSSES		1,002,923	995,587
Personnel expenses	33	(278,386)	(255,519)
Administrative expenses	34	(214,171)	(201,230)
Depreciation and amortization	35	(21,999)	(20,897)
Impairment	35	(144)	(1,771)
Other operating expenses	37	(23,591)	(18,402)
TOTAL OPERATING EXPENSES		(538,291)	(497,819)
NET OPERATING INCOME		464,632	497,768
Income attributable to associates	14	2,705	1,927
Income before income tax		467,337	499,695
Income tax	17	(48,439)	(36,747)
NET INCOME FOR THE PERIOD		418,898	462,948
Attributable to:			
Bank's Owners		418,897	462,947
Non-controlling interests		1	1

Edgar Filing: BANK OF CHILE - Form 6-K

		Ch\$	Ch\$
Net income per share attributable to Bank's Owners:			
Basic net income per share	27	4.36	4.82
Diluted net income per share	27	4.36	4.82

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 nine-month ended September 30, 2015 and 2014

(Translation of financial statements originally issued in Spanish)

(Expressed in million of Chilean pesos)

	Notes	September 2015 MCh\$	September 2014 MCh\$
NET INCOME FOR THE YEAR		418,898	462,948
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	3,527	7,589
Gains and losses on derivatives held as cash flow hedges	10	(5,122)	(5,446)
Cumulative translation adjustment		1	79
Subtotal Other comprehensive income before income taxes		(1,594)	2,222
Income tax		359	(1,381)
Total other comprehensive income items that will be reclassified subsequently to profit or loss		(1,235)	841
Other comprehensive income that will not be reclassified subsequently to profit or loss			
Loss in defined benefit plans			(290)
Subtotal other comprehensive income before income taxes			(290)
Income taxes			75
Total other comprehensive income items that will not be reclassified subsequently to profit or loss			(215)
TOTAL CONSOLIDATED COMPREHENSIVE INCOME		417,663	463,574
Attributable to:			
Equity holders of the parent		417,662	463,573
Non-controlling interest		1	1
		Ch\$	Ch\$
Comprehensive net income per share from continued operations attributable to equity holders of the parent:			
Basic net income per share		4.34	4.82

Diluted net income per share	4.34	4.82
------------------------------	------	------

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 CHANGES IN EQUITY**

For the nine-month ended September 30, 2015 and 2014

(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\$	
		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, 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)		
Income retention (released) according to law	27			49,913					(49,913)		
Dividends distributions and paid	27								(368,120)	324,582	(43,538)
Equity adjustment investment in other companies			4								4
Defined benefit plans adjustment			(215)								(215)
Other comprehensive income:	27										
Cumulative translation adjustment							79				79
Derivatives cash flow hedge, net						(4,302)					(4,302)
Valuation adjustment on available-for-sale instruments (net)					5,064						5,064
Income for the period 2014									462,947		462,947
Provision for minimum dividends	27									(266,044)	(266,044)
Balances as of September 30, 2014		1,944,920	31,914	231,424	34,436	(17,723)	56	16,379	462,947	(266,044)	2,438,309

Edgar Filing: BANK OF CHILE - Form 6-K

Defined benefit plans adjustment			(81)								(81)
Equity adjustment investment in other companies			1								1
Other comprehensive income:											
Cumulative translation adjustment										1	1
Cash flow hedge adjustment, net						27,809					27,809
Valuation adjustment on available-for-sale instruments, net					(474)						(474)
Income for the period 2014									128,133		128,133
Provision for minimum dividends										(58,544)	(58,544)
Balances as of December 31, 2014		1,944,920	31,834	231,424	33,962	10,086	57	16,379	591,080	(324,588)	2,535,154
Capitalization of retained earnings	27	96,253								(96,253)	
Retention (released) earnings	27			127,383						(127,383)	
Dividends distributions and paid	27									(367,444)	324,588
Definedvest benefit plans adjustment											(42,856)
Capital increase investment in other companies				(1)							(1)
Other comprehensive income:	27										
Cumulative translation adjustment										1	1
Cash flow hedge adjustment, net						(3,970)					(3,970)
Valuation adjustment on available-for-sale instruments (net)					2,734						2,734
Income for the period 2015										418,897	418,897
Equity adjustment investment in other companies										(319)	(319)
Provision for minimum dividends	27										(241,823)
Balances as of September 30, 2015		2,041,173	31,833	358,807	36,696	6,116	58	16,060	418,897	(241,823)	2,667,817

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 nine-month ended September 30, 2015 and 2014

(Translation of financial statements originally issued in Spanish)

(Expressed in million of Chilean pesos)

	Notes	September 2015 MCh\$	September 2014 MCh\$
OPERATING ACTIVITIES:			
Net income for the period		418,898	462,948
Items that do not represent cash flows:			
Depreciation and amortization	35	21,999	20,897
Impairment of intangible assets and property and equipment	35	144	1,771
Provision for loan losses	32	232,686	227,938
Provision of contingent loans	32	5,055	4,111
Fair value adjustment of financial assets held-for-trading		215	467
Income attributable to investments in other companies	14	(2,337)	(1,609)
Income from sales of assets received in lieu of payment	36	(2,568)	(2,450)
Net gain on sales of property and equipment	36-37	(124)	(82)
(Increase) decrease in other assets and liabilities		(216,911)	(80,895)
Charge-offs of assets received in lieu of payment	37	1,220	1,231
Other charges (credits) to income that do not represent cash flows		30,048	10,064
(Gain) loss from foreign exchange transactions of other assets and other liabilities		(519,370)	(183,601)
Net changes in interest and fee accruals		178,213	(40,580)
Changes in assets and liabilities that affect operating cash flows:			
(Increase) decrease in loans and advances to banks, net		(406,619)	384,944
(Increase) decrease in loans to customers		(2,202,521)	(492,848)
(Increase) decrease in financial assets held-for-trading, net		57,098	23,628
(Increase) decrease in deferred taxes, net	17	(37,985)	(36,211)
(Increase) decrease in current account and other demand deposits		357,618	360,826
(Increase) decrease in payables from repurchase agreements and security lending		21,018	(10,771)
(Increase) decrease in savings accounts and time deposits		601,165	(814,068)
Proceeds from sale of assets received in lieu of payment		5,775	4,362
Total cash flows from operating activities		(1,457,283)	(159,928)
INVESTING ACTIVITIES:			
(Increase) decrease in financial assets available-for-sale, net		98,172	321,738
Purchases of property and equipment	16	(23,098)	(21,807)
Proceeds from sales of property and equipment		191	122
Purchases of intangible assets	15	(5,751)	(3,263)
Investments in other companies	14	(314)	(6,608)
Dividends received from investments in other companies	14	632	195
Total cash flows from investing activities		69,832	290,377
FINANCING ACTIVITIES:			
Repayment of mortgage finance bonds		(10,248)	(13,107)
Proceeds from bond issuances	22	1,839,964	1,580,224
Redemption of bond issuances		(788,049)	(839,362)
Proceeds from subscription and payment of shares			
Dividends paid	27	(367,444)	(368,120)

Edgar Filing: BANK OF CHILE - Form 6-K

(Increase) decrease in borrowings from financial institutions	(45,226)	(50,524)
(Increase) decrease in other financial obligations	(31,205)	(23,896)
(Increase) decrease in borrowings from Central Bank of Chile		
Borrowings from Central Bank of Chile (long-term)	28	18
Payment of borrowings from Central Bank of Chile (long-term)	(30)	(19)
Long-term foreign borrowings	1,904,913	623,695
Payment of long-term foreign borrowings	(1,389,885)	(758,143)
Proceeds from other long-term borrowings	13,764	6,669
Payment of other long-term borrowings	(16,255)	(10,927)
Total cash flows from financing activities	1,110,327	146,508
TOTAL NET POSITIVE CASH FLOWS FOR THE PERIOD	(277,124)	276,957
Net effect of exchange rate changes on cash and cash equivalents	67,539	33,538
Cash and cash equivalents at beginning of year	1,825,578	1,538,618
Cash and cash equivalents at end of period	7	1,615,993
Supplemental disclosure of cash flow information:		
Cash paid during the year for:		
Interest received	1,255,570	1,273,145
Interest paid	(170,805)	(410,866)

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

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

1. Corporate information:

Banco de Chile is authorized to operate like a commercial bank since June 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 September 30, 2015 were approved for issuance in accordance with the directors on October 22, 2015.

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

(a) 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.

Edgar Filing: BANK OF CHILE - Form 6-K

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.

Table of Contents

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	
				2015 %	2014 %	2015 %	2014 %	2015 %	2014 %
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

(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);

Edgar Filing: BANK OF CHILE - Form 6-K

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

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

During the period of September 30, 2015, there have not been significant changes in the estimates.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

(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 nine-month ended September 30, 2015.

(e) Relative Importance:

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

(f) Reclassifications:

There have not been significant reclassifications at the end of this period 2015.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

3. New Accounting Pronouncements:

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 September 30, 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.

Classification and measurement

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 classification of financial assets, based in the business model of the entity for the management of financial assets and the characteristic of its 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.

Impairment

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

Hedge Accounting

Edgar Filing: BANK OF CHILE - Form 6-K

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.

Entity's Own Credit Risk

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 change in the fair value that corresponds to credit risk will be registered in other comprehensive income. IFRS 9 permits early application of this improvement, before any other requirement of IFRS 9.

The effective date is beginning on January 1, 2018 and its 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.

At the date, this rule has not been approved by the Superintendency of Banks and Financial Institutions, event required for its application.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

3. New Accounting Pronouncements, continued:

IFRS 11 Joint Arrangements

In May 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 constitute a business, to 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 and its subsidiaries have assessed that this rule will be not significant impact in consolidated financial statements.

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

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

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

The amendment of IAS 38 introduces the presumption that ordinary income is not an appropriate base for the amortization of intangible assets. 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 assets are highly correlated.

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

Edgar Filing: BANK OF CHILE - Form 6-K

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

IFRS 15 Revenue from Contracts with Customers

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

IFRS 15 replaces the following standards and interpretations: IAS 18 Revenue, IAS 11 Construction contracts, IFRIC 13 Customer loyalty programs, IFRIC 15 Agreements for the construction of real estate, IFRIC 18 Transfers of assets from customers and SIC 31 Revenue Barter transactions involving advertising services.

The new model will be applied to all contracts with customers except those contracts are within the scope of another standard.

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 this rule on its consolidated financial statements.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

3. New Accounting Pronouncements, continued:

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 Joint 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.

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.

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 reclassifies an asset from held for sale to held for distribution, or vice versa and cases in which assets 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 its subsidiaries do not register non-current assets 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 with 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.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, *continued*

3. **New Accounting Pronouncements, continued:**

Annual improvements IFRS, continued:

- **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 paid. 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.

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

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

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.

Edgar Filing: BANK OF CHILE - Form 6-K

The amendments clarify 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.

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

- **IAS 1 Presentation of Financial Statements**

In December, 2014, the IASB 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 requests about presentation and disclosure and have been designed with the finality to allow 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.

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

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, *continued*

3. **New Accounting Pronouncements, continued:**

Rules issued by the Superintendency of Banks and Financial Institutions

On December 30, 2014 the Superintendency of Banks and Financial Institutions issued Circular No. 3,573, where established changes to the rules which regulate the determination of Allowances for loan losses, contained in the Chapter B-1 of Compendium of Accounting standards.

The summary of changes is the followings:

- **Standard Method of Provisions for Mortgage Loans:** It is established a standard method to constitute provisions of mortgage loans, which to consider the amount of past due and the relation between outstanding capital of the credit and the value of mortgage guarantee. This method establishes a different treatment to credits with state subsidies and state auction insurance. The effective date is beginning on January 2016.
- **Replacing Issuer by Debtor in Factoring Operations:** It modifies the instructions to calculate of provisions of factoring operations; permitting that certain conditions, it is considered debtor classification instead grantor for the establishment of provision.
- **It complements the instruction related non-complying portfolio of portfolio with related to the compliance that the Board must give of adequacy of provisions, it established that, it must be to refer both, Consolidated and Individual Financial Statements, with its domestic and foreign subsidiaries, as appropriate.** Individual evaluation, including certain conditions that must be complying to remove the credits of a debtor of that portfolio. Also, this instruction was incorporated to group portfolio. The copulative conditions to remove a debtor of this portfolio it must be the following conditions:

- i. Any obligations of the debtor with the bank has left to comply at the time and in the amount that corresponded

- ii. It has not delivered new funding to comply its obligations
 - iii. At least one of the payments made includes amortization of capital
 - iv. If the debtor had any credit with partial payments in periods less than six months (more than one payment)
 - v. If the debtor must be to pay monthly installments to one or more credits, it had paid at least six consecutive instalments
 - vi. The debtor has not direct debts in the information of this Superintendency
- Related to the Compliance that the Board must give of adequacy of provisions, it established that, it must be to refer both, Consolidated and Individual Financial Statements, with its domestic and foreign subsidiaries, as appropriate.

At the date of issuance of this Consolidated Financial Statements and with the available information, the Bank assesses that application of this rule has no significant impact in the income.

4. Changes in Accounting policies and Disclosures:

During the period ended September 30, 2015, there have been no accounting changes that may significantly affect these interim consolidated financial statements.

Table of Contents

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.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, *continued*

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.

Edgar Filing: BANK OF CHILE - Form 6-K

The credits of that offer, approximately amounted to Ch\$588,000 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.

Table of Contents

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.

Table of Contents

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.

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.

Table of Contents

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 obtained aggregating the net financial margins of each individual operation of credit and uptake made by the bank. For these purposes is considered the volume of each operation and its contribution margin, stemming from the difference between the effective customer rate and the related Bank's fund transfer price in terms of maturity 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 nine-month period ended September 30, 2015 and 2014.

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

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

6. Segment Reporting, continued:

The following table presents the income by segment for the periods ended September 2015 and 2014 for each of the segments defined above:

	Retail		Wholesale		Treasury		Subsidiaries		Subtotal		Consolidation adjustment	
	September 2015	September 2014	September 2015	September 2014	September 2015	September 2014	September 2015	September 2014	September 2015	September 2014	September 2015	September 2014
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Net interest income	623,657	611,664	264,922	273,209	21,724	23,143	(5,048)	(7,013)	905,255	901,003	1,297	1,856
Net fees and commissions income (loss)	105,641	98,770	37,232	30,138	(1,580)	(1,280)	94,064	83,966	235,357	211,594	(12,198)	(11,104)
Other operating income	17,691	21,112	48,744	45,716	19,882	15,530	19,071	24,030	105,388	106,388	(3,125)	(3,788)
Total operating revenue	746,989	731,546	350,898	349,063	40,026	37,393	108,087	100,983	1,246,000	1,218,985	(14,026)	(13,036)
Provisions for loan losses	(175,129)	(170,940)	(54,033)	(39,586)			111	164	(229,051)	(210,362)		
Depreciation and amortization	(15,795)	(14,974)	(4,014)	(3,923)	(265)	(194)	(1,925)	(1,806)	(21,999)	(20,897)		
Other operating expenses	(341,150)	(321,548)	(107,322)	(91,705)	(4,253)	(3,574)	(77,593)	(73,131)	(530,318)	(489,958)	14,026	13,036
Income attributable to associates	1,955	1,293	386	312	15	17	349	305	2,705	1,927		
Income before income taxes	216,870	225,377	185,915	214,161	35,523	33,642	29,029	26,515	467,337	499,695		
Income taxes												
Income after income taxes												

The following table presents assets and liabilities of the period ended September 30, 2015 and December 31, 2014 by each segment defined above:

Edgar Filing: BANK OF CHILE - Form 6-K

	Retail		Wholesale		Treasury		Subsidiaries		Subtotal		Consolidation adjustment	
	September	December	September	December	September	December	September	December	September	December	September	December
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Assets	13,964,894	11,789,339	12,151,125	10,307,291	4,175,267	4,981,302	601,895	538,445	30,893,181	27,616,377	(312,943)	(176,886)
Current and deferred taxes												
Total assets												
Liabilities	9,166,575	8,419,469	9,985,103	9,664,423	8,803,437	6,754,592	455,436	391,547	28,410,551	25,230,031	(312,943)	(176,886)
Current and deferred taxes												
Total liabilities												

Table of Contents

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:

	September 2015 MCh\$	December 2014 MCh\$
Cash and due from banks:		
Cash(*)	588,801	476,429
Current account with the Chilean Central Bank(*)	65,408	147,215
Deposits in other domestic banks	5,513	12,778
Deposits abroad	322,618	278,711
Subtotal - Cash and due from banks	982,340	915,133
Net transactions in the course of collection	193,333	303,136
Highly liquid financial instruments	411,250	590,417
Repurchase agreements	29,070	16,892
Total cash and cash equivalents	1,615,993	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:

	September 2015 MCh\$	December 2014 MCh\$
Assets		
Documents drawn on other banks (clearing)	190,062	290,866
Funds receivable	389,830	109,215
Subtotal transactions in the course of collection	579,892	400,081

Edgar Filing: BANK OF CHILE - Form 6-K

Liabilities

Funds payable	(386,559)	(96,945)
Subtotal transactions in the course of payment	(386,559)	(96,945)
Net transactions in the course of collection	193,333	303,136

Table of Contents

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:

	September 2015 MCh\$	December 2014 MCh\$
Instruments issued by the Chilean Government and Central Bank of Chile:		
Central Bank bonds	4,970	13,906
Central Bank promissory notes	178,902	2,996
Other instruments issued by the Chilean Government and Central Bank	25,153	71,968
Other instruments issued in Chile		
Promissory notes from deposits in domestic banks		
Mortgage bonds from domestic banks		9
Bonds from domestic banks	21	3,197
Deposits in domestic banks	284,040	199,665
Bonds issued in Chile	1,010	1,351
Other instruments issued in Chile	1,405	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	75,061	255,013
Funds managed by thirds		
Total	570,562	548,471

Other instruments issued in Chile include instruments sold under agreements to repurchase to customers and financial instruments, amounting to MCh\$270,801 as of September 30, 2015 (MCh\$194,109 as of December 31, 2014).

Agreements to repurchase have an average expiration of 23 days as of period-end (13 days in December 2014).

Additionally, the Bank holds financial investments in mortgage finance bonds issued by itself in the amount of MCh\$27,045 as of September 30, 2015 (MCh\$32,956 as of December 31, 2014), which are presented as a reduction of the liability line item Debt issued .

Table of Contents

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 September 30, 2015 and December 31, 2014, 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	
	September 2015	December 2014	September 2015	December 2014	September 2015	December 2014	September 2015	December 2014	September 2015	December 2014	September 2015	December 2014
	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		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	5,291										
Deposits in domestic banks	9										
Bonds from other Chilean companies											
Other instruments issued in Chile	17,866	11,043	8,164	6,291	5,560	9,507					31
Instruments issued by foreign institutions											
Instruments from foreign governments or central bank											
Other instruments											
Total	23,166	11,863	8,164	6,291	5,560	9,507					36

Securities received:

The Bank has received securities that it is allowed to sell or pledge in the absence of default by the owner. As of September 30, 2015 the Bank and its subsidiaries held securities on resell agreements with a fair value of Ch\$35,748 million (Ch\$27,549 million as of December, 2014).

Table of Contents

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 September 30, 2015 and December 31, 2014, the Bank has the following payables resulting from such transactions:

	Up to 1 month		Over 1 month and up to 3 months to 3 months December		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		September 2015 MCh\$
	September 2015 MCh\$	December 2014 MCh\$	September 2015 MCh\$	December 2014 MCh\$	September 2015 MCh\$	December 2014 MCh\$	September 2015 MCh\$	December 2014 MCh\$	September 2015 MCh\$	December 2014 MCh\$	September 2015 MCh\$	December 2014 MCh\$	
Instruments issued by the Chilean Governments and Central Bank of Chile													
Central Bank bonds	18,450												18,450
Central Bank promissory notes		25,643											
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		3,152				
Deposits in domestic banks	205,587	220,528	43,461	159	50	249
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	224,037	249,323	43,461	159	50	267

Securities given:

The carrying amount of securities lent and of Payables from Repurchase Agreements and Security Lending as of September 30, 2015 is Ch\$264,411 million (Ch\$252,465 million in 2014). The counterparty is allowed to sell or pledge those securities in the absence of default by the Bank.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

10. Derivative Instruments and Accounting Hedges:

(a) As of September 30, 2015 and period 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 years and up to 5 years		Over 5 years	
	September 2015	December 2014	September 2015	December 2014	September 2015	December 2014	September 2015	December 2014	September 2015	December 2014	September 2015	
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Derivatives held for hedging purposes												
Cross currency swap								9,294	15,565		11,734	20,000
Interest rate swap						16,486		25,838	22,488	65,390	59,942	62,000
Total derivatives held for hedging purposes						16,486		35,132	38,053	65,390	71,676	83,000
Derivatives held as cash flow hedges												
Interest rate swap and cross currency swap	106,468		34,673		238,315	137,134	350,327	437,575	314,736	411,283	214,000	214,000
Total Derivatives held as cash flow hedges	106,468		34,673		238,315	137,134	350,327	437,575	314,736	411,283	214,000	214,000
Derivatives held-for-trading purposes												
Currency forward	7,076,980	4,813,454	4,192,057	4,114,955	8,394,026	6,702,632	1,186,028	589,179	78,407	38,389		
Interest rate swap	1,038,365	1,330,696	2,381,361	1,395,103	8,654,685	6,728,804	9,053,560	7,376,807	4,672,121	4,249,358	5,263,000	5,263,000
Cross currency swap	104,766	109,701	557,341	260,261	2,583,561	1,229,651	2,073,908	2,003,936	1,625,694	1,174,052	2,319,000	2,319,000
Call currency options	24,873	41,715	95,897	47,586	88,731	69,218	341	182				
Put currency options	14,420	34,116	67,827	42,051	67,443	40,897	341	182				
Total derivatives of negotiation	8,259,404	6,329,682	7,294,483	5,859,956	19,788,446	14,771,202	12,314,178	9,970,286	6,376,222	5,461,799	7,582,000	7,582,000
Total	8,365,872	6,329,682	7,329,156	5,859,956	20,026,761	14,924,822	12,699,637	10,445,914	6,756,348	5,944,758	7,880,000	7,880,000

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

(b) Fair value Hedges:

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

Below is a detail of the hedged elements and hedge instruments under fair value hedges as of September 30, 2015 and December 31, 2014:

	September 2015 MCh\$	December 2014 MCh\$
Hedged element		
Commercial loans	29,766	48,611
Corporate bonds	154,007	146,585
Hedge instrument		
Cross currency swap	29,766	48,611
Interest rate swap	154,007	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 and foreign exchange of obligations with foreign banks, bonds issued abroad, Hong Kong dollars, Peruvian nuevo sol, Swiss franc and Japanese yens. The cash flows of the cross currency swaps equal the cash flows of the hedged items, which modify uncertain cash flows to known cash flows derived from a fixed interest rate.

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

Table of Contents

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:

Hedge item	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		September 2015
	September 2015	December 2014	September 2015	December 2014	September 2015	December 2014	September 2015	December 2014	September 2015	December 2014	September 2015	December 2014	
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	
Outflows:													
Corporate Bond HKD	(2,669)				(8,305)	(9,508)	(21,902)	(19,070)	(74,971)	(66,617)	(302,472)	(268,771)	(410,000)
Corporate Bond PEN	(333)				(331)	(622)	(17,193)	(16,442)					(17,193)
Corporate Bond CHF	(255)	(219)	(2,083)	(1,135)	(273,170)	(5,413)	(279,112)	(317,811)	(219,294)	(344,146)			(773,000)
Corporate Obligation USD	(136,366)	(498)	(41,892)	(95)	(656)	(156,333)	(70,294)	(61,751)					(249,000)
Corporate Bond JPY			(398)	(271)	(1,020)	(968)	(66,627)	(58,445)	(75,494)	(41,062)	(29,696)	(51,563)	(173,000)
Inflows:													
Cross Currency Swap HKD	2,669				8,305	9,508	21,902	19,070	74,971	66,617	302,472	268,771	410,000
Cross Currency Swap PEN	333				331	622	17,193	16,442					17,193
Cross Currency Swap CHF	255	219	2,083	1,135	273,170	5,413	279,112	317,811	219,294	344,146			773,000
Cross Currency Swap USD	136,366	498	41,892	95	656	156,333	70,294	61,751					249,000
Cross Currency Swap JPY			398	271	1,020	968	66,627	58,445	75,494	41,062	29,696	51,563	173,000
Net cash flows													

Table of Contents

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:

Hedge item	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		September 2015
	September 2015	December 2014	September 2015	December 2014	September 2015	December 2014	September 2015	December 2014	September 2015	December 2014	September 2015	December 2014	
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	
Inflows													
Cash flows in CLF	110,376	2,892	40,875	490,949	261,039	3,230	396,480	165,707	338,620	442,808	256,916	283,714	1,404
Outflows													
Cross Currency Swap HKD	(1,667)		(599)	(14,578)	(5,252)		(14,966)	(7,273)	(60,347)	(59,188)	(226,143)	(224,232)	(308)
Cross Currency Swap PEN	(245)			(15,978)	(244)		(16,201)	(475)					(16)
Cross Currency Swap JPY			(1,292)	(69,059)	(3,302)	(976)	(70,178)	(3,471)	(78,171)	(48,703)	(30,773)	(59,482)	(183)
Cross Currency Swap USD	(108,464)		(35,084)	(58,945)	(605)		(60,063)	(141,795)					(204)
Cross Currency Swap CHF		(2,892)	(3,900)	(332,389)	(251,636)	(2,254)	(235,072)	(12,693)	(200,102)	(334,917)			(690)
Net cash flows													

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

10. Derivative Instruments and Accounting Hedges, continued:

(c) Cash flow 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 2015 was Ch\$5,122 (credit to equity) million (Ch\$5,446 charge to equity as of September 30, 2014) generated from hedging instruments, which has been recorded in equity. The accumulated net effect for deferred taxes as of September 30, 2015 was a charge to equity of Ch\$3,970 million (Ch\$4,302 charge to equity as of September 30, 2014).

The accumulated amount for this concept (net of deferred taxes) as of September 30, 2015 correspond to a debit to equity amounted Ch\$6,116 million (debit to equity of Ch\$10,086 million as of December 31, 2014).

(c.4) The net effect in income of derivatives cash flow hedges amount to Ch\$153,188 million in 2015 (Ch\$38,942 debit to income as of September 30, 2014).

(c.5) As of September 30, 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 totally.

(c.6) As of September 30, 2015 and 2014, the Bank has not hedges of net investments in foreign business.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

11. Loans and advances to Banks:

(a) Amounts are detailed as follows:

	September 2015 MCh\$	December 2014 MCh\$
Domestic Banks		
Interbank loans	216,980	170,014
Provisions for loans to domestic banks	(134)	(61)
Subtotal	216,846	169,953
Foreign Banks		
Interbank loans	319,591	216,632
Chilean exports trade loans	62,781	93,366
Credits with third countries	179,283	125,061
Provisions for loans to foreign banks	(959)	(755)
Subtotal	560,696	434,304
Central Bank of Chile		
Non-available Central Bank deposits	785,000	550,000
Other Central Bank credits	1,197	1,108
Subtotal	786,197	551,108
Total	1,563,739	1,155,365

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

Detail	Bank s Location		Total MCh\$
	Chile MCh\$	Abroad MCh\$	
Balance as of January 1, 2014	36	1,256	1,292
Charge-offs			
Provisions established			
Provisions released	(36)	(285)	(321)
Balance as of September 30, 2014		971	971
Charge-offs			
Provisions established	61		61
Provisions released		(216)	(216)
Balance as of December 31, 2014	61	755	816
Charge-offs			
Provisions established	73	204	277
Provisions released			

Edgar Filing: BANK OF CHILE - Form 6-K

Balance as of September 30, 2015	134	959	1,093
----------------------------------	-----	-----	-------

31

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

12. Loans to Customers, net:

(a.i) Loans to Customers:

As of September 30, 2015 and December 31, 2014, the composition of the portfolio of loans is the following:

	As of September 30, 2015							Net assets MCh\$
	Assets before allowances			Allowances established				
	Normal Portfolio MCh\$	Substandard Portfolio MCh\$	Non- Complying Portfolio MCh\$	Total MCh\$	Individual Provisions MCh\$	Group Provisions MCh\$	Total MCh\$	
Commercial loans								
Commercial loans	10,259,778	141,625	325,711	10,727,114	(135,899)	(86,614)	(222,513)	10,504,601
Foreign trade loans	1,440,654	57,439	58,582	1,556,675	(83,686)	(3,060)	(86,746)	1,469,929
Current account debtors	207,332	9,876	3,042	220,250	(4,517)	(4,084)	(8,601)	211,649
Factoring transactions	469,814	871	488	471,173	(8,937)	(1,402)	(10,339)	460,834
Commercial lease transactions (1)	1,301,572	15,930	28,703	1,346,205	(6,673)	(11,802)	(18,475)	1,327,730
Other loans and accounts receivable	56,278	283	7,283	63,844	(2,745)	(3,365)	(6,110)	57,734
Subtotal	13,735,428	226,024	423,809	14,385,261	(242,457)	(110,327)	(352,784)	14,032,477
Mortgage loans								
Mortgage bonds	53,582		3,949	57,531		(61)	(61)	57,470
Transferable mortgage loans	87,635		2,108	89,743		(57)	(57)	89,686
Other residential real estate mortgage loans	5,844,604		107,478	5,952,082		(27,986)	(27,986)	5,924,096
Credits from ANAP	18			18				18
Residential lease transactions								
Other loans and accounts receivable	8,168		281	8,449		(24)	(24)	8,425
Subtotal	5,994,007		113,816	6,107,823		(28,128)	(28,128)	6,079,695
Consumer loans								
Consumer loans in installments	2,097,569		233,344	2,330,913		(149,422)	(149,422)	2,181,491
Current account debtors	276,335		5,270	281,605		(7,531)	(7,531)	274,074
Credit card debtors	884,845		26,541	911,386		(33,594)	(33,594)	877,792

Edgar Filing: BANK OF CHILE - Form 6-K

Consumer lease transactions								
Other loans and accounts receivable	73		810	883		(393)	(393)	490
Subtotal	3,258,822		265,965	3,524,787		(190,940)	(190,940)	3,333,847
Total	22,988,257	226,024	803,590	24,017,871	(242,457)	(329,395)	(571,852)	23,446,019

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

12. Loans to Customers net, continued:

(a.i) Loans to Customers, continued:

	As of December 31, 2014							
	Normal Portfolio MCh\$	Assets before Substandard Portfolio MCh\$	Allowances Non-Complying Portfolio MCh\$	Total MCh\$	Individual Provision MCh\$	Allowances established Group Provision 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 (*)	1,330,752	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
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
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

Edgar Filing: BANK OF CHILE - Form 6-K

Total	20,968,540	176,882	731,226	21,876,648	(206,022)	(322,593)	(528,615)	21,348,033
--------------	------------	---------	---------	------------	-----------	-----------	-----------	------------

(*) In this item, the Bank finances its customers purchases of assets, including real estate and other personal property, through finance lease agreements. As of September 30, 2015 MCh\$639,776 (MCh\$615,723 as of December 31, 2014) correspond to finance leases for real estate and MCh\$706,429 (MCh\$765,799 as of December 31, 2014), correspond to finance leases for other assets.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

12. Loans to Customers, net:

(a.ii) Impaired Portfolio

As of September 30, 2015 and December 31, 2014, the Bank presents the following details of normal and impaired portfolio:

	Normal Portfolio		Assets before Allowances				Individual Provisions		Allowances established		Total	
	September	December	Impaired Portfolio		Total		September	December	September	December	September	December
	2015	2014	September	December	September	December	2015	2014	2015	2014	2015	2014
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Commercial												
loans	13,902,411	12,612,620	482,850	495,616	14,385,261	13,108,236	(242,457)	(206,022)	(110,327)	(111,746)	(352,784)	(317,768)
Mortgage												
loans	5,994,007	5,325,029	113,816	93,594	6,107,823	5,418,623			(28,128)	(24,021)	(28,128)	(24,021)
Consumer												
loans	3,258,822	3,124,586	265,965	225,203	3,524,787	3,349,789			(190,940)	(186,826)	(190,940)	(186,826)
Total	23,155,240	21,062,235	862,631	814,413	24,017,871	21,876,648	(242,457)	(206,022)	(329,395)	(322,593)	(571,852)	(528,615)

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 2015 and 2014 are as follows:

	Individual MCh\$	Allowances Group MCh\$	Total MCh\$
Balance as of January 1, 2014	182,862	297,616	480,478
Charge-offs:			
Commercial loans	(18,259)	(27,685)	(45,944)
Mortgage loans		(2,330)	(2,330)
Consumer loans		(135,646)	(135,646)
Total charge-offs	(18,259)	(165,661)	(183,920)
Sales or transfers of credit	(43)		(43)
Allowances established	41,102	187,157	228,259
Balance as of September 30, 2014	205,662	319,112	524,774
Charge-offs:			
Commercial loans	(9,314)	(11,466)	(20,780)
Mortgage loans		(648)	(648)
Consumer loans		(49,001)	(49,001)
Total charge-offs	(9,314)	(61,115)	(70,429)
Allowances established	(950)		(950)
Sales or transfers of credit	10,624	64,596	75,220
Balance as of December 31, 2014	206,022	322,593	528,615
Charge-offs:			
Commercial loans	(11,449)	(33,099)	(44,548)
Mortgage loans		(2,079)	(2,079)
Consumer loans		(152,184)	(152,184)
Total charge-offs	(11,449)	(187,362)	(198,811)
Sales or transfers of credit	(2,690)		(2,690)
Purchase of loans	12,329		12,329
Allowances established	38,245	194,164	232,409
Balance as of September 30, 2015	242,457	329,395	571,852

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 September 30, 2015 and December 31, 2014, 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) and (e).

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

12. Loans to Customers, continued:

(b) Allowances for loan losses, continued:

2. As of September 30, 2015 and December 31, 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 (e)).

(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(*)	
	September 2015 MCh\$	December 2014 MCh\$	September 2015 MCh\$	December 2014 MCh\$	September 2015 MCh\$	December 2014 MCh\$
Due within one year	455,564	465,397	(52,548)	(55,663)	403,016	409,734
Due after 1 year but within 2 years	321,259	328,815	(38,786)	(40,553)	282,473	288,262
Due after 2 years but within 3 years	216,280	220,128	(26,669)	(27,233)	189,611	192,895
Due after 3 years but within 4 years	142,822	144,099	(18,608)	(19,753)	124,214	124,346
Due after 4 years but within 5 years	105,049	107,651	(13,473)	(14,375)	91,576	93,276
Due after 5 years	278,044	296,482	(30,209)	(32,370)	247,835	264,112
Total	1,519,018	1,562,572	(180,293)	(189,947)	1,338,725	1,372,625

(*) The net balance receivable does not include past-due portfolio totaling MCh\$7,480 as of September 30, 2015 (MCh\$8,897 as of December 31, 2014).

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:

During 2015 the Bank acquired loans portfolio whose nominal value amounted to Ch\$604,100 million. There are not purchases of credit in 2014.

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

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

Carrying amount MCh\$	As of September 30, 2015		Effect on income (loss) gain MCh\$
	Allowances MCh\$	Sale price MCh\$	
89,085	(2,690)	89,085	2,690

Carrying amount MCh\$	As of September 30, 2014		Effect on income (loss) gain MCh\$
	Allowances MCh\$	Sale price MCh\$	
430,239	(43)	430,239	43

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

12. Loans to Customers, continued:

(f) Securitization of own assets

During the period 2014 and as of September 2015, there is no transactions of securitization of own assets.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

13. Investment Securities:

As of September 30, 2015 and December 31, 2014, investment securities classified as available-for-sale and held-to-maturity are detailed as follows:

	September 2015			December 2014		
	Available- for-sale MCh\$	Held to maturity MCh\$	Total MCh\$	Available- for -sale MCh\$	Held to maturity MCh\$	Total MCh\$
Instruments issued by the Chilean Government and Central Bank of Chile						
Bonds issued by the Chilean Government and Central Bank	79,843		79,843	28,795		28,795
Promissory notes issued by the Chilean Government and Central Bank				149,755		149,755
Other instruments	43,734		43,734	160,774		160,774
Other instruments issued in Chile						
Deposit promissory notes from domestic banks						
Mortgage bonds from domestic banks	90,184		90,184	96,294		96,294
Bonds from domestic banks	75,903		75,903	251,231		251,231
Deposits from domestic banks	688,684		688,684	657,467		657,467
Bonds from other Chilean companies	19,009		19,009	29,519		29,519
Promissory notes issued by other Chilean companies						
Other instruments	174,131		174,131	162,829		162,829
Instruments issued abroad						
Instruments from foreign governments or Central Banks						
Other instruments	70,234		70,234	63,525		63,525
Total	1,241,722		1,241,722	1,600,189		1,600,189

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

13. Investment Securities, continued:

Instruments issued by the Chilean Government and Central Bank include instruments with agreements to repurchase sold to clients and financial institutions; totaling MCh\$18,490, as of September 30, 2015 (MCh\$25,673 as of December 31, 2014). The agreements to repurchase have an average maturity of 4 days as of September 30, 2015 (average maturity of 4 days as of December 31, 2014).

In instruments issued by other Chilean institutions are included instruments sold by repurchase agreements to clients and financial institutions, totaling MCh\$14 million as of September 30, 2015 (Ch\$14 million as of December 31, 2014), The agreements to repurchase have an average maturity of 4 days as of September 30, 2015 (average maturity of 5 days as of December 31, 2014).

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

As of September 30, 2015, the portfolio of financial assets available-for-sale includes a net unrealized gain of MCh\$36,696, net of tax (net unrealized gain of MCh\$33,962 as of December 31, 2014), recorded in other comprehensive income within equity.

During 2015 and 2014, there is no evidence of impairment of financial assets available-for-sale.

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

Gross profits and losses realized on the sale of available-for-sale investments as of September 30, 2015 and 2014 are shown in Note 30 Net Financial Operating Income .

Gross profits and losses realized and unrealized on the sale of available-for-sale investments for the nine-month period ended as of September 30, 2015 and 2014 are as follows:

Edgar Filing: BANK OF CHILE - Form 6-K

	September 2015 MCh\$	September 2014 MCh\$
Unrealized (losses)/profits during the period	12,626	23,540
Realized losses/(profits) (reclassified)	(9,099)	(15,951)
Subtotal unrealized during the period	3,527	7,589
Income tax	(793)	(2,525)
Total unrealized during the period	2,734	5,064

Table of Contents

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\$27,570 as of September 30, 2015 (MCh\$25,312 as of December 31, 2014), which is detailed as follows:

Company	Shareholder	Ownership Interest		Equity		Book Value		Investment Income (Loss)	
		September 2015 %	December 2014 %	September 2015 MCh\$	December 2014 MCh\$	September 2015 MCh\$	December 2014 MCh\$	September 2015 MCh\$	September 2014 MCh\$
Associates									
Transbank S.A.(*)	Banco de Chile	26.16	26.16	40,276	34,177	10,535	8,939	1,176	309
Administrador Financiero del Transantiago S.A.	Banco de Chile	20.00	20.00	12,199	11,145	2,440	2,229	211	211
Soc.Operadora de Tarjetas de Crédito Nexus S.A.	Banco de Chile	25.81	25.81	9,140	8,253	2,359	2,130	327	505
Redbanc S.A.	Banco de Chile	38.13	38.13	5,407	4,969	2,062	1,895	239	355
Sociedad Imerc OTC S.A.	Banco de Chile	11.48	11.48	9,460	10,899	1,086	1,252	(166)	(134)
Centro de Compensación Automatizado S.A.	Banco de Chile	33.33	33.33	3,102	2,615	1,034	871	157	144
Soc.Operadora de la Cámara de Compensación de Pagos de Alto Valor S.A.	Banco de Chile	15.00	15.00	4,776	4,643	716	696	77	72
Sociedad Interbancaria de Depósitos de Valores S.A.	Banco de Chile	26.81	26.81	2,467	2,401	661	644	29	64
Subtotal Associates				86,827	79,102	20,893	18,656	2,050	1,526
Joint Ventures									
Servipag Ltda.	Banco de Chile	50.00	50.00	7,527	7,281	3,763	3,641	123	(10)
Artikos Chile S.A.	Banco de Chile	50.00	50.00	1,272	1,491	636	746	164	93
Subtotal Joint Ventures				8,799	8,772	4,399	4,387	287	83
Subtotal				95,626	87,874	25,292	23,043	2,337	1,609
Investments valued at cost(1)									
Bolsa de Comercio de Santiago S.A.						1,646	1,646	325	284
Banco Latinoamericano de Comercio Exterior S.A.						309	309	43	34

Edgar Filing: BANK OF CHILE - Form 6-K

(Bladex)				
Bolsa Electrónica de Chile S.A.	257	257		
Sociedad de Telecomunicaciones Financieras Interbancarias Mundiales (Swift)	58	49		
CCLV Contraparte Central S.A.	8	8		
Subtotal	2,278	2,269	368	318
Total	27,570	25,312	2,705	1,927

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

(*) On April 16, 2015 Transbank S.A. made an increase capital by an amount of MCh\$5,328 through capitalization of revaluation and earnings by MCh\$4,150 and issue of shares paid in capital by an amount of MCh\$1,178. Banco de Chile made the subscription and payment of 1,536,047 shares by a total amount of MCh\$308 (this amount does not include payment of adjustment by MCh\$6). Banco de Chile's participation in Transbank S.A. it was not modified by this increase capital.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

14. Investments in Other Companies, continued:

(b) The reconciliation between opening and ending balance of investments in other companies that are not consolidated in 2015 and 2014 are detailed as follows:

	September 2015 MCh\$	September 2014 MCh\$
Balance as of January 1,	25,312	16,670
Acquisition of investments	314	6,608
Participation in net income	2,337	1,609
Dividends receivable	(221)	(260)
Dividends received	(632)	(195)
Payment of dividends	460	152
Balance as of September 30,	27,570	24,584

(c) During the nine-month period ended as of September 30, 2015 and December 31, 2014 no impairment has incurred in these investments.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

15. **Intangible Assets:**

(a) As of September 30, 2015 and December 31, 2014 intangible assets are detailed as follows:

Type of intangible asset:	Years				Gross balance		Accumulated Amortization and Impairment		Net balance	
	Useful Life		Remaining amortization		September	December	September	December	September	December
	September 2015	December 2014	September 2015	December 2014	2015	2014	2015	2014	2015	2014
				MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	
Goodwill:										
Investments in other companies					4,138	4,138	(4,138)	(4,138)		
Other Intangible Assets:										
Software or computer programs	6	6	4	4	97,228	92,225	(71,244)	(65,632)	25,984	26,593
Intangible assets arising from business combinations					1,740	1,740	(1,740)	(1,740)		
Total					103,106	98,103	(77,122)	(71,510)	25,984	26,593

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

15. Intangible Assets, continued:

(b) Movements in intangible assets during the nine-month period ended as of September 30, 2015 and December 31, 2014 are as follows:

	Goodwill: Investments in other companies MCh\$	Software or computer programs MCh\$	September 2015 Intangible assets arising from business combinations MCh\$	Other intangible MCh\$	Total MCh\$
<u>Gross Balance</u>					
Balance as of January 1, 2015	4,138	92,225	1,740		98,103
Acquisition		5,751			5,751
Disposals/ write-downs		(689)			(689)
Impairment loss(*)		(59)			(59)
Total	4,138	97,228	1,740		103,106

Accumulated**Amortization**

Balance as of January 1, 2015	(4,138)	(65,632)	(1,740)		(71,510)
Amortization for the period(*)		(6,301)			(6,301)
Disposals/ write-downs		689			689
Total	(4,138)	(71,244)	(1,740)		(77,122)
Balance as of September 30, 2015		25,984			25,984

	Goodwill: Investments in other companies MCh\$	Software or computer programs MCh\$	December 2014 Intangible assets arising from business combinations MCh\$	Other intangible MCh\$	Total MCh\$
<u>Gross Balance</u>					
Balance as of January 1, 2014	4,138	86,986	1,740	501	93,365
Acquisition		5,382			5,382
Disposals/ write-downs		(504)			(504)
Reclassifications		481		(501)	(20)
Impairment loss(*)		(120)			(120)
Total	4,138	92,225	1,740		98,103

Edgar Filing: BANK OF CHILE - Form 6-K

<u>Accumulated</u>					
<u>Amortization</u>					
Balance as of January 1, 2014	(4,138)	(57,767)	(1,740)	(49)	(63,694)
Amortization for the period(*)		(8,352)			(8,352)
Disposals/ write-downs		498			498
Reclassifications		(11)		49	38
Total	(4,138)	(65,632)	(1,740)		(71,510)
Balance as of December 31, 2014		26,593			26,593

(*) See Note No. 35 Depreciation, amortization and impairment.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, *continued*

15. **Intangible Assets, continued:**

(c) As of September 30, 2015 and December 31, 2014, the Bank has the following technological developments:

Detail	Amount of Commitment	
	September	December
	2015	2014
	MCh\$	MCh\$
Software and licenses	5,659	3,508

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

16. **Property and equipment:**

(a) The detail of this item as of September 30, 2015 and December 31, 2014, is as follow:

	Gross balance		Accumulated depreciation		Net Balance	
	September 2015 MCh\$	December 2014 MCh\$	September 2015 MCh\$	December 2014 MCh\$	September 2015 MCh\$	December 2014 MCh\$
<u>Type Property and equipment:</u>						
Land and Buildings	175,506	175,333	(41,840)	(40,395)	133,666	134,938
Equipment	166,888	151,911	(127,379)	(119,842)	39,509	32,069
Others	159,472	154,195	(120,062)	(115,799)	39,410	38,396
Total	501,866	481,439	(289,281)	(276,036)	212,585	205,403

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

16. **Property and equipment, continued:**

(b) As of September 30, 2015 and December 31, 2014, this account and its movements are detailed as follows:

	September 2015			
	Land and Buildings MCh\$	Equipment MCh\$	Others MCh\$	Total MCh\$
<u>Gross Balance</u>				
Balance as of January 1, 2015	175,333	151,911	154,195	481,439
Reclassifications			(12)	(12)
Additions	399	15,137	7,562	23,098
Disposals/write-downs	(226)	(148)	(2,233)	(2,607)
Transfers		(11)	11	
Impairment loss (*) (***)		(1)	(51)	(52)
Total	175,506	166,888	159,472	501,866
<u>Accumulated Depreciation</u>				
Balance as of January 1, 2015	(40,395)	(119,842)	(115,799)	(276,036)
Reclassifications			12	12
Depreciation charges in the period (*)(**)	(1,670)	(7,680)	(6,062)	(15,412)
Sales and disposals in the period	225	142	1,788	2,155
Transfers		1	(1)	
Total	(41,840)	(127,379)	(120,062)	(289,281)
Balance as of September 30, 2015	133,666	39,509	39,410	212,585

	December 2014			
	Land and Buildings MCh\$	Equipment MCh\$	Other MCh\$	Total MCh\$
<u>Gross Balance</u>				
Balance as of January 1, 2014	175,849	137,827	147,397	461,073
Reclassifications			(200)	(200)
Acquisitions		22,776	8,737	31,513
Disposals	(516)	(7,807)	(971)	(9,294)
Transfers		485	(485)	
Impairment loss (*) (***)		(1,370)	(283)	(1,653)
Total	175,333	151,911	154,195	481,439
<u>Accumulated Depreciation</u>				
Balance as of January 1, 2014	(38,717)	(116,081)	(108,697)	(263,495)
Transfers		(286)	286	

Edgar Filing: BANK OF CHILE - Form 6-K

Depreciation of period (*) (**)	(2,195)	(11,283)	(8,290)	(21,768)
Disposals and sales of period	517	7,808	902	9,227
Total	(40,395)	(119,842)	(115,799)	(276,036)
Balance as of December 31, 2014	134,938	32,069	38,396	205,403

(*) See Note No. 35 Depreciation, Amortization and Impairment.

(**) This amount does not include depreciation charges of the period for investments properties. This amount is included in item Other Assets for MCh\$286 (MCh\$381 as of December 31, 2014).

(***) This amount does not include charge-offs provision of Property and Equipment of MCh\$33 million (Ch\$312 million as of December 31, 2014)

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

16. Property and equipment, continued:

(c) As of September 30, 2015 and 2014, the Bank has operating lease agreements in which it acts as lessee that cannot be terminated unilaterally; information on future payments is detailed as follows:

	Expense for the period MCh\$	Up to 1 month MCh\$	Over 1 month and up to 3 months MCh\$	Over 3 months and up to 12 months MCh\$	September 2015			Total MCh\$
					Over 1 year and up to 3 years MCh\$	Over 3 years and up to 5 years MCh\$	Over 5 years MCh\$	
Lease Agreements	23,046	2,605	5,196	19,362	39,046	27,975	45,203	139,387

	Expense for the period MCh\$	Up to 1 month MCh\$	Over 1 month and up to 3 months MCh\$	Over 3 months and up to 12 months MCh\$	September 2014			Total MCh\$
					Over 1 year and up to 3 years MCh\$	Over 3 years and up to 5 years MCh\$	Over 5 years MCh\$	
Lease Agreements	22,005	2,435	4,866	18,132	39,327	28,375	46,014	139,149

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

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

(d) As of September 30, 2015 and 2014, the Bank does not have any finance lease agreements as lessee and, therefore, there are no property and equipment balances to be reported from such transactions as of September 30, 2015 and as of December 31, 2014.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

17. **Current Taxes and Deferred Taxes:**(a) **Current Taxes:**

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

	September 2015 MCh\$	December 2014 MCh\$
Income taxes	85,674	106,550
Tax on non-deductible expenses (35%)	2,225	1,802
Less:		
Monthly prepaid taxes (PPM)	(65,102)	(83,050)
Credit for training expenses	(67)	(1,818)
Contributions Real Estate	(572)	(1,597)
Others	(2,214)	(2,857)
Total	19,944	19,030
Tax rate	22.50%	21.00%

	September 2015 MCh\$	December 2014 MCh\$
Current tax assets	3,104	3,468
Current tax liabilities	(23,048)	(22,498)
Total tax receivable (payable)	(19,944)	(19,030)

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

17. **Current Taxes and Deferred Taxes, continued:**(b) **Income Tax:**

The Bank's tax expense recorded for the nine-month period ended as of September 30, 2015 and 2014 as follows:

	September 2015 MCh\$	September 2014 MCh\$
Income tax expense:		
Current year taxes	86,826	71,044
Tax from previous period	(1,854)	1,050
Subtotal	84,972	72,094
Credit (charge) for deferred taxes:		
Origin and reversal of temporary differences	(27,818)	(15,128)
Effect of exchange rates on deferred tax	(10,167)	(21,083)
Subtotal	(37,985)	(36,211)
Non-deductible expenses (Art. 21 Income Tax Law)	2,225	1,031
Others	(773)	(167)
Net charge to income for income taxes	48,439	36,747

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

17. Current and Deferred Taxes, continued:

(c) Reconciliation of effective tax rate:

The following is a reconciliation of the income tax rate to the effective rate applied to determine the Bank's income tax expense as of September 30, 2015 and 2014:

	September 2015		September 2014	
	Tax rate %	MCh\$	Tax rate %	MCh\$
Income tax calculated on net income before tax	22.50	105,151	21.00	104,936
Additions or deductions	(5.09)	(23,787)	(5.17)	(25,845)
Price-level restatement	(4.39)	(20,524)	(4.39)	(21,961)
Non-deductible expenses tax	0.48	2,225	0.21	1,031
Tax from previous periods	(0.40)	(1,854)	0.21	1,050
Effect of changes in tax rate	(2.18)	(10,167)	(4.22)	(21,083)
Other	(0.56)	(2,605)	(0.28)	(1,381)
Effective rate and income tax expense	10.36	48,439	7.36	36,747

The effective rate for income tax for the period ended as of September 30, 2015 is 10.36% (7.36% in September 2014).

On September 29, 2014, Law 20,780 was issued and published in the Diario Oficial amending the Taxation System of Income and introducing various adjustments in the tax system. In the third paragraph of Article 14 of the new law indicates that companies that do not exercise the option of regime change that by default corresponds to the semi-integrated, must modify transiently the first category tax rate according to the following:

Year	Rate
2014	21.00%
2015	22.50%
2016	24.00%
2017	25.50%
2018	27.00%

Edgar Filing: BANK OF CHILE - Form 6-K

The effect on income by deferred taxes produced by the tax rate change was a credit in income for an amount of Ch\$10,167 million.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

17. **Current and Deferred Taxes, continued:**

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

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

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

	Balances as of December 31, 2014 MCh\$	Income MCh\$	Effect	Equity MCh\$	Balances as of September 30, 2015 MCh\$
Debit Differences:					
Allowances for loan losses	146,562	18,075			164,637
Repurchase agreements					
Personnel provisions	9,314	(3,298)			6,016
Staff vacation	5,489	485			5,974
Accrued interests and indexation adjustments from impaired loans	3,738	434			4,172
Staff severance indemnities provisions	1,460	(152)			1,308
Provision of credit cards expenses	10,637	2,396			13,033
Provision of accrued expenses	11,466	2,838		101	14,405
Leasing		12,518			12,518
Other adjustments	14,203	2,258			16,461
Total debit differences	202,869	35,554		101	238,524
Credit Differences:					
Depreciation and price-level restatement of property and equipment	14,304	(1,013)			13,291
Adjustment for valuation of financial assets available-for-sale	9,860			793	10,653
Leasing equipment	2,992	(2,992)			
Transitory assets	2,478	1,235			3,713
Adjustment for derivative instruments	13	(13)			
Loans accrued to effective rate	2,308	83			2,391
Other adjustments	3,074	269		3,343	
Total credit differences	35,029	(2,431)		793	33,391
Deferred tax assets (liabilities), net	167,840	37,985		(692)	205,133

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

17. Current Taxes and Deferred Taxes, continued:

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

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

	Balance as of December 31, 2013 MCh\$	Income MCh\$	Effect Equity MCh\$	Balance as of September 30, 2014 MCh\$	Income MCh\$	Effect Equity MCh\$	Balance as of December 31, 2014 MCh\$
Debit differences:							
Allowances for loan losses	108,102	30,482		138,584	7,978		146,562
Obligations with agreements to repurchase	205	(205)					
Personnel provisions	5,747	99		5,846	3,468		9,314
Staff vacations	4,379	905		5,284	205		5,489
Accrued interest and indexation adjustments from impaired loans	2,413	1,279		3,692	46		3,738
Staff severance indemnities provision	971	319	75	1,365	67	28	1,460
Provisions of credit card expenses	6,493	3,680		10,173	464		10,637
Provisions of accrued expenses	7,731	4,006		11,737	(271)		11,466
Other adjustments	9,863	3,131		12,994	1,209		14,203
Total debit differences	145,904	43,696	75	189,675	13,166	28	202,869
Credit differences:							
Depreciation of property and equipment and investment properties	14,436	1,085		15,521	(1,217)		14,304
Adjustment for valuation financial assets available-for-sale	7,343		2,525	9,868		8	9,860
Leasing equipment	8,500	3,635		12,135	(9,143)		2,992
Transitory assets	2,739	971		3,710	(1,232)		2,478
Derivatives instruments adjustment	138	(125)		13			13
Accrued interest to effective rate	1,046	903		1,949	359		2,308
Other adjustments	2,367	1,016		3,383	(309)		3,074
Total credit differences	36,569	7,485	2,525	46,579	(11,542)	(8)	35,029
Total Assets (Liabilities) net	109,335	36,211	(2,450)	143,096	24,708	36	167,840

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

18. Other Assets:

(a) Item detail:

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

	September 2015 MCh\$	December 2014 MCh\$
Assets held for leasing(*)	115,780	87,100
Assets received or awarded as payment(**)		
Assets awarded in judicial sale	4,304	3,014
Assets received in lieu of payment	113	934
Provision for assets received in lieu of payment	(222)	(207)
Subtotal	4,195	3,741
Other Assets		
Deposits by derivatives margin	229,289	143,379
Other accounts and notes receivable	18,181	16,124
Documents intermediated(***)	16,314	23,049
Investment properties	15,651	15,937
Servipag available funds	12,220	14,621
Prepaid expenses	11,928	6,240
VAT receivable	9,302	9,731
Recoverable income taxes	9,184	8,356
Commissions receivable	7,381	4,931
Rental guarantees	1,692	1,617
Recovered leased assets for sale	866	692
Accounts receivable for sale of assets received in lieu of payment	713	769
Materials and supplies	652	607
Others	23,384	18,163
Subtotal	356,757	264,216
Total	476,732	355,057

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

(**) Assets received in lieu of payment are assets received as payment of customers' past-due debts. The assets acquired must at no time exceed, in the aggregate, 20% of the Bank's effective equity. These assets represent 0.0033% (0.0287% as of December 31, 2014) of the Bank's effective equity.

Edgar Filing: BANK OF CHILE - Form 6-K

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

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

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

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

18. Other Assets, continued:

(b) Movements in the provision for assets received in lieu of payment during the nine-month period ended as of September 30, 2015 and 2014 are detailed as follows:

	MCh\$
Balance as of January 1, 2014	46
Provisions used	(65)
Provisions established	52
Provisions released	
Balance as of September 30, 2014	33
Provisions used	(33)
Provisions established	207
Provisions released	
Balance as of December 31, 2014	207
Provisions used	(60)
Provisions established	75
Provisions released	
Balance as of September 30, 2015	222

19. Current accounts and Other Demand Deposits:

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

	September 2015 MCh\$	December 2014 MCh\$
Current accounts	5,999,450	5,786,805
Other demand deposits	831,205	680,097
Other demand deposits and accounts	462,003	466,777
Total	7,292,658	6,933,679

20. Savings accounts and Time Deposits:

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

	September 2015 MCh\$	December 2014 MCh\$
Time deposits	9,908,815	9,450,224
Term savings accounts	205,724	188,311
Other term balances payable	193,711	82,711
Total	10,308,250	9,721,246

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

21. Borrowings from Financial Institutions:

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

	September 2015 MCh\$	December 2014 MCh\$
Domestic banks		
Foreign banks		
Foreign trade financing		
Citibank N.A.	366,686	141,633
Wells Fargo Bank	197,972	83,015
HSBC Bank	177,990	155,135
Canadian Imperial Bank Of Commerce	163,832	69,750
Bank of Montreal	160,340	139,548
The Bank of New York Mellon	112,235	57,581
Bank of Nova Scotia	92,712	38,804
Bank of America	85,301	126,004
Toronto Dominion Bank	73,185	45,489
Standard Chartered Bank	56,065	106,659
Sumitomo Mitsui Banking	34,826	
ING Bank	24,413	30,309
Zuercher Kantonalbank	6,966	6,088
Commerzbank A.G.	2,189	1,631
Royal Bank of Scotland		10,924
Mercantil Commercebank		6,070
Deutsche Bank Trust Company		48,037
Others	3,626	1,526
Borrowings and other obligations		
China Development Bank	8,758	15,165
Citibank N.A.	817	12,389
Wells Fargo Bank	4	
Others	1,171	2,950
Subtotal	1,569,088	1,098,707
Chilean Central Bank	7	9
Total	1,569,095	1,098,716

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

21. Borrowings from Financial Institutions, continued:

(b) Chilean Central Bank Obligations

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

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

	September 2015 MCh\$	December 2014 MCh\$
Borrowings and other obligations		
Total credit lines for the renegotiation of loans	7	9
Total	7	9

22. Debt Issued:

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

	September 2015 MCh\$	December 2014 MCh\$
Mortgage bonds	50,156	64,314
Bonds	5,138,035	4,223,047
Subordinated bonds	790,793	770,595
Total	5,978,984	5,057,956

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

22. Debt Issued, continued:

During the period ended as of September 30, 2015, Banco de Chile issued bonds by an amount of MCh\$1,839,964, of which corresponds to Unsubordinated bonds and Commercial papers by an amount of MCh\$846,312 million and MCh\$993,652 respectively, according to the following details:

Bonds

Serie	Amount MCh\$	Terms Years	Rate %	Currency	Issue date	Maturity date
BCHIAI0213	17,132	6	3.40	UF	02/17/2015	02/17/2021
BCHIAM0413	40,425	8	3.60	UF	02/20/2015	02/20/2023
BCHIAB1211	80,282	15	3.50	UF	27/02/2015	02/27/2030
BCHIAM0413	4,881	8	3.60	UF	03/13/2015	03/13/2023
BCHIAM0413	5,972	8	3.60	UF	03/19/2015	03/19/2023
BCHIAM0413	11,225	8	3.60	UF	04/06/2015	04/06/2023
BCHIAM0413	2,673	8	3.60	UF	04/07/2015	04/07/2023
BCHIAZ0613	53,874	14	3.60	UF	04/17/2015	04/17/2029
BONO USD	30,595	6	LIBOR 3 M + 0.69	USD	04/30/2015	04/30/2021
BCHIAM0413	15,242	8	3.60	UF	05/08/2015	05/08/2023
BCHIAP0213	29,715	9	3.60	UF	05/15/2015	05/15/2024
BCHIAP0213	7,435	9	3.60	UF	05/18/2015	05/18/2024
BCHIAP0213	2,658	9	3.60	UF	05/22/2015	05/22/2024
BCHIAP0213	13,308	9	3.60	UF	05/27/2015	05/27/2024
BCHIAO0713	14,072	8	3.40	UF	06/09/2015	06/09/2023
BCHIAO0713	21,146	8	3.40	UF	06/10/2015	06/10/2023
BCHIAO0713	4,518	8	3.40	UF	06/15/2015	06/15/2023
BCHIAO0713	4,653	8	3.40	UF	06/16/2015	06/16/2023
BCHIAO0713	10,639	8	3.40	UF	06/18/2015	06/18/2023
BCHIAO0713	9,315	8	3.40	UF	06/23/2015	06/23/2023
BCHIAW0213	80,003	13	3.60	UF	06/25/2015	06/25/2028
BCHIAO0713	22,367	8	3.40	UF	07/03/2015	07/03/2023
BCHIAO0713	3,692	8	3.40	UF	07/07/2015	07/07/2023
BCHIAX0613	16,068	13	3.60	UF	07/08/2015	07/08/2023
BCHIAX0613	37,494	13	3.60	UF	07/09/2015	09/09/2028
BCHIAO0713	4,255	8	3.40	UF	07/10/2015	07/10/2023
BCHIAO0713	2,681	8	3.40	UF	07/22/2015	07/22/2023
BCHIAS0513	9,550	10	3.60	UF	07/28/2015	07/28/2025
BCHIU1211	80,744	14	3.50	UF	08/06/2015	08/06/2029
BCHIAS0513	9,334	10	3.60	UF	08/13/2015	08/13/2025
BCHIAK0613	81,154	7	3.40	UF	08/14/2015	08/14/2022

Edgar Filing: BANK OF CHILE - Form 6-K

BCHIAS0513	3,297	10	3.60	UF	08/18/2015	08/18/2025
BCHIAS0513	6,046	10	3.60	UF	08/19/2015	08/19/2025
BCHIUW1011	54,750	13	3.50	UF	08/24/2015	08/24/2028
BCHIUW1011	55,117	13	3.50	UF	08/31/2015	08/31/2028
Total as of September 30, 2015	846,312					

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

22. Debt Issued, continued:

Commercial Papers

Series	MCh\$	Interest rate	Currency	Issued date	Maturity date
MERRILL LYNCH	15,425	0.32	USD	01/05/2015	04/06/2015
GOLDMAN SACHS	15,380	0.33	USD	01/07/2015	04/09/2015
GOLDMAN SACHS	30,638	0.33	USD	01/08/2015	04/08/2015
WELLS FARGO BANK	12,255	0.32	USD	01/08/2015	04/08/2015
WELLS FARGO BANK	3,077	0.43	USD	01/12/2015	07/13/2015
MERRILL LYNCH	9,421	0.46	USD	01/21/2015	07/21/2015
MERRILL LYNCH	9,421	0.60	USD	01/21/2015	10/16/2015
JP.MORGAN CHASE	49,944	0.37	USD	01/22/2015	04/22/2015
WELLS FARGO BANK	16,262	0.32	USD	02/10/2015	05/11/2015
WELLS FARGO BANK	2,502	0.47	USD	02/10/2015	08/10/2015
JP.MORGAN CHASE	48,215	0.35	USD	03/03/2015	06/02/2015
WELLS FARGO BANK	4,393	0.82	USD	03/06/2015	03/04/2016
MERRILL LYNCH	15,690	0.42	USD	03/06/2015	08/06/2015
JP.MORGAN CHASE	31,395	0.35	USD	03/09/2015	06/08/2015
WELLS FARGO BANK	2,569	0.48	USD	03/17/2015	09/14/2015
MERRILL LYNCH	4,975	0.42	USD	03/20/2015	08/06/2015
MERRILL LYNCH	3,122	0.48	USD	03/23/2015	09/17/2015
JP.MORGAN CHASE	31,951	0.38	USD	03/23/2015	06/22/2015
WELLS FARGO BANK	25,079	0.35	USD	03/30/2015	06/30/2015
JP.MORGAN CHASE	37,467	0.48	USD	04/06/2015	10/02/2015
JP.MORGAN CHASE	14,519	0.38	USD	04/06/2015	07/06/2015
GOLDMAN SACHS	42,858	0.35	USD	04/08/2015	07/08/2015
CITIBANK N.A.	15,506	0.35	USD	04/10/2015	07/06/2015
JP.MORGAN CHASE	16,524	0.40	USD	04/17/2015	08/17/2015
JP.MORGAN CHASE	49,536	0.40	USD	04/22/2015	08/03/2015
WELLS FARGO BANK	15,856	0.34	USD	05/11/2015	08/10/2015
JP.MORGAN CHASE	48,721	0.40	USD	06/02/2015	09/02/2015
JP.MORGAN CHASE	31,567	0.40	USD	06/08/2015	09/08/2015
WELLS FARGO BANK	3,796	0.52	USD	06/19/2015	12/16/2015
JP.MORGAN CHASE	32,321	0.36	USD	06/22/2015	09/17/2015
WELLS FARGO BANK	2,620	0.27	USD	06/30/2015	09/17/2015
WELLS FARGO BANK	10,162	0.37	USD	06/30/2015	10/02/2015
WELLS FARGO BANK	12,782	0.59	USD	06/30/2015	01/05/2016
JP.MORGAN CHASE	15,222	0.39	USD	07/06/2015	10/05/2015
CITIBANK N.A.	16,030	0.36	USD	07/06/2015	10/05/2015
GOLDMAN SACHS	45,651	0.36	USD	07/08/2015	10/08/2015
MERRILL LYNCH	10,419	0.72	USD	07/21/2015	04/15/2016
WELLS FARGO BANK	3,390	0.54	USD	08/04/2015	02/03/2016

Edgar Filing: BANK OF CHILE - Form 6-K

WELLS FARGO BANK	33,904	0.31	USD	08/04/2015	09/30/2015
MERRILL LYNCH	19,664	0.36	USD	08/04/2015	11/04/2015
MERRILL LYNCH	22,323	0.36	USD	08/06/2015	11/04/2015
WELLS FARGO BANK	11,549	0.93	USD	08/06/2015	08/04/2016
WELLS FARGO BANK	6,773	0.36	USD	08/07/2015	11/13/2015
WELLS FARGO BANK	6,740	0.93	USD	08/10/2015	08/05/2016
WELLS FARGO BANK	13,634	0.45	USD	08/11/2015	12/08/2015
CITIBANK N.A.	18,710	0.45	USD	08/18/2015	11/16/2015
JP.MORGAN CHASE	69,151	0.51	USD	09/02/2015	12/02/2015
JP.MORGAN CHASE	34,543	0.51	USD	09/08/2015	12/08/2015
Total as of September 30, 2015	993,652				

As of September 30, 2015 the Bank has no issued subordinated bonds.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

22. Debt Issued, continued:

During the period ended as of December 31, 2014, Banco de Chile issued bonds by an amount of MCh\$1,826,552, of which corresponds to Unsubordinated bonds and commercial papers by an amount of MCh\$736,212 and MCh\$1,090,340 respectively, according to the following details:

Bonds

Series	MCh\$	Term (years)	Interest rate	Currency	Issued date	Maturity date
BCHIAJ0413	72,444	7	3.40	UF	01/27/2014	01/27/2021
BCHIAH0513	47,861	5	3.40	UF	01/27/2014	01/27/2019
BCHIAL0213	96,796	8	3.60	UF	02/10/2014	02/10/2022
BONO CHF	95,198	2	3M Libor + 0.75	CHF	02/28/2014	02/28/2016
BONO CHF	79,332	5	1.25	CHF	02/28/2014	02/28/2019
BONO JPY	11,226	5	0.98	JPY	03/18/2014	03/18/2019
BCHIUN1011	7,314	7	3.20	UF	04/16/2014	04/16/2021
BONO HKD	43,044	6	3.08	HKD	04/16/2014	04/16/2020
BCHIUN1011	12,224	7	3.20	UF	04/22/2014	04/22/2021
BCHIAA0212	49,986	14	3.50	UF	04/29/2014	04/29/2028
BONO JPY	27,383	8	1.01	JPY	04/29/2014	04/29/2022
BCHIAA0212	26,110	14	3.50	UF	07/22/2014	07/22/2028
BCHIA Y0213	79,979	14	3.60	UF	07/31/2014	07/31/2028
BONO JPY	28,133	6	0.55	JPY	08/06/2014	08/06/2020
BCHIAI0213	50,481	6	3.40	UF	08/12/2014	08/12/2020
BCHIAI0213	2,813	6	3.40	UF	09/15/2014	09/15/2020
BCHIAI0213	1,022	6	3.40	UF	09/16/2014	09/16/2020
BCHIAI0213	1,664	6	3.40	UF	09/24/2014	09/24/2020
BCHIAI0213	3,202	6	3.40	UF	10/02/2014	10/02/2020
Total as of December 31, 2014	736,212					

Commercial Papers

Counterparty	MCh\$	Interest rate	Currency	Issued date	Maturity date
Citibank N.A,	10,888	0.30	USD	01/21/2014	04/22/2014
Goldman Sachs	27,220	0.30	USD	01/21/2014	04/22/2014
Merrill Lynch	10,888	0.30	USD	01/21/2014	04/22/2014

Edgar Filing: BANK OF CHILE - Form 6-K

Citibank N,A,	2,712	0.30	USD	01/22/2014	05/14/2014
Wells Fargo Bank	13,558	0.30	USD	01/22/2014	05/14/2014
Wells Fargo Bank	27,117	0.30	USD	01/22/2014	05/14/2014
JP Morgan Chase	22,384	0.30	USD	02/05/2014	05/06/2014
Citibank N,A,	11,192	0.30	USD	02/05/2014	05/06/2014
Merrill Lynch	11,192	0.30	USD	02/05/2014	05/06/2014
Goldman Sachs	11,192	0.30	USD	02/05/2014	05/06/2014
Wells Fargo Bank	3,910	0.50	USD	03/06/2014	03/06/2015
Wells Fargo Bank	55,121	0.25	USD	05/14/2014	08/12/2014
Goldman Sachs	11,024	0.23	USD	05/28/2014	09/02/2014

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

22. Debt Issued, continued:

Commercial Papers, continued

Counterparty	MCh\$	Interest rate	Currency	Issued date	Maturity date	Counterparty
Merrill Lynch	11,024	0.23	USD	05/28/2014	09/02/2014	
Wells Fargo Bank	27,453	0.27	USD	05/29/2014	09/03/2014	
JP Morgan Chase	54,984	0.30	USD	05/30/2014	09/03/2014	
Wells Fargo Bank	21,994	0.38	USD	05/30/2014	09/26/2014	
JP Morgan Chase	27,658	0.29	USD	06/04/2014	09/10/2014	
Merrill Lynch	13,829	0.50	USD	06/04/2014	03/06/2015	
JP Morgan Chase	27,710	0.31	USD	06/10/2014	09/15/2014	
JP Morgan Chase	3,329	0.65	USD	06/11/2014	06/10/2015	
Merrill Lynch	5,526	0.50	USD	06/23/2014	03/20/2015	
Wells Fargo Bank	11,067	0.30	USD	07/08/2014	10/08/2014	
Goldman Sachs	27,669	0.30	USD	07/08/2014	10/08/2014	
JP Morgan Chase	55,337	0.30	USD	07/08/2014	09/26/2014	
JP Morgan Chase	33,263	0.52	USD	07/11/2014	04/06/2015	
Wells Fargo Bank	17,284	0.28	USD	08/12/2014	11/12/2014	
Wells Fargo Bank	15,556	0.64	USD	08/12/2014	08/06/2015	
Wells Fargo Bank	20,155	0.30	USD	08/13/2014	12/11/2014	
JP Morgan Chase	58,860	0.31	USD	09/03/2014	12/03/2014	
Wells Fargo Bank	52,974	0.35	USD	09/03/2014	01/12/2015	
JP Morgan Chase	29,529	0.31	USD	09/10/2014	12/09/2014	
JP Morgan Chase	29,812	0.31	USD	09/15/2014	12/15/2014	
JP Morgan Chase	59,860	0.31	USD	09/26/2014	12/23/2014	
Wells Fargo Bank	23,944	0.31	USD	09/26/2014	12/29/2014	
Goldman Sachs	29,650	0.31	USD	10/08/2014	01/09/2015	
Wells Fargo Bank	11,860	0.31	USD	10/08/2014	01/09/2015	
Wells Fargo Bank	17,815	0.32	USD	11/12/2014	02/10/2015	
JP Morgan Chase	47,664	0.35	USD	12/03/2014	03/03/2015	
JP Morgan Chase	13,366	0.58	USD	12/03/2014	08/28/2015	
JP Morgan Chase	30,690	0.35	USD	12/09/2014	03/09/2015	
JP Morgan Chase	35,928	0.35	USD	12/15/2014	03/16/2015	
Wells Fargo Bank	16,693	0.40	USD	12/15/2014	04/13/2015	
Wells Fargo Bank	15,177	0.58	USD	12/29/2014	08/26/2016	
Wells Fargo Bank	24,282	0.33	USD	12/29/2014	03/30/2015	
Total as of December 31, 2014	1,090,340					

As of December 31, 2014 the Bank has no issued subordinated bonds.

Edgar Filing: BANK OF CHILE - Form 6-K

The Bank has not had breaches of capital and interest with respect to its debts instruments and has complied with its debt covenants and other compromises related to debt issued during periods 2015 and 2014.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

23. Other Financial Obligations:

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

	Septembr 2015 MCh\$	December 2014 MCh\$
Other chilean obligations	110,525	141,729
Public sector obligations	42,983	44,844
Other abroad obligations		
Total	153,508	186,573

24. Provisions:

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

	September 2015 MCh\$	December 2014 MCh\$
Provision for minimum dividends	241,823	324,588
Provisions for personnel benefits and payroll expenses	64,814	81,515
Provisions for contingent loan risks	59,132	54,077
Provisions for contingencies:		
Additional loan provisions(*)	161,177	130,256
Country risk provisions	9,483	2,959
Other provisions for contingencies	9,036	8,319
Total	545,465	601,714

(*) As of September 30, 2015 it was entered additional provision by an amount of Ch\$30,921 million (Ch\$22,499 during period 2014). See Note No. 24 (b).

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

24. Provisions, continued:

(b) The following table details the movements in provisions and accrued expenses during the nine-month period ended as of September 30, 2015 and December 31, 2014:

	Minimum dividends MCh\$	Personnel benefits and payroll MCh\$	Contingent loan Risks MCh\$	Additional loan provisions MCh\$	Country risk provisions and other contingencies MCh\$	Total MCh\$
Balances as of January 1, 2014	324,582	67,943	49,277	107,757	2,339	551,898
Provisions established	266,044	34,697	4,111	10,069	7,487	322,408
Provisions used	(324,582)	(37,807)			(230)	(362,619)
Provisions released						
Balances as of September 30, 2014	266,044	64,833	53,388	117,826	9,596	511,687
Provisions established	58,544	25,686	689	12,430	1,682	99,031
Provisions used		(9,004)				(9,004)
Provisions released						
Balances as of December 31, 2014	324,588	81,515	54,077	130,256	11,278	601,714
Provisions established	241,823	42,012	5,055	30,921	7,488	327,299
Provisions used	(324,588)	(58,713)			(247)	(383,548)
Provisions released						
Balances as of September 30, 2015	241,823	64,814	59,132	161,177	18,519	545,465

(c) Provisions for personnel benefits and payroll:

	September 2015 MCh\$	December 2014 MCh\$
Vacation accrual	24,708	23,727
Short-term personnel benefits	23,579	29,678
Pension plan- defined benefit plan	10,572	11,471
Other benefits	5,955	16,639
Total	64,814	81,515

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

24. Provisions, continued:

(d) Pension plan Defined benefit plan:

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

	September 2015 MCh\$	September 2014 MCh\$
Opening defined benefit obligation	11,471	10,696
Increase in provisions	496	614
Benefit paid	(1,395)	(253)
Actuarial gains		290
Closing defined benefit obligation	10,572	11,347

(ii) Net benefits expenses:

	September 2015 MCh\$	September 2014 MCh\$
Current service cost	54	128
Interest cost of benefits obligations	442	486
Effect of change in actuarial factors		290
Net benefit expenses	496	904

(iii) Assumptions used to determine pension obligations:

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

September 2015	December 2014
-------------------	------------------

Edgar Filing: BANK OF CHILE - Form 6-K

	%	%
Discount rate	4.38	4.38
Annual salary increase	5.12	5.12
Payment probability	99.99	99.99

The most recent actuarial valuation of the present value of the benefit plan obligation was carried out as of December 31, 2014.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

24. Provisions, continued:

(e) Movements in provisions for incentive plans:

	September 2015 MCh\$	September 2014 MCh\$
Balances as of January 1,	29,678	32,000
Provisions established	24,063	19,778
Provisions used	(30,162)	(27,805)
Provisions release		
Total	23,579	23,973

(f) Movements in vacations accruals:

	September 2015 MCh\$	September 2014 MCh\$
Balances as of January 1,	23,727	21,895
Provisions established	4,318	4,040
Provisions used	(3,337)	(2,814)
Provisions release		
Total	24,708	23,121

(g) Employee share-based benefits provision:

As of September 30, 2015 and 2014, the Bank and its subsidiaries do not have a stock-based compensation plan.

(h) Contingent loan provisions:

Edgar Filing: BANK OF CHILE - Form 6-K

As of September 30, 2015 and December 31, 2014, the Bank and its subsidiaries maintain contingent loan provisions by an amount of Ch\$59,132 million (Ch\$54,077 million as of December 31, 2014). See Note No. 26 (d).

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

25. Other Liabilities:

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

	September 2015 MCh\$	December 2014 MCh\$
Accounts and notes payable(*)	135,051	121,388
Unearned income	6,467	5,946
Dividends payable	1,380	1,011
Other liabilities		
Cobranding	52,795	43,291
Documents intermediated(**)	23,985	45,580
VAT debit	13,020	13,605
Leasing deferred gains	5,681	6,003
Transactions in progress	740	1,391
Insurance payments	216	284
Others	11,734	8,583
Total	251,069	247,082

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

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

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

26. Contingencies and Commitments:

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

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

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

	September 2015 MCh\$	December 2014 MCh\$
Contingent loans		
Guarantees and surety bonds	449,172	412,474
Confirmed foreign letters of credit	105,541	136,846
Issued letters of credit	136,354	152,582
Bank guarantees	1,761,225	1,576,763
Immediately available credit lines	7,128,332	6,084,098
Other commitments	174,318	14,434
Transactions on behalf of third parties		
Collections	233,634	305,384
Third-party resources managed by the Bank:		
Financial assets managed on behalf of third parties	14,927	13,153
Other Financial assets managed on behalf of third parties		
Financial assets acquired on its own behalf	148,585	67,834
Other Financial assets acquired on its own behalf		
Fiduciary activities		
Securities held in safe custody in the Bank	8,220,385	7,488,897
Securities held in safe custody in other entities	4,958,667	4,865,570
Total	23,331,140	21,118,035

The prior information only includes the most significant balances.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, *continued*

26. Contingencies and Commitments, continued:

(b) Lawsuits and legal proceedings:

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

At the date of issuance of these consolidated financial statements, there are actions filed against the Bank and its subsidiaries related with the ordinary course operations.

Among these actions, there is the following:

- Collective action filed by the National Consumer Service (Servicio Nacional del Consumidor) in accordance with Law No. 19,496. This action seeks to challenge some clauses of the Person Products Unified Agreement (Contrato Unificado de Productos de Personas) regarding fees on credit lines for overdraft and validity of the tacit consent to changes in fees, charges and other conditions in consumer contracts.
- Collective action filed by the National Corporation of Consumers and Users of Chile (Corporación Nacional de Consumidores y Usuarios de Chile) that challenge some clauses of the Person Products Unified Agreement (Contrato Unificado de Productos de Personas) regarding fees on credit lines for overdraft and validity of the tacit consent to changes in fees, charges and other conditions in consumer contracts, along with the outsourcing of certain services related to our clients' current account data.
- Collective action filed by the National Organization of Consumers and Users of Chile (Organización de Consumidores y Usuarios de Chile) that requests the Court to declare abusive and void certain provisions of the Person Products Unified Agreement regarding the use of self-service channels (internet, ATMs, telephone banking) and Credit Cards. Such provisions refer to the user's duty to act with diligence and care with respect to passwords as well as the responsibility they have in case of disclosure to third parties, and the use by such third parties of them.

Edgar Filing: BANK OF CHILE - Form 6-K

As of September 30, 2015, the Bank has established provisions for this concept in the amount of MCh\$8,783 (MCh\$8,073 as of December 31, 2014), recorded within Provisions in the Interim Condensed Consolidated Statement of Financial Position. The following table presents estimated date of completion of the respective litigation:

	2015	2016	September 30, 2015		2019	Total
	MCh\$	MCh\$	2017	2018	MCh\$	MCh\$
			MCh\$	MCh\$		
Legal contingencies	4,156	4,248	9	370		8,783

(b.2) Contingencies for significant lawsuits:

As of September 30, 2015 and December 31, 2014 there are not any significant lawsuits, where the Bank is involved, that affect or may affect these consolidated financial statements.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

26. Contingencies and Commitments, continued:

(c) Guarantees granted:

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

In compliance with Article No. 12 of Law No. 20,712, Banchile Administradora General de Fondos S.A., has designated Banco de Chile as the representative of the beneficiaries of the guarantees it has established and in that character the Bank has issued bank guarantees totaling UF 2,673,000, maturing January 8, 2016 (UF 2,458,000, maturing on January 9, 2015 as of December 31, 2014). The subsidiary took a policy with Mapfre Seguros Generales S.A. for the Real State Funds by a guaranteed amount of UF 156,000.

In addition to these guarantees for creating mutual funds, there are other guarantees for a guaranteed return on certain mutual funds, totaling Ch\$11,025 million as of September 30, 2015 (Ch\$35,861 million as of December 31, 2014).

The details of guarantees are as follow:

Fund	September	Guarantees Number	December	Guarantees Number
	2015 MCh\$		2014 MCh\$	
Mutual Fund Depósito Plus VI Guaranteed	5,429	002506-8	5,429	002506-8
Mutual Fund Twin Win Europa 103 Guaranteed	3,537	006035-1	3,537	006035-1
Mutual Fund Europa Accionario Guaranteed	2,059	006036-9	2,059	006036-9
Mutual Fund Depósito Plus V Guaranteed		001107-7	9,976	001107-7
Mutual Fund Small Cap USA Guaranteed		008212-5	5,197	008212-5
Mutual Fund Global Stocks Guaranteed		007385-9	2,964	007385-9
Mutual Fund Second Best Europa China Guaranteed		007082-7	1,649	007082-7
Mutual Fund Chile Bursátil Guaranteed			5,050	006034-3
Total	11,025		35,861	

In compliance to establish by the Superintendence of Securities and Insurance in letter f) of Circular 1,894 of September 24, 2008, the entity has constituted guarantees, by management portfolio, in benefit of investor. Such guarantee corresponds to a bank guarantee for UF175,000, with maturity on January 8, 2016.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

26. Contingencies and Commitments, continued:

(c) Guarantees granted, continued:

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

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

	September 2015 MCh\$	December 2014 MCh\$
Guarantees:		
Shares to secure short-sale transactions in:		
Securities Exchange of the Santiago, Stock Exchange	17,800	17,158
Securities Exchange of the Electronic, Stock Exchange of Chile	13,710	8,748
Fixed income securities to ensure system CCLV, Securities Exchange of the Santiago, Stock Exchange		
	2,998	2,996
Shares to secure loans of shares Chilean Electronic Stock Exchange, Stock Exchange		
Total	34,508	28,902

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

26. Contingencies and Commitments, continued:

(c) Guarantees granted, continued:

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

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

Banchile Corredores de Bolsa S.A. keeps an insurance policy current with AIG Chile - Compañía de Seguros Generales S.A. that expires January 2, 2016, and that covers employee fidelity, physical losses, falsification or adulteration, and currency fraud with a coverage amount equivalent to US\$10,000,000.

According to disposition of Chilean Central Bank, it was constituted a bank guarantee corresponding to UF10,500, with purposes to comply with the contract SOMA (Contract for Service System Open Market Operations) of Chilean Central Bank. This bank guarantee is revaluated in UF to fixed term, not endorsable with maturity of July 18, 2016.

It was constituted a bank guarantee No. 356782-3 corresponds to UF185,000, in benefits of investors with contracts of portfolio management. This bank guarantee is revaluated in UF to fixed term, not endorsable with maturity of January 8, 2016.

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

iii. In subsidiary Banchile Corredores de Seguros Ltda,

Edgar Filing: BANK OF CHILE - Form 6-K

According to established in article No. 58, letter D of D.F.L. 251, as of September 30, 2015, the entity maintains two insurance policies that protect it in the face of possible damages that it could affect it, due to infractions of the law, regulations and complementary rules that regulate insurance brokers, and when the non-compliance is from acts, mistakes or omissions of the brokers, its represents, agent or dependent that participate in the intermediation for Banchile Corredores de Bolsa S.A.

The policies contracted are the following:

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

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

26. Contingencies and Commitments, continued:

(d) Provisions for contingencies loans:

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

	September 2015 MCh\$	December 2014 MCh\$
Credit lines	37,010	34,715
Bank guarantees	17,315	15,372
Guarantees and surety bonds	3,668	3,009
Letters of credit	519	639
Other commitments	620	342
Total	59,132	54,077

(e) In the Eleventh Civil Court of Santiago, Banchile Corredores de Bolsa S.A. filed a reclamation against the Resolución Exenta No. 270 of October 30, 2014 of the Superintendency of Securities and Insurance (SVS), whereby that Superintendency imposed a fine to Banchile Corredores de Bolsa S.A. (Banchile Corredores) for an amount of UF50,000 for the alleged infringement of Article 53 second paragraph of Law 18,045 (Ley de Mercado de Valores), for certain specific transactions related to Sociedad Química y Minera de Chile S.A.'s shares (SQM-A). Through the claim Banchile Corredores seeks to void the fine. As a requirement to file the claim, Banchile credited 25% of the amount of the fine. That complaint was accumulated to, Case No. 25.795-2014, the 22nd Civil Court of Santiago, which has not yet begun the probationary term.

According to the current policies, the company has not established provisions because this judicial process has not been ruled yet and also because our legal advisors have estimated that there are grounds to get a favorable judgment for Banchile Corredores.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

27. **Equity:**

(a) Capital

(i) Authorized, subscribed and paid shares:

As of September 30, 2015, the paid-in capital of Banco de Chile is represented by 96,129,146,433 registered shares (94,655,367,544 shares as of December 31, 2014), with no par value, fully paid and distributed.

(ii) Shares:

(ii.1) 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, where 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 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.

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.

(ii.2) The following table shows the share movements from December 31, 2013 to September 30, 2015:

Edgar Filing: BANK OF CHILE - Form 6-K

**Total Ordinary
Shares**

As of December 31, 2013	93,175,043,991
Capitalization of earnings	1,480,323,553
Total shares as of September 30, 2014	94,655,367,544
Total shares as of December 31, 2014	94,655,367,544
Capitalization of earning (*)	1,473,778,889
Total shares as September 30, 2015	96,129,146,433

(*) See note No. 5 letter (l) (a)

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

27. Equity, continued:

(b) Distributable income:

For purposes of Law No. 19,396 (in particular Articles 24, 25 and 28 of such law) and the Central Bank Contract between Banco de Chile and Sociedad Matriz del Banco de Chile S.A.- Banco de Chile's distributable net income will be determined by subtracting or adding to net income the correction of the value of the paid-in capital and reserves according to the variation of the Consumer Price Index between November of the fiscal year prior to the one in which the calculation is made and November of the fiscal year in which the calculation is made. The difference between net income and distributable net income shall be registered in a reserve account since the first day of the fiscal year following the date when the calculation is made. This reserve account cannot be distributed or capitalized. Provisional Article four shall be in force until the obligation of Law No. 19,396 owed by Sociedad Matriz del Banco de Chile S.A., directly or through its subsidiary SAOS has been fully paid. The distributable income for the nine-month period ended as of September 30, 2015 ascend to Ch\$345,461 million (Ch\$463,698 million as of December 31, 2014).

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

As stated, the retention of earnings for the year ended as of December 31, 2014, made in March of 2015, ascend to Ch\$127,383 million (Ch\$49,913 million of income for the year ended as of December 31, 2013, retained in March of 2014).

(c) Approval and payment of dividends:

At the Ordinary Shareholders Meeting held on March 26, 2015, the Bank's shareholders agreed to distribute and pay dividend No. 203 amounting to Ch\$3.42915880220 per common share of Banco de Chile, with charge to distributable net income for the year ended as of December 31, 2014. The dividend of period 2015 amounted Ch\$367,444 million.

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

(d) Provision for minimum dividends:

The Board of Directors established a minimum dividend distribution policy, where the Bank has to record a provision of 70% of net income of the Annual Consolidated Financial Statements. Accordingly, the Bank recorded a liability under the line item Provisions for an amount of MCh\$241,823 (MCh\$324,588 as of December 31, 2014) against Retained earnings .

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

27. Equity, continued:

(e) Earnings per share:

(i) Basic earnings per share:

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

(ii) Diluted earnings per share:

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

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

	September 2015	September 2014
Basic earnings per share:		
Net profits attributable to ordinary equity holders of the bank (in millions)	418,897	462,947
Weighted average number of ordinary shares	96,129,146,433	96,129,146,433
Earning per shares (in Chilean pesos)(*)	4.36	4.82
Diluted earnings per share:		
Net profits attributable to ordinary equity holders of the bank (in millions)	418,897	462,947
Weighted average number of ordinary shares	96,129,146,433	96,129,146,433
Assumed conversion of convertible debt		
Adjusted number of shares	96,129,146,433	96,129,146,433
Diluted earnings per share (in Chilean pesos)(*)	4.36	4.82

(*) As of September 30, 2014 earning per shares considers the effect of fully paid shares, no par value, issued in 2015.

As of September 30, 2015 and 2014, the Bank did not have any instruments that could lead to a dilution of its ordinary shares.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

27. Equity, continued:

(f) Other comprehensive income:

The cumulative translation adjustment is generated from the Bank's translation of its investments in foreign companies, as it records the effects of foreign currency translation for these items in equity. During the period 2015 there were made a debit to equity to Ch\$1 million of cumulative translation adjustment (debit to equity for Ch\$79 million as of September 30, 2014).

The fair market value adjustment for available-for-sale instruments is generated by fluctuations in the fair value of that portfolio, with a charge or credit to equity, net of deferred taxes. During the period of 2015 it was made a net debit to equity for an amount of Ch\$2,734 million (net debit to equity for Ch\$5,064 million as of September 30, 2014).

Cash flow hedge adjustment it consists in the portion of income of hedge instruments registered in equity produced in a cash flow hedge. During the period of 2015 it was made a net credit to equity for an amount of Ch\$3,970 million (charge to equity for Ch\$4,302 million as of September 30, 2014).

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

28. Interest Revenue and Expenses:

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

	September 2015			September 2014			Total MCh\$
	Interest MCh\$	Adjustment MCh\$	Prepaid fees MCh\$	Interest MCh\$	Adjustment MCh\$	Prepaid fees MCh\$	
Commercial loans	487,379	133,964	2,810	624,153	528,604	170,606	701,154
Consumer loans	416,631	2,386	7,032	426,049	420,736	2,726	430,121
Residential mortgage loans	172,648	162,693	3,528	338,869	161,477	178,456	342,771
Financial investment	36,664	12,076		48,740	41,755	19,165	60,920
Repurchase agreements	996			996	1,086		1,086
Loans and advances to banks	21,146			21,146	13,805		13,805
Other interest revenue	491	1,787		2,278	364	2,319	2,683
Total	1,135,955	312,906	13,370	1,462,231	1,167,827	373,272	1,552,540

The amount of interest revenue recognized on a received basis for impaired portfolio as of September 30, 2015 was Ch\$6,973 million (Ch\$6,514 million in September 2014).

(b) At the each period end, the stock of interest income not recognized in income is the following:

	September 2015			September 2014		
	Interest MCh\$	Adjustment MCh\$	Total MCh\$	Interest MCh\$	Adjustment MCh\$	Total MCh\$
Commercial loans	9,581	3,024	12,605	11,146	1,592	12,738
Residential mortgage loans	1,944	2,014	3,958	1,493	1,138	2,631
Consumer loans	272	4	276	186		186

Edgar Filing: BANK OF CHILE - Form 6-K

Total	11,797	5,042	16,839	12,825	2,730	15,555
-------	--------	-------	--------	--------	-------	--------

76

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

28. Interest Revenue and Expenses, continued:

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

	Interest MCh\$	September 2015 Adjustment MCh\$	Total MCh\$	Interest MCh\$	September 2014 Adjustment MCh\$	Total MCh\$
Savings accounts and time deposits	200,785	47,387	248,172	262,216	68,149	330,365
Debt issued	124,357	112,204	236,561	117,285	122,870	240,155
Other financial obligations	1,313	1,067	2,380	1,393	1,367	2,760
Repurchase agreements	5,321	266	5,587	7,442	102	7,544
Borrowings from financial institutions	7,108		7,108	5,221		5,221
Demand deposits	533	3,487	4,020	515	6,129	6,644
Other interest expenses		831	831		679	679
Total	339,417	165,242	504,659	394,072	199,296	593,368

(d) As of September 30, 2015 and 2014, the Bank uses cross currency and interest rate swaps to hedge its position on the fair value of corporate bonds and commercial loans and cross currency swaps to hedge its obligations with foreign banks and bonds issued abroad.

	Income (loss) MCh\$	September 2015 Expense MCh\$	Total MCh\$	Income (loss) MCh\$	September 2014 Expense MCh\$	Total MCh\$
Gain from fair value accounting hedges				240		240
Loss from fair value accounting hedges	(2,852)		(2,852)	(5,052)		(5,052)
Gain from cash flow accounting hedges	20,390	25,790	46,180	10,444	22,585	33,029
Loss from cash flow accounting hedges	(82,074)	(10,845)	(92,919)	(77,389)	(6,896)	(84,285)
Net gain on hedge items	(1,429)		(1,429)	(245)		(245)
Total	(65,965)	14,945	(51,020)	(72,002)	15,689	(56,313)

Edgar Filing: BANK OF CHILE - Form 6-K

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

	September 2015 MCh\$	September 2014 MCh\$
Interest revenue	1,462,231	1,552,540
Interest expense	(504,659)	(593,368)
Subtotal interest income	957,572	959,172
Net gain (loss) from accounting hedges	(51,020)	(56,313)
Total net interest income	906,552	902,859

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

29. Income and Expenses from Fees and Commissions:

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

	September 2015 MCh\$	September 2014 MCh\$
Income from fees and commission		
Card services	95,615	83,195
Investments in mutual funds and others	56,971	47,913
Collections and payments	39,048	36,304
Portfolio management	29,115	27,761
Fees for insurance transactions	16,294	14,823
Use of distribution channel	15,337	15,360
Guarantees and letters of credit	14,918	14,180
Trading and securities management	12,668	11,630
Lines of credit and overdrafts	11,616	15,383
Usage Banchile s brand	10,175	9,815
Financial advisory services	4,676	4,410
Other fees earned	14,087	5,379
Total income from fees and commissions	320,520	286,153
Expenses from fees and commissions		
Fees for credit card transactions	(75,506)	(65,946)
Fees on interbank transactions	(10,270)	(8,549)
Fees for collections and payments	(4,905)	(4,788)
Sale of mutual fund	(2,937)	(2,545)
Fees for securities transactions	(2,362)	(2,065)
Sales force fees	(949)	(1,420)
Other fees	(432)	(350)
Total expenses from fees and commissions	(97,361)	(85,663)

30. Net Financial Operating Income:

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

September September

Edgar Filing: BANK OF CHILE - Form 6-K

	2015	2014
	MCh\$	MCh\$
Financial assets held-for-trading	14,124	23,385
Sale of available-for-sale instruments	9,509	17,281
Trading derivative	8,599	(16,249)
Sale of loan portfolios	2,690	43
Net income on other transactions	2,001	(909)
Total	36,923	23,551

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

31. Foreign Exchange Transactions, net:

Net foreign exchange transactions are detailed as follows:

	September 2015 MCh\$	September 2014 MCh\$
Gain from accounting hedges	199,927	90,198
Translation difference, net	19,540	18,653
Indexed foreign currency, net	(174,869)	(47,290)
Total	44,598	61,561

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

32. Provisions for Loan Losses:

The movement during the nine-month period ended as of September 2015 and September 2014 is the following:

	Loans and advance to banks		Commercial Loans		Loans to customers Mortgage Loans		Consumer Loans		Subtotal		Contingent Loans	
	September 2015	September 2014	September 2015	September 2014	September 2015	September 2014	September 2015	September 2014	September 2015	September 2014	September 2015	September 2014
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Provisions established::												
Individual provisions	(277)		(38,245)	(41,102)					(38,245)	(41,102)	(3,366)	(1,883)
Group provisions			(31,680)	(34,766)	(6,186)	(6,673)	(156,298)	(145,718)	(194,164)	(187,157)	(1,689)	(2,228)
Provisions established, net	(277)		(69,925)	(75,868)	(6,186)	(6,673)	(156,298)	(145,718)	(232,409)	(228,259)	(5,055)	(4,111)
Provisions released::												
Individual provisions		321										
Group provisions												
Provisions released, net		321										
Provision, net	(277)	321	(69,925)	(75,868)	(6,186)	(6,673)	(156,298)	(145,718)	(232,409)	(228,259)	(5,055)	(4,111)
Additional provision			(30,921)	(10,069)					(30,921)	(10,069)		
Recovery of written-off assets			13,927	8,231	1,358	1,426	24,326	22,099	39,611	31,756		
Provision for loan losses, net	(277)	321	(86,919)	(77,706)	(4,828)	(5,247)	(131,972)	(123,619)	(223,719)	(206,572)	(5,055)	(4,111)

Edgar Filing: BANK OF CHILE - Form 6-K

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

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

33. **Personnel Expenses:**

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

	September 2015 MCh\$	September 2014 MCh\$
Salaries	160,801	149,908
Bonuses and incentives	28,751	27,006
Variable Compensation	25,912	21,893
Gratifications	17,686	17,516
Lunch and health benefits	18,926	17,991
Staff severance indemnities	9,591	6,426
Training expenses	1,960	2,066
Other personnel expenses	14,759	12,713
Total	278,386	255,519

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

34. Administrative Expenses:

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

	September 2015 MCh\$	September 2014 MCh\$
General administrative expenses		
Information Technology and communications	43,318	39,734
Maintenance and repair of property and equipment	23,468	21,955
Office rental	18,183	16,687
Securities and valuables transport services	8,542	7,628
External advisory services	6,296	5,357
Office supplies	5,344	5,690
Rent ATM area	4,863	5,318
Lighting, heating and other utilities	3,914	3,286
Representation and transferring of personnel	3,647	3,601
P.O. box mail and postage	3,559	3,453
Legal and notary	3,331	2,840
Insurance premiums	3,098	2,568
External service of financial information	2,132	1,685
File custody external services	2,002	1,883
Donations	1,583	1,498
Other general administrative expenses	13,167	12,101
Subtotal	146,447	135,284
Outsources services		
Credit pre-evaluation services	14,970	16,621
Data processing	7,439	6,047
External technological developments expenses	5,471	5,644
Certification and testing technology	3,782	3,823
Other	2,568	2,375
Subtotal	34,230	34,510
Board expenses		
Board remunerations	1,697	1,631
Other Board expenses	296	426
Subtotal	1,993	2,057
Marketing expenses		
Advertising	22,214	20,531
Subtotal	22,214	20,531

Edgar Filing: BANK OF CHILE - Form 6-K

Taxes, payroll taxes and contributions		
Contribution to the Superintendency of Banks	6,033	5,696
Real estate contributions	1,884	1,863
Patents	984	957
Other taxes	386	332
Subtotal	9,287	8,848
Total	214,171	201,230

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

35. Depreciation, Amortization and Impairment:

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

	September 2015 MCh\$	September 2014 MCh\$
Depreciation and amortization		
Depreciation of property and equipment (Note No. 16(b))	15,698	14,656
Amortization of intangibles assets (Note No. 15(b))	6,301	6,241
Total	21,999	20,897

(b) As of September 30, 2015 and 2014 the composition of impairment expenses is the following:

	September 2015 MCh\$	September 2014 MCh\$
Impairment		
Impairment of Financial Instruments		
Impairment of Properties and Equipment (Note No. 16(b))	85	1,651
Impairment of Intangible Assets (Note No. 15(b))	59	120
Total	144	1,771

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

36. Other Operating Income:

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

	September 2015 MCh\$	September 2014 MCh\$
Income for assets received in lieu of payment		
Income from sale of assets received in lieu of payment	2,568	2,450
Other income	15	6
Subtotal	2,583	2,456
Release of provisions for contingencies		
Country risk provisions		
Other provisions for contingencies	290	
Subtotal	290	
Other income		
Rental income	6,289	6,017
Expense recovery	3,138	1,887
Recovery from external branches	2,113	1,883
Credit card income	1,987	
Revaluation of prepaid monthly payments	1,023	714
Income from differences sale leased assets	737	2,204
Income from sale of leased assets	465	12
Fiduciary and trustee commissions	155	146
Gain on sale of property and equipment	124	82
Provision released software		557
Others	1,838	1,530
Subtotal	17,869	15,032
Total	20,742	17,488

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

37. **Other Operating Expenses:**

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

	September 2015 MCh\$	September 2014 MCh\$
Provisions and expenses for assets received in lieu of payment		
Charge-off assets received in lieu of payment	1,220	1,231
Expenses to maintain assets received in lieu of payment	307	362
Provisions for assets received in lieu of payment	231	63
Subtotal	1,758	1,656
Provisions for contingencies		
Country risk provisions	6,524	1,463
Other provisions for contingencies	1,007	5,793
Subtotal	7,531	7,256
Other expenses		
Provisions and charge-offs of other assets	4,368	3,081
Write-offs for operating risks	3,319	2,846
Credit cards administration	2,483	713
Operations expenses and charge-offs leasing	986	364
Provision for leased assets recoveries	618	362
Civil lawsuits	412	208
Contribution to other organisms	181	175
Credit life insurance	136	257
Loss in sale of property and equipment		
Others	1,799	1,484
Subtotal	14,302	9,490
Total	23,591	18,402

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

38. Related Party Transactions:

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

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

Moreover, article 84 of the General Banking Law establishes limits for loans granted to related parties and prohibits the granting of loans to the Bank's directors, managers and general representatives.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

38. Related Party Transactions, continued:

(a) Loans to related parties:

The following table details loans accounts receivable, contingent loans and assets related to trading and investments securities, corresponding to related entities.

	Production Companies(*)		Investment Companies(**)		Individuals(***)		Total	
	September 2015 MCh\$	December 2014 MCh\$	September 2015 MCh\$	December 2014 MCh\$	September 2015 MCh\$	December 2014 MCh\$	September 2015 MCh\$	December 2014 MCh\$
Loans and accounts receivable:								
Commercial loans	305,715	287,943	32,483	36,383	2,639	1,878	340,837	326,204
Residential mortgage loans					26,652	19,970	26,652	19,970
Consumer loans					4,871	4,111	4,871	4,111
Gross loans	305,715	287,943	32,483	36,383	34,162	25,959	372,360	350,285
Provision for loan losses	(943)	(790)	(36)	(132)	(83)	(68)	(1,062)	(990)
Net loans	304,772	287,153	32,447	36,251	34,079	25,891	371,298	349,295
Off balance sheet accounts:								
Guarantees	12,125	3,238	46	40			12,171	3,278
Letters of credits	12	1,344					12	1,344
Banks guarantees	34,771	42,195	525	387			35,296	42,582
Immediately available credit lines	60,023	52,900	24,395	24,686	15,276	10,997	99,694	88,583
Total off balance sheet account	106,931	99,677	24,966	25,113	15,276	10,997	147,173	135,787
Provision for contingencies loans	(60)	(89)					(60)	(89)
Off balance sheet account, net	106,871	99,588	24,966	25,113	15,276	10,997	147,113	135,698
Amount covered by Collateral								
Mortgage	85,910	62,291	10,335	7,688	36,730	28,646	132,975	98,625
Warrant								

Edgar Filing: BANK OF CHILE - Form 6-K

Pledge					3	3	3	3
Others(****)	51,195	32,188	9,867	9,005	1,738	2,330	62,800	43,523
Total collateral	137,105	94,479	20,202	16,693	38,471	30,979	195,778	142,151

Acquired

Instruments

For trading purposes

For investing

purposes	7,581			6,015			7,581	6,015
----------	-------	--	--	-------	--	--	-------	-------

Total acquired

instruments	7,581			6,015			7,581	6,015
--------------------	--------------	--	--	--------------	--	--	--------------	--------------

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, *continued*

38. Related Party Transactions, continued:

(a) Loans with related parties, continued:

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

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

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

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

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

(b) Other assets and liabilities with related parties:

	September 2015 MCh\$	December 2014 MCh\$
Assets		
Cash and due from banks	9,243	10,478

Edgar Filing: BANK OF CHILE - Form 6-K

Derivative instruments	103,943	85,226
Other assets	16,339	17,386
Total	129,525	113,090
Liabilities		
Demand deposits	99,012	220,603
Savings accounts and time deposits	334,554	423,012
Derivative instruments	107,763	123,569
Borrowings from financial institutions	367,503	154,022
Other liabilities	21,133	26,205
Total	929,965	947,411

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

38. Related Party Transactions, continued:

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

Type of income or expense recognized	September 2015		September 2014	
	Income MCh\$	Expense MCh\$	Income MCh\$	Expense MCh\$
Interest and revenue expenses	17,490	10,667	17,761	14,560
Fees and commission income	38,723	31,905	42,937	28,668
Financial operating	165,928	138,951	69,901	84,170
Released or established of provision for credit risk		3		783
Operating expenses		60,775		56,646
Other income and expenses	363	19	435	15
Total	222,504	242,320	131,034	184,842

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

(d) Related party contracts:

As part of a secondary offering by 6,700,000,000 ordinary shares of Banco de Chile held in the local and international market, dated January 29, 2014 Banco de Chile, as issuer, LQ Investments SA, as seller of the securities, and Citigroup Global Markets Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Deutsche Bank Securities Inc, and Banco BTG Pactual SA - Cayman Branch, as underwriters, proceeded to sign a contract called Underwriting Agreement, pursuant to which LQ Investments S.A. sold to the underwriters a portion of such shares. Additionally, on that date Banco de Chile and LQ Investments S.A. agreed the terms and conditions under which Banco de Chile participated in the process.

There are no contracts entered as of September 30, 2015 and 2014 which does not represent a customary transaction within the Bank's line of business with general customers and which accounts for amounts greater than UF 1,000.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

38. Related Party Transactions, continued:

(e) Payments to key management personnel:

	September 2015 MCh\$	September 2014 MCh\$
Remunerations	2,821	2,835
Short-term benefits	3,721	3,722
Contract termination indemnity Paid based on shares		613
Total	6,542	7,170

Composition of key personnel:

Position	N° of executives	
	September 2015	September 2014
CEO	1	1
CEOs of subsidiaries	7	7
Division Managers	12	13
Total	20	21

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

38. Related Party Transactions, continued:

(f) Directors expenses and remunerations:

Name of Directors	Remunerations		Fees for attending Board meetings		Fees for attending Committees and Subsidiary Board meetings (1)		Consulting		Total	
	September 2015	September 2014	September 2015	September 2014	September 2015	September 2014	September 2015	September 2014	September 2015	September 2014
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Pablo Granifo Lavín	295(*)	284(*)	36	36	266	264			597	584
Andrónico Luksic Craig	121	116	9	5					130	121
Jorge Awad Mehech	40	39	18	16	76	96			134	151
Gonzalo Menéndez Duque	40	39	17	15	94	82	19	19	170	155
Jaime Estévez Valencia	40	39	19	18	91	77			150	134
Rodrigo Manubens Moltedo	40	39	19	16	41	36			100	91
Jorge Ergas Heymann	40	39	13	12	32	39			85	90
Francisco Pérez Mackenna	40	39	17	16	54	43			111	98
Thomas Fürst Freiwirth	40	39	16	14	33	31			89	84
Jean-Paul Luksic Fontbona	40	39	9	6					49	45
Other directors of subsidiaries					114	110			114	110
Total	736	712	173	154	801	778	19	19	1,729	1,663

(1) Includes fees paid to members of the Advisory Committee of Banchile Corredores de Seguros Ltda, of MCh\$12 (MCh\$12 as of September 30, 2014).

(*) Includes a provision of MCh\$174 (MCh\$166 as of September 30, 2014) for an incentive subject to achieving the Bank's forecasted earnings.

Edgar Filing: BANK OF CHILE - Form 6-K

Fees paid for advisory services to the Board of Directors amount to MCh\$201 (MCh\$192 as of September 30, 2014).

Travel and other related expenses amount to MCh\$63 (MCh\$202 as of September 30, 2014).

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

39. Fair Value of Financial Assets and Liabilities:

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

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

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

(i) Industry standards of fair value measurements

In the fair value calculation process, standard methodologies are used; closing prices, discounted cash flows and option models. In the options case, Black-Scholes model is used. The input parameters are rates, prices and volatility levels for each term and market factor that trade in the local and international markets.

(ii) Quoted prices in active markets

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

(iii) Valuation techniques

Edgar Filing: BANK OF CHILE - Form 6-K

If there is no market quotes in active markets for the financial instrument, valuation techniques will be used to determine the fair value.

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

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

(iv) Fair value adjustments

Part of the fair value process consists of adjustment, to take into account bid/offer spreads. This adjustment is calculated and analyzed by the PCU and Risk Market areas.

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

(v) Fair value control

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

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

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

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

(vi) **Judgmental analysis and information to Senior Management**

In particular, in cases where there are no market quotations for the instrument, similar transaction prices, nor indicative parameters, a reasoned analysis and specific controls should be made to estimate the fair value of the operation or transaction. Within the Banco de Chile's framework for fair value, described in the Fair Value Policy approved by the Board of Banco de Chile, the approval level required to operate this kinds of instruments, there is no market information or cannot be inferred from prices or rates, is established.

(a) **Fair value hierarchy**

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

Level 1: Observable, quoted price in an active markets for the same instrument or specific type of transaction to be evaluated.

In this level, the following instruments are considered: currency futures, Chilean Central Bank and Treasury securities, mutual fund investments and equity.

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

For each and every one of these instruments there exists daily observable market valuation parameters; internal rates of return and closing prices, respectively; therefore no assumptions are needed to calculate the fair value. For currency futures as well as mutual funds and equity, to determine fair value, the multiplication of closing prices by the number of instruments is used. For Chilean Central Bank and Treasury securities the internal rate of return is used to discount every cash flow and obtain the fair value of each instrument. For mutual funds and equity, the current price multiplied by the quantity of instruments is used to calculate the fair value.

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

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, *continued*

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

(a) Fair value hierarchy, continued

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

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

This level is composed mostly of currency and rate derivatives, bank's debt securities, debt of Chilean and foreign companies, mortgage claims, money market instruments and less liquid Chilean Central Bank and Treasury securities.

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

Edgar Filing: BANK OF CHILE - Form 6-K

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

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

(a) Fair value hierarchy, continued

Valuation Techniques and Inputs:

Type of Financial Instrument	Valuation Method	Description: Inputs and Sources
Local Bank and Corporate Bonds	Discounted cash flows model	Prices are provided by third party price providers that are widely used in the Chilean market. Model is based on a Base Yield (Central Bank Bonds) and issuer spread. The model is based on daily prices and risk/maturity similarities between Instruments.
Offshore Bank and Corporate Bonds	Discounted cash flows model	Prices are provided by third party price providers that are widely used in the Chilean market. Model is based on daily prices.
Local Central Bank and Treasury Bonds	Discounted cash flows model	Prices are provided by third party price providers that are widely used in the Chilean market. Model is based on daily prices.
Mortgage Notes	Discounted cash flows model	Prices are provided by third party price providers that are widely used in the Chilean market.

Edgar Filing: BANK OF CHILE - Form 6-K

		Model is based on a Base Yield (Central Bank Bonds) and issuer spread.
		The model takes into consideration daily prices and risk/maturity similarities between instruments.
Time Deposits	Discounted cash flows model	Prices are provided by third party price providers that are widely used in the Chilean market.
		Model is based on daily prices and considers risk/maturity similarities between instruments.
Cross Currency Swaps, Interest Rate Swaps, FX Forwards, Inflation Forwards	Discounted cash flows model	Zero Coupon rates are calculated by using the bootstrapping method over swap rates.
		Offshore rates and spreads are obtained from third party price providers that are widely used in the Chilean market.
		Forward Points, Inflation forecast and local swap rates are provided by market brokers that are widely used in the Chilean market.
FX Options	Black-Scholes Option Pricing Model	Prices for volatility surface estimates are obtained from market brokers that are widely used in the Chilean market.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

(a) Fair value hierarchy, continued

Level 3: These are financial instruments whose fair value is determined using unobservable inputs. An adjustment to an input that is significant to the entire measurement can result in a fair value measurement classified within Level 3 of the fair value hierarchy if the adjustment is using significant unobservable data entry.

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

Valuation Techniques and Inputs:

Type of Financial Instrument	Valuation Method	Description: Inputs and Sources
Local Bank and Corporate Bonds	Discounted cash flows model	<p>Prices are provided by third party price providers that are widely used in the Chilean market. (input is not observable by the market)</p> <p>Model is based on a Base Yield (Central Bank Bonds) and issuer spread.</p> <p>The model is based on daily prices and risk/maturity similarities between instruments.</p>
Offshore Bank and Corporate Bonds	Discounted cash flows model	Prices are provided by third party price providers that are widely used in the Chilean market. (input is not observable by the market)

Model is based on daily prices.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

(b) Level hierarchy classification and figures

The following table shows the figures by hierarchy, for instruments registered at fair value.

	Level 1		Level 2		Level 3		Total	
	September 2015 MCh\$	December 2014 MCh\$	September 2015 MCh\$	December 2014 MCh\$	September 2015 MCh\$	December 2014 MCh\$	September 2015 MCh\$	December 2014 MCh\$
Financial Assets								
Financial assets								
held-for-trading								
From the Chilean Government								
and Central Bank								
	18,851	80,374	190,174	8,496			209,025	88,870
Other instruments issued in								
Chile								
	1,405	364	285,071	202,823		1,401	286,476	204,588
Instruments issued abroad								
Mutual fund investments								
	75,061	255,013					75,061	255,013
Subtotal								
	95,317	335,751	475,245	211,319		1,401	570,562	548,471
Derivative contracts for								
trading purposes								
Forwards								
			307,264	140,676			307,264	140,676
Swaps								
			880,304	609,843			880,304	609,843
Call Options								
			5,045	2,583			5,045	2,583
Put Options								
			833	287			833	287
Futures								
Subtotal								
			1,193,446	753,389			1,193,446	753,389
Hedge accounting derivative								
contracts								
Fair value hedge (Swap)								
			3	101			3	101
Cash flow hedge (Swap)								
			222,754	78,703			222,754	78,703
Subtotal								
			222,757	78,804			222,757	78,804
Financial assets								
available-for-sale (1)								
From the Chilean Government								
and Central Bank								
	79,942	86,066	43,635	253,258			123,577	339,324
Other instruments issued in								
Chile								
			948,165	1,017,962	99,746	179,378	1,047,911	1,197,340
Instruments issued abroad								
	70,234	58,376		3,211		1,938	70,234	63,525
Subtotal								
	150,176	144,442	991,800	1,274,431	99,746	181,316	1,241,722	1,600,189
Total								
	245,493	480,193	2,883,248	2,317,943	99,746	182,717	3,228,487	2,980,853

Financial Liabilities

Derivative contracts for trading purposes

Forwards	322,254	128,117	322,254	128,117
Swaps	992,783	691,524	992,783	691,524
Call Options	5,756	2,249	5,756	2,249
Put Options	796	362	796	362
Futures				
Subtotal	1,321,589	822,252	1,321,589	822,252
Hedge derivative contracts				
Fair value hedge (Swap)	19,367	19,904	19,367	19,904
Cash flow hedge (Swap)	3,516	17,596	3,516	17,596
Subtotal	22,883	37,500	22,883	37,500
Total	1,344,472	859,752	1,344,472	859,752

(1) As of September 30, 2015 90% of instruments of level 3 have denomination Investment Grade . Also, 100% of total of these financial instruments correspond to domestic issuers.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

(c) Level 3 reconciliation

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

	Balance as of January 1, 2015 MCh\$	Gain (Loss) Recognized in Income(1) MCh\$	As of September 30, 2015			Transfer from Level 1 and 2 MCh\$	Transfer to Level 1 and 2 MCh\$	Balance as of September 30, 2015 MCh\$
			Gain (Loss) Recognized in Equity(2) MCh\$	Purchases MCh\$	Sales MCh\$			
Financial Assets								
Financial assets held-for-trading								
Other instruments issued in Chile	1,401	1			(51)		(1,351)	
Subtotal	1,401	1			(51)		(1,351)	
Available-for-Sale Instruments								
Other instruments issued in Chile	179,378	11,913	(586)	213	(101,213)	10,041		99,746
Instruments issued abroad	1,938	103	56		(2,097)			
Subtotal	181,316	12,016	(530)	213	(103,310)	10,041		99,746
Total	182,717	12,017	(530)	213	(103,361)	10,041	(1,351)	99,746

	Balance as of January 1, 2014 MCh\$	Gain (Loss) Recognized in Income(1) MCh\$	As of December 31, 2014			Transfer from Level 1 and 2 MCh\$	Transfer to Level 1 and 2 MCh\$	Balance as of December 31, 2014 MCh\$
			Gain (Loss) Recognized in Equity(2) MCh\$	Purchases MCh\$	Sales MCh\$			
Financial Assets								
Financial assets held-for-trading								
Other instruments issued in Chile	2,439	(1,087)		49				1,401
Subtotal	2,439	(1,087)		49				1,401

Edgar Filing: BANK OF CHILE - Form 6-K

Available-for-Sale
Instruments

Other instruments issued in Chile	76,975	6,230	784	82,909	(18,483)	30,963	179,378
Instruments issued abroad	1,679	270	(11)				1,938
Subtotal	78,654	6,500	773	82,909	(18,483)	30,963	181,316
Total	81,093	5,413	773	82,958	(18,483)	30,963	182,717

(1) Recorded in income under item Net financial operating income

(2) Recorded in equity under item Other Comprehensive Income .

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

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

The following table shows the impact on the fair value of Level 3 financial instruments using alternative assumptions that are reasonably possible. It is believed that the positive and negative impacts are similar:

	As of September 30, 2015		As of December 31, 2014	
	Sensitivity to changes in key assumptions of models		Sensitivity to changes in key assumptions of models	
	Level 3		Level 3	
Financial Assets				
Financial assets held-for-trading				
Other instruments issued in Chile			1,401	(150)
Total			1,401	(150)
Available-for- Sale Instruments				
Other instruments issued in Chile	99,746	(1,899)	179,378	(3,542)
Instruments issued abroad			1,938	(67)
Total	99,746	(1,899)	181,316	(3,609)
Total	99,746	(1,899)	182,717	(3,759)

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

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

(e) Other assets and liabilities

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

	Book Value		Fair Value	
	September 2015 MCh\$	December 2014 MCh\$	September 2015 MCh\$	December 2014 MCh\$
Assets				
Cash and due from banks	982,340	915,133	982,340	915,133
Transactions in the course of collection	579,892	400,081	579,892	400,081
Cash collateral on securities borrowed and reverse repurchase agreements	36,890	27,661	36,890	27,661
Subtotal	1,599,122	1,342,875	1,599,122	1,342,875
Loans and advances to banks				
Domestic banks	216,846	169,953	216,846	169,953
Central Bank of Chile	786,197	551,108	786,197	551,108
Foreign banks	560,696	434,304	560,696	434,304
Subtotal	1,563,739	1,155,365	1,563,739	1,155,365
Loans to customers, net				
Commercial loans	14,032,477	12,790,468	13,893,799	12,707,255
Residential mortgage loans	6,079,695	5,394,602	6,438,075	5,657,988
Consumer loans	3,333,847	3,162,963	3,308,161	3,170,640
Subtotal	23,446,019	21,348,033	23,640,035	21,535,883
Total	26,608,880	23,846,273	26,802,896	24,034,123
Liabilities				
Current accounts and other demand deposits	7,292,658	6,933,679	7,292,658	6,933,679
Transactions in the course of payment	386,559	96,945	386,559	96,945
Cash collateral on securities lent and repurchase agreements	267,548	249,482	267,548	249,482
Savings accounts and time deposits	10,308,250	9,721,246	10,308,872	9,719,397
Borrowings from financial institutions	1,569,095	1,098,716	1,562,200	1,094,468
Other financial obligations	153,508	186,573	153,508	186,573
Subtotal	19,977,618	18,286,641	19,971,345	18,280,544
Debt Issued				
Letters of credit for residential purposes	42,497	52,730	45,401	55,482
Letters of credit for general purposes	7,659	11,584	8,182	12,189
Bonds	5,138,035	4,223,047	5,217,514	4,283,006

Edgar Filing: BANK OF CHILE - Form 6-K

Subordinate bonds	790,793	770,595	803,893	782,529
Subtotal	5,978,984	5,057,956	6,074,990	5,133,206
Total	25,956,602	23,344,597	26,046,335	23,413,750

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

(e) Other assets and liabilities, continued:

Other financial instruments not measured at fair value in our statement of financial position, but for which the fair value is disclosed, are not managed on a fair value basis. These instruments include assets and liabilities such as loans and deposits to customers, bank borrowings, debt issued, and other financial assets and obligations with diverse maturities and features. Fair values of these assets/liabilities are estimated by applying the traditional Discounted Cash Flows model and using diverse valuation inputs such as yield curves, credit risk spreads, etc. Also, since some of these assets/liabilities are not traded in the market, judgmental analysis is required in determining the adequacy of the inputs and fair values.

The following table shows the fair value of financial assets and liabilities not measured at fair value, as of September 30, 2015 and December 31, 2014:

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

39. Fair Value of Financial assets and liabilities, continued:

(f) Levels of other assets and liabilities:

	Level 1		Level 2		Level 3		Total	
	Estimated Fair Value September 2015 MCh\$	Estimated Fair Value December 2014 MCh\$	Estimated Fair Value September 2015 MCh\$	Estimated Fair Value December 2014 MCh\$	Estimated Fair Value September 2015 MCh\$	Estimated Fair Value December 2014 MCh\$	Estimated Fair Value September 2015 MCh\$	Estimated Fair Value December 2014 MCh\$
Assets								
Cash and due from banks	982,340	915,133					982,340	915,133
Transactions in the course of collection	579,892	400,081					579,892	400,081
Receivables from repurchase agreements and security borrowing	36,890	27,661					36,890	27,661
Subtotal	1,599,122	1,342,875					1,599,122	1,342,875
Loans and advances to banks								
Domestic banks	216,846	169,953					216,846	169,953
Central bank	786,197	551,108					786,197	551,108
Foreign banks	560,696	434,304					560,696	434,304
Subtotal	1,563,739	1,155,365					1,563,739	1,155,365
Loans to customers, net								
Commercial loans					13,893,799	12,707,255	13,893,799	12,707,255
Residential mortgage loans					6,438,075	5,657,988	6,438,075	5,657,988
Consumer loans					3,308,161	3,170,640	3,308,161	3,170,640
Subtotal					23,640,035	21,535,883	23,640,035	21,535,883
Total	3,162,861	2,498,240			23,640,035	21,535,883	26,802,896	24,034,123
Liabilities								
Current accounts and other demand deposits	7,292,658	6,933,679					7,292,658	6,933,679
Transactions in the course of payment	386,559	96,945					386,559	96,945
Payables from repurchase agreements and security lending	267,548	249,482					267,548	249,482
Savings accounts and time deposits					10,308,872	9,719,397	10,308,872	9,719,397
Borrowings from financial institutions					1,562,200	1,094,468	1,562,200	1,094,468
Other financial obligations	153,508	186,573					153,508	186,573
Subtotal	8,100,273	7,466,679			11,871,072	10,813,865	19,971,345	18,280,544
Debt Issued								
Letters of credit for residential purposes			45,401	55,482			45,401	55,482

Edgar Filing: BANK OF CHILE - Form 6-K

Letters of credit for general purposes			8,182	12,189			8,182	12,189
Bonds			5,217,514	4,283,006			5,217,514	4,283,006
Subordinate bonds					803,893	782,529	803,893	782,529
Subtotal			5,271,097	4,350,677	803,893	782,529	6,074,990	5,133,206
Total	8,100,273	7,466,679	5,271,097	4,350,677	12,674,965	11,596,394	26,046,335	23,413,750

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, *continued*

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

(f) Levels of other assets and liabilities, continued:

The Bank determines the fair value of these assets and liabilities according to the following:

- **Short-Term Financial Assets/Liabilities:** For assets and liabilities with no specific maturity (on demand) or terms of less than three months we use the carrying or book values as proxies of their fair value, since their tenors are not believed to significantly affect their valuation. As a result, these assets/liabilities are categorized in Level 1. This assumption is applied to the following assets/liabilities:

- | | |
|---|---|
| <ul style="list-style-type: none"> • Cash and due from banks • Transactions in the course of collection (asset) • Cash collateral on securities borrowed and reverse repurchase agreements (asset) • Loans and advance to banks | <ul style="list-style-type: none"> • Current accounts and other demand deposits • Transactions in the course of payments (liability) • Cash collateral on securities lent and repurchase agreements (liability) • Other financial obligations |
|---|---|

- **Loans to Customers:** Fair value is determined by using the DCF model and internally generated discount rates, based on internal transfer rates derived from our internal transfer price policy. After we calculate the present value, we deduct the related loan loss allowances in order to incorporate the credit risk associated with each contract or loan. As we use internally generated parameters for valuation purposes, we categorize these instruments in Level 3.

- **Letters of Credit and Bonds:** In order to determine the present value of contractual cash flows, we apply the DCF model by using market interest rates that are available in the market, either for the instruments under valuation or instruments with similar features that fit valuation needs in terms of currency, maturities and liquidity. Market interest rates are obtained from third party price providers widely used by the market. As a result of the valuation technique and the quality of inputs (observable) used for valuation, we categorize these financial liabilities in Level 2.

- Saving Accounts, Time Deposits, Borrowings from Financial Institutions and Subordinated Bonds: The DCF model is used to obtain the present value of committed cash flows by applying a bucket approach and average adjusted discount rates that are derived from both market rates for instruments with similar features and our internal transfer price policy. As we use internally generated parameters and/or apply significant judgmental analysis for valuation purposes, we categorize these financial assets/liabilities in Level 3.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

(g) Offsetting of financial assets and liabilities:

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

Below are detail contracts susceptible to offset:

	Fair Value		Negative Fair Value of contracts with right to offset		Positive Fair Value of contracts with right to offset		Financial Collateral		Net Fair Value	
	September 2015	December 2014	September 2015	December 2014	September 2015	December 2014	September 2015	December 2014	September 2015	December 2014
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Derivative financial assets	1,416,203	832,193	(280,404)	(169,573)	(320,422)	(267,053)	(161,212)	(49,804)	654,165	345,763
Derivative financial liabilities	1,344,472	859,752	(280,404)	(169,573)	(320,422)	(267,053)	(196,363)	(124,418)	547,283	298,708

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

40. Maturity of Assets and Liabilities:

The table below shows details of loans and other financial assets and liabilities grouped in accordance with their remaining maturity, including accrued interest as of September 30, 2015 and December 31, 2014, respectively. Trading and available-for-sale instruments are included at their fair value:

	As of September 30, 2015						Total MCh\$
	Up to 1 month MCh\$	Over 1 month and up to 3 months MCh\$	Over 3 month and up to 12 months MCh\$	Over 1 year and up to 3 years MCh\$	Over 3 year and up to 5 years MCh\$	Over 5 years MCh\$	
Assets							
Cash and due from banks	982,340						982,340
Transactions in the course of collection	579,892						579,892
Financial Assets held-for-trading	570,562						570,562
Cash collateral on securities borrowed and reverse repurchase agreements	23,166	8,164	5,560				36,890
Derivative instruments	131,637	162,057	240,096	340,354	187,611	354,448	1,416,203
Loans and advances to banks(*)	1,057,746	153,163	310,736	43,187			1,564,832
Loans to customers(*)	2,555,942	2,885,830	4,482,476	4,891,265	2,773,455	6,428,903	24,017,871
Financial assets available-for-sale	81,575	17,234	615,944	120,500	157,644	248,825	1,241,722
Financial assets held-to-maturity							
Total assets	5,982,860	3,226,448	5,654,812	5,395,306	3,118,710	7,032,176	30,410,312

	As of December 31, 2014						Total MCh\$
	Up to 1 month MCh\$	Over 1 month and up to 3 months MCh\$	Over 3 month and up to 12 months MCh\$	Over 1 year and up to 3 years MCh\$	Over 3 year and up to 5 years MCh\$	Over 5 years MCh\$	
Assets							
Cash and due from banks	915,133						915,133
Transactions in the course of collection	400,081						400,081
Financial Assets held-for-trading	548,471						548,471
Cash collateral on securities borrowed and reverse repurchase agreements	11,863	6,291	9,507				27,661
Derivative instruments	68,070	55,799	166,519	176,235	153,461	212,109	832,193
Loans and advances to banks(*)	809,565	79,583	248,840	18,193			1,156,181
Loans to customers(*)	2,662,866	2,576,105	3,800,448	4,831,285	2,328,610	5,677,334	21,876,648
Financial assets available-for-sale	211,690	163,824	472,944	82,763	123,317	545,651	1,600,189
Financial assets held-to-maturity							

Edgar Filing: BANK OF CHILE - Form 6-K

Total assets	5,627,739	2,881,602	4,698,258	5,108,476	2,605,388	6,435,094	27,356,557
--------------	-----------	-----------	-----------	-----------	-----------	-----------	------------

(*) The respective provisions, which amount to MCh\$571,852 (MCh\$528,615 as of December 31, 2014) for loans to customers and MCh\$1,093 (MCh\$816 as of December 31, 2014) for borrowings from financial institutions, have not been deducted from these balance.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

40. Maturity of Assets and Liabilities, continued:

	As of September 30, 2015						
	Up to 1 month MCh\$	Over 1 month and up to 3 months MCh\$	Over 3 month and up to 12 months MCh\$	Over 1 year and up to 3 years MCh\$	Over 3 year and up to 5 years MCh\$	Over 5 years MCh\$	Total MCh\$
Liabilities							
Current accounts and other demand deposits	7,292,658						7,292,658
Transactions in the course of payment	386,559						386,559
Cash collateral on securities lent and repurchase agreements	224,037	43,461	50				267,548
Savings accounts and time deposits(**)	4,801,577	1,876,754	3,009,793	413,966	230	206	10,102,526
Derivative instruments	88,446	140,389	296,392	277,443	184,388	357,414	1,344,472
Borrowings from financial institutions	176,691	218,982	1,068,736	104,686			1,569,095
Debt issued:							
Mortgage bonds	2,106	321	7,159	15,644	11,148	13,778	50,156
Bonds	351,507	498,363	196,159	750,173	924,831	2,417,002	5,138,035
Subordinate bonds	9,886	13,402	162,836	53,529	48,295	502,845	790,793
Other financial obligations	111,917	3,897	7,207	20,963	8,344	1,180	153,508
Total liabilities	13,445,384	2,795,569	4,748,332	1,636,404	1,177,236	3,292,425	27,095,350

	As of December 31, 2014						
	Up to 1 month MCh\$	Over 1 month and up to 3 months MCh\$	Over 3 month and up to 12 months MCh\$	Over 1 year and up to 3 years MCh\$	Over 3 year and up to 5 years MCh\$	Over 5 years MCh\$	Total MCh\$
Liabilities							
Current accounts and other demand deposits	6,933,679						6,933,679
Transactions in the course of payment	96,945						96,945
Cash collateral on securities lent and repurchase agreements	249,323	159					249,482
Savings accounts and time deposits(**)	4,854,400	1,969,861	2,559,793	148,527	166	188	9,532,935
Derivative instruments	37,952	47,779	166,064	208,200	147,078	252,679	859,752
Borrowings from financial institutions	61,022	159,372	678,067	200,255			1,098,716
Debt issued:							
Mortgage bonds	4,035	4,109	10,143	20,487	12,407	13,133	64,314
Bonds	239,132	294,460	353,568	475,427	973,509	1,886,951	4,223,047
Subordinate bonds	2,050	2,786	36,463	178,298	50,345	500,653	770,595

Edgar Filing: BANK OF CHILE - Form 6-K

Other financial obligations	142,093	792	3,879	7,996	14,350	17,463	186,573
Total liabilities	12,620,631	2,479,318	3,807,977	1,239,190	1,197,855	2,671,067	24,016,038

(***) Excluding term saving accounts, which amount to MCh\$205,724 (MCh\$188,311 as of December 31, 2014).

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

41. Subsequent Events:

On October 22, 2015 Banco de Chile 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.

Likewise, as of the date of this letter, 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).

In Management's opinion, there are no other significant subsequent events that affect or could affect the Interim Condensed Consolidated Financial Statements of the Bank and its subsidiaries between September 30, 2015 and the date of issuance of these Interim Condensed Consolidated Financial Statements.

Héctor Hernández G,
General Accounting Manager

Arturo Tagle Q,
Chief Executive Officer

Table of Contents

SIGNATURE

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

Date: October 29, 2015

By:

Banco de Chile

/S/ Arturo Tagle Q.
Arturo Tagle Q.
CEO
