

BANK OF CHILE
Form 6-K
October 31, 2012

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, 2012

Commission File Number **001-15266**

BANK OF CHILE
(Translation of registrant's name into English)

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

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

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):

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

**BANCO DE CHILE
REPORT ON FORM 6-K**

Attached Banco de Chile's Financial Statements with notes for the Third Quarter of 2012.

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 31, 2012

Banco de Chile

/S/ Arturo Tagle Q.

By: Arturo Tagle Q.

CEO

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

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For the periods ended September 30, 2012 and 2011

(Translation of financial statements originally issued in Spanish)

(Expressed in million of Chilean pesos)

| | Notes | September 2012 MCh\$ | December 2011 MCh\$ | September 2011 MCh\$ |
|---|-------|----------------------------|---------------------------|----------------------------|
| ASSETS | | | | |
| Cash and due from banks | 7 | 610,396 | 881,146 | 866,149 |
| Transactions in the course of collection | 7 | 409,937 | 373,639 | 461,081 |
| Financial assets held-for-trading | 8 | 341,668 | 301,771 | 343,940 |
| Receivables from Repurchase agreements and Security | | | | |
| Borrowing | 9 | 46,830 | 47,981 | 72,865 |
| Derivative instruments | 10 | 381,177 | 385,688 | 636,664 |
| Loans and advances to banks | 11 | 793,033 | 648,425 | 665,290 |
| Loans to customers, net | 12 | 17,964,344 | 16,993,303 | 16,363,952 |
| Financial assets available-for-sale | 13 | 1,514,891 | 1,468,898 | 1,304,220 |
| Financial assets held-to-maturity | 13 | | | |
| Investments in other companies | 14 | 15,368 | 15,418 | 15,007 |
| Intangible assets | 15 | 33,681 | 35,517 | 35,065 |
| Property and equipment | 16 | 207,655 | 207,888 | 207,397 |
| Current tax assets | 17 | 1,629 | 1,407 | 384 |
| Deferred tax assets | 17 | 127,511 | 116,282 | 113,420 |
| Other assets | 18 | 290,885 | 263,584 | 348,364 |
| TOTAL ASSETS | | 22,739,005 | 21,740,947 | 21,433,798 |
| LIABILITIES | | | | |
| Current accounts and other demand deposits | 19 | 5,001,775 | 4,895,426 | 4,601,815 |
| Transactions in the course of payment | 7 | 211,450 | 155,424 | 290,720 |
| Payables from Repurchase Agreements and Security | | | | |
| Lending | 9 | 309,049 | 223,202 | 230,292 |
| Savings accounts and time deposits | 20 | 9,947,950 | 9,282,324 | 8,935,977 |
| Derivative instruments | 10 | 453,291 | 429,913 | 621,140 |
| Borrowings from financial institutions | 21 | 1,124,497 | 1,690,939 | 1,850,774 |
| Debt issued | 22 | 2,978,444 | 2,388,341 | 2,332,053 |
| Other financial obligations | 23 | 147,554 | 184,785 | 222,455 |
| Current tax liabilities | 17 | 26,222 | 4,502 | 7,340 |
| Deferred tax liabilities | 17 | 21,329 | 23,213 | 18,382 |
| Provisions | 24 | 416,987 | 457,938 | 373,920 |
| Other liabilities | 25 | 265,914 | 265,765 | 251,184 |
| TOTAL LIABILITIES | | 20,904,462 | 20,001,772 | 19,736,052 |
| EQUITY | | | | |
| | 27 | | | |
| Attributable to Bank's Owners: | | | | |
| Capital | | 1,509,994 | 1,436,083 | 1,436,083 |
| Reserves | | 177,574 | 119,482 | 119,482 |
| Other comprehensive income | | 17,570 | (2,075) | 683 |
| Retained earnings: | | | | |

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| | | | |
|---|-------------------|-------------------|-------------------|
| Retained earnings from previous periods | 16,379 | 16,379 | 16,379 |
| Income for the period | 327,910 | 428,805 | 329,218 |
| Less: | | | |
| Provision for minimum dividends | (214,885) | (259,501) | (204,100) |
| Subtotal | 1,834,542 | 1,739,173 | 1,697,745 |
| Non-controlling interests | 1 | 2 | 1 |
| TOTAL EQUITY | 1,834,543 | 1,739,175 | 1,697,746 |
| TOTAL LIABILITIES AND EQUITY | 22,739,005 | 21,740,947 | 21,433,798 |

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 nine-month ended September 30, 2012 and 2011**

(Translation of financial statements originally issued in Spanish)

(Expressed in million of Chilean pesos)

A. CONSOLIDATED STATEMENT OF INCOME

| | Notes | September 2012 MCh\$ | September 2011 MCh\$ |
|--|-------|----------------------------|----------------------------|
| Interest revenue | 28 | 1,182,658 | 1,060,319 |
| Interest expense | 28 | (497,974) | (424,430) |
| Net interest income | | 684,684 | 635,889 |
| Income from fees and commissions | 29 | 275,326 | 278,084 |
| Expenses from fees and commissions | 29 | (48,089) | (42,895) |
| Net fees and commission income | | 227,237 | 235,189 |
| Net financial operating income | 30 | 15,766 | 60,974 |
| Foreign exchange transactions, net | 31 | 24,829 | (11,648) |
| Other operating income | 36 | 16,341 | 19,262 |
| Total operating revenues | | 968,857 | 939,666 |
| Provisions for loan losses | 32 | (137,584) | (108,388) |
| OPERATING REVENUES, NET OF PROVISIONS FOR LOAN LOSSES | | 831,273 | 831,278 |
| Personnel expenses | 33 | (231,632) | (240,720) |
| Administrative expenses | 34 | (176,048) | (167,956) |
| Depreciation and amortization | 35 | (23,267) | (22,985) |
| Impairment | 35 | (648) | (4) |
| Other operating expenses | 37 | (39,862) | (25,705) |
| TOTAL OPERATING EXPENSES | | (471,457) | (457,370) |
| NET OPERATING INCOME | | 359,816 | 373,908 |
| Income attributable to associates | 14 | 857 | 2,763 |
| Income before income tax | | 360,673 | 376,671 |
| Income tax | 17 | (32,762) | (47,453) |
| NET INCOME FOR THE PERIOD | | 327,911 | 329,218 |
| Attributable to: | | 327,910 | 329,218 |
| Bank's Owners | | 1 | |

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Non-controlling interests

| | | Ch\$ | Ch\$ |
|---|----|------|------|
| Net income per share attributable to Bank's Owners: | | | |
| Basic net income per share | 27 | 3.72 | 3.85 |
| Diluted net income per share | 27 | 3.72 | 3.85 |

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 nine-month ended September 30, 2012 and 2011**

(Translation of financial statements originally issued in Spanish)

(Expressed in million of Chilean pesos)

B. CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| | Notes | September 2012 MCh\$ | September 2011 MCh\$ |
|---|-------|----------------------------|----------------------------|
| NET INCOME FOR THE PERIOD | | 327,911 | 329,218 |
| OTHER COMPREHENSIVE INCOME | | | |
| Net unrealized gains (losses): | | | |
| Net change in unrealized gains (losses) on available-for-sale instruments | 13 | 23,294 | (6,561) |
| Gains and losses on derivatives held as cash flow hedges | | 1,294 | |
| Cumulative translation adjustment | | (65) | 62 |
| Other comprehensive income before income taxes | | 24,523 | (6,499) |
| Income tax related to other comprehensive income | 17 | (4,880) | 1,312 |
| Total other comprehensive income | | 19,643 | (5,187) |
| TOTAL CONSOLIDATED COMPREHENSIVE INCOME | | 347,554 | 324,031 |
| Attributable to: | | | |
| Bank's owners | | 347,553 | 324,031 |
| Non-controlling interest | | 1 | |
| | | Ch\$ | Ch\$ |
| Comprehensive net income per share attributable to Bank's owners: | | | |
| Basic net income per share | | 3.95 | 3.79 |
| Diluted net income per share | | 3.95 | 3.79 |

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, 2011 and 2012

(Translation of financial statements originally issued in Spanish)

(Expressed in millions of Chilean pesos)

| Notes | Reserves | | Other comprehensive income | | | | Retained earnings | | Provision for minimum dividends | Attributable to equity holders of the parent | Non-controlling interest | Total |
|---|------------------|----------------|----------------------------|---|-----------------------------|-----------------------------------|---|---------------------|---------------------------------|--|--------------------------|------------------|
| | Paid-in Capital | Other reserves | Reserves from earnings | Unrealized gains (losses) on available-for-sale | Derivatives cash flow hedge | Cumulative translation adjustment | Retained earnings from previous periods | Income for the year | | | | |
| | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ |
| Balances as of December 31, 2010 | 1,158,752 | 32,256 | 55,130 | 5,974 | | (104) | 16,091 | 378,529 | (242,503) | 1,404,125 | 2 | 1,406,127 |
| Capitalization of retained earnings | 27 | 67,217 | | | | | | (67,217) | | | | |
| Retention (released) earnings | 27 | | 32,096 | | | | | (32,096) | | | | |
| Dividends distributions and paid | 27 | | | | | | | (279,216) | 242,503 | (36,713) | (1) | (36,426) |
| Other comprehensive income: | 27 | | | | | | | | | | | |
| Cumulative translation adjustment | | | | | | 62 | | | | 62 | | |
| Valuation adjustment on available-for-sale instruments, net | | | | (5,249) | | | | | | (5,249) | | |
| Equity adjustment in subsidiary | | | | | | | 288 | | | 288 | | |
| Capital increase | 27 | 210,114 | | | | | | | | 210,114 | | 210,114 |
| Income for the period 2011 | | | | | | | | 329,218 | | 329,218 | | 329,218 |
| Provision for minimum dividends | 27 | | | | | | | | (204,100) | (204,100) | | (204,100) |
| Balances as of September 30, 2011 | 1,436,083 | 32,256 | 87,226 | 725 | | (42) | 16,379 | 329,218 | (204,100) | 1,697,745 | 1 | 1,698,863 |
| Balances as of December 31, 2011 | 1,436,083 | 32,256 | 87,226 | (1,644) | (395) | (36) | 16,379 | 428,805 | (259,501) | 1,739,173 | 2 | 1,741,173 |

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| | | | | | | | | | | | | | |
|--|----|------------------|---------------|----------------|---------------|------------|--------------|---------------|----------------|------------------|------------------|----------|------------|
| Capitalization of retained earnings | 27 | 73,911 | | | | | | (73,911) | | | | | |
| Retention (released) earnings | 27 | | 58,092 | | | | | (58,092) | | | | | |
| Dividends distributions and paid | 27 | | | | | | | (296,802) | 259,501 | (37,301) | (2) | | |
| Other comprehensive income: | 27 | | | | | | | | | | | | |
| Cumulative translation adjustment | | | | | | | (65) | | | (65) | | | |
| Cash flow hedge adjustment, net | | | | | | 1,044 | | | | 1,044 | | | |
| Valuation adjustment on available-for-sale instruments (net) | | | | | 18,666 | | | | | 18,666 | | | |
| Income for the period 2012 | | | | | | | | 327,910 | | 327,910 | 1 | 3 | |
| Provision for minimum dividends | 27 | | | | | | | | (214,885) | (214,885) | (2) | | |
| Balances as of September 30, 2012 | | 1,509,994 | 32,256 | 145,318 | 17,022 | 649 | (101) | 16,379 | 327,910 | (214,885) | 1,834,542 | 1 | 1,8 |

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, 2012 and 2011**

(Translation of financial statements originally issued in Spanish)

(Expressed in million of Chilean pesos)

| | Notes | September 2012 MCh\$ | September 2011 MCh\$ |
|--|-------|----------------------------|----------------------------|
| OPERATING ACTIVITIES: | | | |
| Net income for the period | | 327,911 | 329,218 |
| Items that do not represent cash flows: | | | |
| Depreciation and amortization | 35 | 23,267 | 22,985 |
| Impairment of intangible assets and property and equipment | 35 | 648 | 4 |
| Provision for loan losses | 32 | 164,370 | 131,262 |
| Provision of contingent loans | 32 | 2,909 | 7,651 |
| Fair value adjustment of financial assets held-for-trading | | 626 | (932) |
| Income attributable to investments in other companies | 14 | (648) | (2,577) |
| Income from sales of assets received in lieu of payment | 36 | (5,246) | (4,809) |
| Net gain on sales of property and equipment | | (224) | (1,274) |
| (Increase) decrease in other assets and liabilities | | (6,244) | (58,678) |
| Charge-offs of assets received in lieu of payment | 37 | 1,974 | 2,865 |
| Other charges (credits) to income that do not represent cash flows | | (67,496) | 78,645 |
| Net changes in interest and fee accruals | | 20,639 | (17,636) |
| Changes in assets and liabilities that affect operating cash flows: | | | |
| (Increase) decrease in loans and advances to banks, net | | (144,957) | (314,201) |
| Increase in loans to customers | | (1,116,529) | (2,396,279) |
| Increase in financial assets held-for-trading, net | | 123,829 | (112,555) |
| Decrease in deferred taxes, net | 17 | (13,113) | (10,171) |
| Increase in current account and other demand deposits | | 107,096 | 155,397 |
| Increase in payables from repurchase agreements and security lending | | 56,397 | 159,487 |
| Increase in savings accounts and time deposits | | 673,172 | 1,198,428 |
| Proceeds from sale of assets received in lieu of payment | | 7,074 | 6,526 |
| Total cash flows from operating activities | | 155,455 | (826,644) |
| INVESTING ACTIVITIES: | | | |
| (Increase) decrease in financial assets available-for-sale, net | | (81,974) | (126,380) |
| Purchases of property and equipment | 16 | (15,285) | (16,418) |
| Proceeds from sales of property and equipment | | 119 | 1,662 |
| Purchases of intangible assets | 15 | (6,001) | (6,276) |
| Investments in other companies | 14 | (71) | |
| Dividends received from investments in other companies | 14 | 915 | 746 |
| Total cash flows from investing activities | | 61,651 | (146,666) |
| FINANCING ACTIVITIES: | | | |
| Repayment of mortgage finance bonds | | (20,791) | (28,896) |
| Proceeds from bond issuances | 22 | 815,989 | 692,578 |
| Redemption of bond issuances | | (244,075) | (119,371) |
| Proceeds from subscription and payment of shares | | | 210,114 |

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| | | | |
|--|---|------------------|------------------|
| Dividends paid | | (296,802) | (279,216) |
| Increase in borrowings from financial institutions | | 19,285 | 27,861 |
| Decrease in other financial obligations | | (33,206) | 47,146 |
| Decrease in borrowings from Central Bank of Chile | | (22,793) | |
| Proceeds from borrowings from Central Bank (long-term) | | 15 | 68 |
| Payment of borrowings from Central Bank of Chile (long-term) | | (48) | (80) |
| Long-term foreign borrowings | | 336,103 | 779,561 |
| Payment of long-term foreign borrowings | | (815,838) | (368,478) |
| Proceeds from other long-term borrowings | | 666 | 944 |
| Payment of other long-term borrowings | | (4,270) | (7,472) |
| Total cash flows from financing activities | | (265,765) | 954,759 |
| TOTAL NET POSITIVE CASH FLOWS FOR THE PERIOD | | (48,659) | (18,551) |
| Net effect of exchange rate changes on cash and cash equivalents | | (34,148) | 1,800 |
| Cash and cash equivalents at beginning of year | 7 | 1,429,908 | 1,447,695 |
| Cash and cash equivalents at end of period | 7 | 1,347,101 | 1,430,944 |

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

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BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine-month ended September 30, 2011 and 2012

(Translation of financial statements originally issued in Spanish)

(Expressed in million of Chilean pesos)

1. Company Information:

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), 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 s shares are also listed on the Latin American securities market of the Madrid Stock Exchange (LATIBEX).

Banco de Chile offers a broad range of banking services to 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, factoring, insurance brokerage, financial advisory and securitization.

Banco de Chile s legal domicile is Ahumada 251, Santiago, Chile and its Web site is www.bancochile.cl.

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

(a) Legal provisions:

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The General Banking Law in its Article N° 15 authorizes the Chilean Superintendency of Banks (SBIF) to issue generally applicable accounting standards for entities it supervises. The Corporations Law, in turn, requires generally accepted accounting principles to be followed.

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

(b.1) The current Interim Condensed Consolidated Financial Statements for the nine-months period ended September 30, 2012 are presented based on the same accounting principles described in the Bank's audited Consolidated Financial Statements at December 31, 2011 and for the year then ended (audited financial statements), and have been prepared according to the Compendium of Accounting Standards, Chapter C-2 issued by the Superintendency of Banks and Financial Institutions and the International Financial Reporting Standard N°34 (NIC 34) Intermediate Financial Information .

According to NIC 34, the intermediate financial information is prepared solely with the intention of updating the content of the last annual Consolidated Financial Statements, putting emphasis on the new activities, events and circumstances occurred during the nine-month period after period end and not duplicating the previous published information in the last Consolidated Financial Statements. Consequently, the Interim Consolidated Financial Statements do not include all the complete information and notes required for the complete Consolidated Financial statements according to the International Accounting Standards and International Financial Information issued by the IASB, reason by which for a suitable understanding of the information that is included in these Interim Condensed Consolidated Financial Statements, they must be read along with the annual Consolidated Financial statements of Banco de Chile, corresponding to the year ended December 31, 2011. However, in the opinion of the Bank's management, all the adjustments (consisting of normal recurring provisions) that were considered necessary for a reasonable presentation have been included. The results of operations for the nine-month periods ended September 30, 2012 are not necessarily indicative of the results that may be expected for the year ending December 31, 2012.

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

| Rut | Subsidiaries | Country | Functional Currency | Direct | | Interest Owned Indirect | | Total | |
|--------------|--|-----------|------------------------|------------------------|------------------------|----------------------------|------------------------|------------------------|------------------------|
| | | | | September 2012 % | September 2011 % | September 2012 % | September 2011 % | September 2012 % | September 2011 % |
| 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 |
| 96,894,740-0 | Banchile Factoring S.A. | Chile | Ch\$ | 99.75 | 99.75 | 0.25 | 0.25 | 100.00 | 100.00 |

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| | | | | | | | | | |
|--------------|-----------------------------------|-------|------|-------|-------|------|------|--------|--------|
| 96,571,220-8 | Banchile Corredores de Bolsa S.A. | Chile | Ch\$ | 99.70 | 99.70 | 0.30 | 0.30 | 100.00 | 100.00 |
| 96,932,010-K | Banchile Securitizadora S.A. | Chile | Ch\$ | 99.00 | 99.00 | 1.00 | 1.00 | 100.00 | 100.00 |
| 96,645,790-2 | Socofin S.A. | Chile | Ch\$ | 99.00 | 99.00 | 1.00 | 1.00 | 100.00 | 100.00 |
| 96,510,950-1 | Promarket S.A. | Chile | Ch\$ | 99.00 | 99.00 | 1.00 | 1.00 | 100.00 | 100.00 |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

(c) Use of estimates and judgment

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

1. Goodwill valuation (Note 15);
2. Useful lives of property and equipment and intangible assets (Notes 15 y 16);
3. Income taxes and deferred taxes (Note 17);
4. Provisions (Note 24);
5. Commitments and contingencies (Note 26);
6. Provision for loan losses (Note 32);
7. Impairment of other financial assets (Note 35);
8. Fair value of financial assets and liabilities (Note 39).

During the nine month period ended September 30, 2012 there have been no significant changes to estimations made when preparing the Bank's 2011 Annual Consolidated Financial Statements, other than those indicated in these Interim Condensed Consolidated Financial Statements.

(d) Reclassification:

For comparative purposes, certain line items of the September 30, 2011 Interim Condensed Consolidated Financial Statements have been reclassified.

(e) Comparison of the Information:

The information contained in these financial statements corresponding to year 2011 is presented, unique and exclusively, to compare with the information regarding the period of nine month ended September 30, 2012.

(f) 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.

(g) Relative Importance:

When determining the information to present on the different items from the financial statements or other subjects, in accordance with NIC 34, the Bank has considered the relative importance in relation to the Interim Condensed Consolidated financial statements of the period.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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) but which have not come into effect as of September 30, 2012, as per the following detail:

IAS 1 Presentation of Financial Statements

The annual improvements to IFRS, issued in May 2012, provide amendments to IAS 1 in order to clarify the requirements to provide comparative information for:

- a) The requirements comparative of the opening statement of financial position when an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification, according to IAS 8 Accounting policies, changes in accounting estimates and Errors.
- b) The requirement to provide comparative information when an entity provides additional comparative information beyond the minimum comparative information requirements.

The amendment is applicable for annual periods beginning January 1, 2013 and earlier application is permitted. The amendment is applied retrospectively for any change accordance with the description in a) and b), for which currently has no impact for the Bank of Chile and its subsidiaries in their consolidated financial statements.

IAS 16 Property, Plant and Equipment

The annual improvements to IFRS, issued in May 2012, provide amendments to IAS 16, to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of property, plant and equipment in IAS 16 is now considered in determining whether these items should be accounted for under that standard. The amendment proposes to delete if the spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

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The amendments must be applied retrospectively and are effective for annual periods beginning on or after January 1, 2013, with early application permitted. In Management's opinion, the application of this standard will not have a significant effect on the consolidated financial statements of Banco de Chile and its subsidiaries.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

3. New Accounting Pronouncements, continued:

IAS 19 Employee Benefits

The amendments to IAS 19 published by the IASB in June, 2011 eliminated the option to defer recognition of gains and losses (the corridor method), streamline the presentation of changes in assets and liabilities arising from defined benefit plans and enhance the disclosure requirements for defined benefit plans. Entities are required to apply amendments in the annual periods beginning on or after **January 1, 2013**, or earlier. To date, Banco de Chile and its subsidiaries are evaluating the possible impact that the adoption of this standard will have on its consolidated financial statements.

IAS 27 Separate Financial Statements

This standard amended in May 2011, and supersedes IAS 27 (2008). The scope of this standard is restricted only for separate financial statements, as the concept related to the definition of control and consolidation were removed and included in IFRS 10. Entities are required to apply amendments in the annual periods beginning on or after **January 1, 2013**, and early adoption is permitted in conjunction with IFRS 10, IFRS 11 and IFRS 12 and the amendment to IAS 28. According to the assessment carried out this policy change has no impact on the consolidated financial statements of Banco de Chile and its subsidiaries.

IAS 28 Investments in Associates and Joint Venture

This standard was reissued in May 2011, regulates the accounting treatment of application of the equity method to investments in joint ventures. Entities are required to apply amendments in the annual periods beginning on or after **January 1, 2013**, and early adoption is permitted in conjunction with IFRS 10, IFRS 11 and IFRS 12 and the amendment to IAS 27. To date, Banco de Chile and its subsidiaries are evaluating the possible impact that the adoption of this standard will have on its consolidated financial statements.

IAS 32 Financial Instruments: Presentation

The amendments issued in December 2011, clarify the meaning of *currently has a legally enforceable right to set-off*. The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The standard is effective for annual periods beginning on or after **January 1, 2014** and early

adoption is permitted.

In May 2012, the amendments removes a perceived inconsistency between IAS 32 and IAS 12 and indicating that the income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with IAS 12 Income Taxes .

This amendment shall apply retroactively for annual periods beginning on or after *January 1, 2013*. Earlier application is permitted.

According to current rules about netting force in Chile, this rule has no impact on the consolidated financial statements of Banco de Chile and its subsidiaries.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

3. New Accounting Pronouncements, continued:

IAS 34 Interim Financial Reporting

The annual improvements to IFRS, issued in May 2012, incorporates amendments to IAS 34, in which it is established that requires disclosure of assets and total liabilities for a particular segment, if:

a) The total assets and total liabilities for a particular reportable segment would be separately disclosed in interim financial reporting only when the amounts are regularly provided to the chief operating decision-maker.

b) There has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment.

This amendment shall apply retroactively for annual periods beginning on or after *January 1, 2013*. Earlier application is permitted.

According to the assessment carried out this policy change has no impact on the consolidated financial statements of Banco de Chile and its subsidiaries.

IFRS 7 Financial Instruments: Disclosures

In December 2011, amended the required disclosures to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognized financial assets and recognized financial liabilities, on the entity's financial position. An entity shall apply those amendments for annual periods beginning on or after *January 1, 2013*. To date, Banco de Chile and its subsidiaries are working in its disclosures for give compliance to this rule.

IFRS 9 Financial Instruments: Financial liabilities

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

The mandatory effective date to annual periods beginning on or after *January 1, 2015*.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

3. New Accounting Pronouncements, continued:

IFRS 9 Financial Instruments: Recognition and Measurement

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

IFRS 9 is effective for annual periods commencing as of *January 1, 2015*, and allows adoption prior to that date. IFRS 9 must be applied retroactively, however if it is adopted before January 1, 2012, there is no need to reformulate comparative periods.

Banco de Chile and its subsidiaries are assessing the possible impact of adoption of these changes on the consolidated financial statements, however, that impact will depend on the assets maintained by the institution as of the adoption date. It is not practicable to quantify the effect on the issuance of these consolidated financial statements. To date, neither of these standards has been approved by the Superintendency of Banks, event that is required for their application.

IFRS 10 Consolidated Financial Statement

In May 2011 the IASB issued IFRS 10 establishes a new definition of control applies to all entities including special purpose entities or structured entities as they are now referred to in the new standards. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore are required to be consolidated by a parent.

These new standard is effective for annual periods beginning on or after *January 1, 2013*. To date, Banco de Chile and its subsidiaries are evaluating the possible impact that the adoption of this standard will have on its consolidated financial statements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, *continued*

3. New Accounting Pronouncements, continued:

IFRS 11 Joint Arrangements

In May 2011, the IASB issued IFRS 11 which replaces IAS 31 Interest in Joint Ventures and SIC-13 Jointly-Controlled Entities- Non-monetary Contributions by Ventures .

IFRS 11 eliminated the option to record the value of investment in a joint venture using proportionate consolidation or recognize its assets and liabilities its relative shares of those items, if any. The new standards require using the equity method.

These new standard is effective for annual periods beginning on or after *January 1, 2013*. To date, Banco de Chile and its subsidiaries are evaluating the possible impact that the adoption of this standard will have on its consolidated financial statements.

IFRS 12 Disclosure of Interests in Other Entities

In May 2011, the IASB issued IFRS 12 which replaces the disclosure requirements previously included in IAS 27, IAS 31 and IAS 28. This new standard is aimed at concentrating on a single regulatory body disclosure of subsidiaries, joint agreements, associates and structured entities. One of the most significant changes introduced by IFRS 12 is required for the parent to disclose the judgment that management has made to determine that it has control to consolidate or not different entities. The new disclosures will help users of its financial statement evaluate the nature and risks associated with interests in other entities and the effects of those interests on its financial statements.

These new standard is effective for annual periods beginning on or after *January 1, 2013*. To date, Banco de Chile and its subsidiaries are evaluating the potential impact that its adoption will have on its consolidated financial statements.

IFRS 13 Fair Value Measurement

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In May 2011, the IASB issued IFRS 13 Fair Value Measurement. This new standard establishes a new definition of Fair Value. This new standard does not change when an entity must or may use fair value, but changes the way how to measure the fair value of financial assets and liabilities and non-financial.

These new standard is effective for annual periods beginning on or after **January 1, 2013**. According the assessment, this policy change has no impact on the consolidated financial statements of Banco de Chile and its subsidiaries, however the Bank is working in its disclosures for comply with the further information requests of this rule. This rule will be applicable if Superintendency of Banks and Financial Institutions allow its adoption.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

4. Changes in Accounting Policies and Disclosures:

During the period ended September 30, 2012, have not occurred significant accounting changes that affect the presentation of consolidated financial statements.

5. Relevant Events:

a. In an ordinary meeting held on January 26, 2012, the Bank's Board of directors decided to call an ordinary shareholders meeting to be held on March 22, 2012 with the objective of proposing, among other matters, the increase the Bank's capital through the capitalization of 30% of the Bank's net income for the fiscal year 2011, by means of the issuance of shares without nominal value, set at the value of \$67.48 per share and distributed among shareholders, without charge, at the rate of 0.018956 new shares per each paid for and subscribed share and to adopt all necessary resolutions subject to the options contemplated in Article 31 of Law N°19,396.

In an ordinary meeting held on March 22, 2012, its shareholders approved the distribution and payment of dividend No.200, in the amount of CLP\$2.984740 per Banco de Chile common share, which represents 70% of the Bank's net income for year 2011.

b. On February 16, 2012 and pursuant to Article 116 of Law No. 18,045, Banco de Chile in his capacity as representative of the bondholders Series A, issued by Compañía Sud Americana de Vapores S.A., Banco de Chile informed, as an essential information, that because this has occurred the configuration of the disability cause contemplated in the first paragraph of Article 116 of Law No. 18,045, that is, being the representative of the bondholders related to the issuer.

Banco de Chile will refrain from further actions as such and will renounce as representative of the bondholders of such issue, for which purpose will proceed to quote in the shortest possible time to a bondholders meeting, to announce the renounce of Banco de Chile as representative and to propose to the assembly the appointment of a new representative.

The said bond issue is in the public deed dated August 29, 2001, executed in Santiago on behalf of the Public Notary Mr. René Benavente Cash, together with all the amendments and entered in the Registry of Securities of the Chilean Superintendency of Securities and Insurance under No. 274.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

5. Relevant Events, continued:

c. On March 27, 2012, the Central Bank of Chile communicated to Banco de Chile that in the Extraordinary Session, No. 1666E, held on the same date, the Board of the Central Bank of Chile resolved to request its corresponding surplus, from the fiscal year ended December 31, 2011, including the proportional part of the agreed upon capitalization profits, be paid in cash.

d. On April 27, 2012 Banco de Chile informs that in the Ordinary Meeting held on April 26, 2012, the Board of Directors of Banco de Chile accepted the resignation presented by the Director, Mr. Fernando Quiroz Robles.

Likewise, the Board of Directors appointed, until the next Ordinary Shareholders Meeting, Mr. Francisco Aristeguieta Silva as Director. Additionally, in the same session, Mr. Francisco Aristeguieta Silva was appointed as Vice Chairman of the Board of Directors of Banco de Chile.

e. On June 5, 2012 Banco de Chile informed the capitalization of 30% of the distributable net income obtained during the fiscal year ending the December 31, 2011, through the issuance of fully paid-in shares, of no par value, agreed in the Extraordinary Shareholders Meeting held on March 22, 2012, the Bank informed the following:

(i) In the said Extraordinary Shareholders Meeting, it was agreed to increase the Bank's capital in the amount of CLP\$73,910,745,344 through the issuance of 1,095,298,538 fully paid-in shares, of no par value, payable under the distributable net income for the year ended December 31, 2011 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°118 dated May 17, 2012, which was registered on page 33,050, No. 23,246 on the Chamber of Commerce of Santiago, on May 18, 2012 and was published at Diario Oficial No. 40,267 on May 22, 2012.

The issuance of fully in paid shares was registered in the Securities Register of the Superintendence of Banks and Financial Institutions with No. 4/2012, on June 4, 2012.

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- (ii) The Board of Directors of Banco de Chile, at the meeting No. 2,754, dated May 24, 2012, set June 28, 2012, 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 0.018956 fully in paid shares for each Banco de Chile share, shall be those registered in the Registry of Shareholders on June 22, 2012.
- (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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

(v) As a consequence of the issuance of the fully in paid shares, the capital of the Bank will be divided in 88,037,813,511 nominative shares, without par value.

f. On July 9, 2012, according to article 19 of Chilean General Banking Act, the Superintendency of Banks and Financial Institutions imposed a fine of CLP\$40,000,000 (Chilean pesos) to Banco de Chile, in connection with the forwarding and delivering service by electronic mail corresponding to June 2012 current account statements.

g. In the Ordinary Session No. 2,761 held on September 13, 2012, the Board of Directors of Banco de Chile resolve to schedule an Extraordinary Shareholders Meeting to be held on October 17, 2012, with the purpose of proposing a capital increase in the amount of CLP\$250,000,000,000 (two hundred and fifty billion Chilean pesos) by means for the issuance of cash shares that must be subscribed and paid at the price, term and other conditions agreed by the Shareholders Meeting as well as to modify the Bank's by-laws by adopting the other necessary agreements so as to make effective the agreed by-laws reform. Cash shares to be issued will be ordinary Banco de Chile shares having the same rights as all Banco de Chile's shares, with the exception that they will not allow its shareholders to receive dividends and/or fully paid-in shares, as the case may be, with respect to the earnings of fiscal year 2012.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

6. Segment Reporting:

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

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

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

Treasury and money market operations:

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

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

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

Entity

- Banchile Trade Services Limited

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- Banchile Administradora General de Fondos S.A.
- Banchile Asesoría Financiera S.A.
- Banchile Corredores de Seguros Ltda.
- Banchile Factoring S.A.
- Banchile Corredores de Bolsa S.A.
- Banchile Securitizadora S.A.
- Socofin S.A.
- Promarket S.A.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

6. Segment Reporting, continued:

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

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

The Bank did not enter into transactions with a particular customer or third party that exceed 10% or more of its total income during the nine-month period ended September 30, 2012 and 2011.

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

6. Segment Reporting, continued:

The following table presents the information by segment for the periods ended September 30, 2012 and 2011 for each of the segments defined above:

| | Retail | | Wholesale | | Treasury | | Subsidiaries | | Subtotal | | Adjustment (*) | |
|--|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | September 2012 MCh\$ | September 2011 MCh\$ | September 2012 MCh\$ | September 2011 MCh\$ | September 2012 MCh\$ | September 2011 MCh\$ | September 2012 MCh\$ | September 2011 MCh\$ | September 2012 MCh\$ | September 2011 MCh\$ | September 2012 MCh\$ | September 2011 MCh\$ |
| Net interest income | 481,852 | 430,070 | 181,664 | 180,084 | 9,006 | 15,640 | 4,994 | 3,513 | 677,516 | 629,307 | 7,168 | 6,582 |
| Net fees and commissions income (loss) | 133,637 | 128,104 | 24,445 | 24,820 | (363) | (408) | 77,945 | 90,495 | 235,664 | 243,011 | (8,427) | (7,822) |
| Other operating income | 10,392 | 11,680 | 20,380 | 32,756 | 11,574 | 12,248 | 23,717 | 19,805 | 66,063 | 76,489 | (9,127) | (7,901) |
| Total operating revenue | 625,881 | 569,854 | 226,489 | 237,660 | 20,217 | 27,480 | 106,656 | 113,813 | 979,243 | 948,807 | (10,386) | (9,141) |
| Provisions for loan losses | (138,141) | (82,253) | (90) | (23,923) | 84 | (942) | 563 | (1,270) | (137,584) | (108,388) | | |
| Depreciation and amortization | (15,603) | (15,925) | (5,498) | (4,760) | (999) | (1,162) | (1,167) | (1,138) | (23,267) | (22,985) | | |
| Other operating expenses | (299,518) | (278,519) | (86,007) | (93,621) | (5,387) | (6,918) | (67,664) | (64,468) | (458,576) | (443,526) | 10,386 | 9,141 |
| Income attributable to associates | 384 | 1,903 | 193 | 599 | 21 | | 259 | 261 | 857 | 2,763 | | |
| Income before income taxes | 173,003 | 195,060 | 135,087 | 115,955 | 13,936 | 18,458 | 38,647 | 47,198 | 360,673 | 376,671 | | |
| Income taxes | | | | | | | | | | | | |
| Income after income taxes | | | | | | | | | | | | |
| Assets | 9,192,495 | 8,374,468 | 9,502,575 | 9,060,024 | 3,403,764 | 3,288,521 | 1,175,064 | 1,082,710 | 23,273,898 | 21,805,723 | (664,033) | (485,729) |
| Current and deferred taxes | | | | | | | | | | | | |
| Total assets | | | | | | | | | | | | |
| Liabilities | 7,135,781 | 6,186,498 | 9,142,352 | 9,198,491 | 4,275,812 | 3,938,302 | 966,999 | 872,768 | 21,520,944 | 20,196,059 | (664,033) | (485,729) |

Current and
deferred
taxes
Total
liabilities

20,

(*)This column corresponds to the elimination adjustment to conform to the interim condensed consolidated statements of comprehensive income and statements of financial position

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

7. Cash and Cash Equivalents:

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

| | September 2012 MCh\$ | December 2011 MCh\$ | September 2011 MCh\$ |
|---|----------------------------|---------------------------|----------------------------|
| Cash and due from banks: | | | |
| Cash | 392,752 | 346,169 | 361,859 |
| Current account with the Chilean Central Bank | 43,877 | 139,328 | 136,208 |
| Deposits in other domestic banks | 38,358 | 106,656 | 112,172 |
| Deposits abroad | 135,409 | 288,993 | 255,910 |
| Subtotal - Cash and due from banks | 610,396 | 881,146 | 866,149 |
| Net transactions in the course of collection | | | |
| Highly liquid financial instruments | 198,487 | 218,215 | 170,361 |
| Repurchase agreements | 528,345 | 290,069 | 373,507 |
| Total cash and cash equivalents | 9,873 | 40,478 | 20,927 |
| | 1,347,101 | 1,429,908 | 1,430,944 |

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 12 to 24 business hours, and are detailed as follows:

| | September 2012 MCh\$ | December 2011 MCh\$ | September 2011 MCh\$ |
|---|----------------------------|---------------------------|----------------------------|
| Assets | | | |
| Documents drawn on other banks (clearing) | 187,824 | 185,342 | 180,378 |
| Funds receivable | 222,113 | 188,297 | 280,703 |
| Subtotal transactions in the course of collection | 409,937 | 373,639 | 461,081 |

Liabilities

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| | | | |
|--|-----------|-----------|-----------|
| Funds payable | (211,450) | (155,424) | (290,720) |
| Subtotal transactions in the course of payment | (211,450) | (155,424) | (290,720) |
| Net transactions in the course of collection | 198,487 | 218,215 | 170,361 |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

8. Financial Assets Held-for-trading:

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

| | September 2012 MCh\$ | December 2011 MCh\$ | September 2011 MCh\$ |
|--|----------------------------|---------------------------|----------------------------|
| Instruments issued by the Chilean Government and Central Bank of Chile: | | | |
| Central Bank bonds | 28,322 | 66,243 | 33,503 |
| Central Bank promissory notes | 2,991 | 4,657 | 7,603 |
| Other instruments issued by the Chilean Government and Central Bank | 28,701 | 6,942 | 17,524 |
| Other instruments issued in Chile | | | |
| Mortgage bonds from domestic banks | 28 | 61 | 90 |
| Bonds from domestic banks | 343 | 585 | 4,234 |
| Deposits in domestic banks | 205,981 | 191,003 | 228,677 |
| Other instruments issued in Chile | 175 | 370 | 45 |
| Instruments issued by foreign institutions | | | |
| Other instruments issued abroad | | | |
| Mutual fund investments: | | | |
| Funds managed by related companies | 75,127 | 31,910 | 52,264 |
| Total | 341,668 | 301,771 | 343,940 |

Instruments issued by the Chilean Government and Central Bank include instruments sold under agreements to repurchase to customers and financial institutions, for the period ended September 30, 2012 and 2011 the Bank does not have movement for this concept.

Other instruments issued in Chile include instruments sold under agreements to repurchase to customers and financial instruments, amounting to MCh\$186,754 as of September 30, 2012 (MCh\$218,054 in 2011).

Agreements to repurchase have an average expiration of 8 days as of period-end (4 days in 2011).

Additionally, the Bank holds financial investments in mortgage finance bonds issued by itself in the amount of MCh\$53,962 as of September 30, 2012 (MCh\$66,874 as of September 30, 2011), which are presented as a reduction of the liability line item Debt issued.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

9. Repurchase Agreements and Security Lending and Borrowing:

(a) The Bank provides financing to its customers through Receivables from Repurchase Agreements and Security Borrowing, in which the financial instrument serves as collateral. As of September 30, 2012 and 2011, the Bank has the following receivables resulting from such transactions:

| | Up to 1 month | | Over 1 month and Over 3 months and | | Over 3 months and Over 1 year and up | | Over 1 year and up | | Over 3 years and up | | Over 5 years | | Total | |
|--|---------------|-------|------------------------------------|--------|--------------------------------------|--------|--------------------|-------|---------------------|-------|--------------|-------|--------|--------|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ |
| Instruments issued by the Chilean Governments and Central Bank of Chile | | | | | | | | | | | | | | |
| Central Bank bonds | | | | | | | | | | | | | | |
| Central Bank promissory notes | | | | | | | | | | | | | | |
| Other instruments issued by the Chilean Government and Central Bank | 821 | | | | | | 821 | | | | | | 821 | |
| Other Instruments Issued in Chile | | | | | | | | | | | | | | |
| Deposit promissory notes from domestic banks | | | | | | | | | | | | | | |
| Mortgage bonds from domestic banks | | | | | | | | | | | | | | |
| Bonds from domestic banks | | | | | | | | | | | | | | |
| Deposits in domestic banks | | | | | | | | | | | | | | |
| Bonds from other Chilean companies | | | | | | | | | | | | | | |
| Other instruments issued in Chile | 8,038 | 3,089 | 36,178 | 43,435 | 1,793 | 26,341 | | | | | | | 46,009 | 72,865 |

**Instruments
issued by foreign
institutions**

Instruments from
foreign
governments or
central bank
Other instruments

| | | | | | | | | | |
|-------|-------|-------|--------|--------|-------|--------|--|--------|--------|
| Total | 8,859 | 3,089 | 36,178 | 43,435 | 1,793 | 26,341 | | 46,830 | 72,865 |
|-------|-------|-------|--------|--------|-------|--------|--|--------|--------|

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

6. Segment Reporting, 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, 2012 and 2011, the Bank has the following payables resulting from such transactions:

| | Up to 1 month | | Over 1 month and up to 3 months | | Over 3 months and up to 12 months | | Over 1 year and up to 3 years | | Over 3 years and up to 5 years | | Over 5 years | | Total | |
|--|---------------|---------------|---------------------------------|---------------|-----------------------------------|---------------|-------------------------------|---------------|--------------------------------|---------------|---------------|---------------|---------------|---------------|
| | 2012 MCh\$ | 2011 MCh\$ | 2012 MCh\$ | 2011 MCh\$ | 2012 MCh\$ | 2011 MCh\$ | 2012 MCh\$ | 2011 MCh\$ | 2012 MCh\$ | 2011 MCh\$ | 2012 MCh\$ | 2011 MCh\$ | 2012 MCh\$ | 2011 MCh\$ |
| Instruments issued by the Chilean Governments and Central Bank of Chile | | | | | | | | | | | | | | |
| Central Bank bonds | | 2,815 | | | | | | | | | | | | 2,815 |
| Central Bank promissory notes | 11,622 | 1,744 | | 15,288 | | | | | | | | | 11,622 | 17,032 |
| Other instruments issued by the Chilean Government and Central Bank | | | | | | | | | | | | | | |
| Other Instruments Issued in Chile | | | | | | | | | | | | | | |
| Deposit promissory notes from domestic banks | 292,867 | 191,517 | 404 | 18,905 | | 23 | | | | | | | 293,271 | 210,445 |
| Mortgage bonds from domestic banks | | | | | | | | | | | | | | |
| Bonds from domestic banks | | | | | | | | | | | | | | |
| Deposits in domestic banks | | | | | | | | | | | | | | |
| Bonds from other Chilean companies | | | | | | | | | | | | | | |
| Other instruments | 4,156 | | | | | | | | | | | | 4,156 | |

issued in Chile

**Instruments
issued by
foreign
institutions**

Instruments from
foreign
governments or
central bank

Other
instruments

| | | | | | | | |
|-------|---------|---------|-----|--------|----|---------|---------|
| Total | 308,645 | 196,076 | 404 | 34,193 | 23 | 309,049 | 230,292 |
|-------|---------|---------|-----|--------|----|---------|---------|

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

(c) Securities received:

As part of reverse repurchase and securities borrowing agreements the Bank has received securities that it is allowed to sell or repledge in the absence of default by the owner. As of September 30, 2012, the Bank held securities with a fair value of Ch\$46,830 million (Ch\$70,463 million in 2011) on such terms. The Bank has an obligation to return the securities to its counterparties.

(d) Securities given:

The carrying amount of securities lent and of Payables from Repurchase Agreements and Security Lending as of September 30, 2012 is Ch\$198,351 million (Ch\$237,292 million in 2011). The counterparty is allowed to sell or repledge those securities in the absence of default by the Bank.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

10. Derivative Instruments and Accounting Hedges:

(a) As of September 30, 2012 and 2011, the Bank's portfolio of derivative instruments is detailed as follows:

| | Notional amount of contract with final expiration date in | | | | | | | | | | | | Fair value | | | |
|--|---|-----------|---------------------------------|-----------|-----------------------------------|-----------|-------------------------------|-----------|--------------------------------|---------|--------------|-----------|------------|---------|-------|------|
| | 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 | | | | Asset | |
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | | | 2012 | 2011 |
| | MM\$ | MM\$ | MM\$ | MM\$ | MM\$ | MM\$ | MM\$ | MM\$ | MM\$ | MM\$ | MM\$ | MM\$ | MM\$ | MM\$ | MM\$ | MM\$ |
| Derivatives held for hedging purposes | | | | | | | | | | | | | | | | |
| Cross currency swap | | | | | | | 31,045 | 13,208 | 24,850 | 17,043 | 95,814 | 129,965 | | | | 10 |
| Interest rate swap | | | | | | | 24,922 | 15,609 | 17,613 | 14,012 | 132,698 | 197,605 | | | | 25 |
| Total derivatives held for hedging purposes | | | | | | | 55,967 | 28,817 | 42,463 | 31,055 | 228,512 | 327,570 | | | | 35 |
| Derivatives held as cash flow hedges | | | | | | | | | | | | | | | | |
| Interest rate swap and cross currency swap | 82,739 | | | | | | 55,388 | | | | 24,487 | | | | | 2 |
| Total Derivatives held as cash flow hedges | 82,739 | | | | | | 55,388 | | | | 24,487 | | | | | 2 |
| Derivatives held-for-trading purposes | | | | | | | | | | | | | | | | |
| Currency forward | 3,223,110 | 6,255,228 | 2,622,351 | 3,433,039 | 4,122,813 | 4,055,157 | 483,081 | 407,577 | 24,744 | 8,641 | 65 | | 105,657 | 354,717 | 133 | |
| Cross currency swap | 396,826 | 120,000 | 760,730 | 335,014 | 3,008,540 | 1,286,175 | 2,757,096 | 1,040,133 | 1,470,854 | 208,613 | 2,272,725 | 146,538 | 79,482 | 87,472 | 101 | |
| Interest rate swap | 104,974 | 292,780 | 489,825 | 431,469 | 1,399,758 | 857,220 | 2,430,379 | 1,352,448 | 1,316,295 | 668,734 | 1,177,397 | 580,498 | 194,560 | 192,181 | 178 | |
| Call currency options | 18,360 | 9,273 | 24,036 | 206 | 58,191 | 86,337 | 3,418 | | | | | | | 575 | 2,282 | |
| Put currency options | 12,244 | 1,288 | 19,655 | 103 | 29,661 | 4,018 | 1,709 | | | | | | | 903 | 12 | |
| Others | | | | | | | | | | | | 663,899 | | | | |
| Total derivatives of negotiation | 3,755,514 | 6,678,569 | 3,916,597 | 4,199,831 | 8,618,963 | 6,288,907 | 5,675,683 | 2,800,158 | 2,811,893 | 885,988 | 3,450,187 | 1,390,935 | 381,177 | 636,664 | 414 | |
| Total | 3,838,253 | 6,678,569 | 3,916,597 | 4,199,831 | 8,618,963 | 6,288,907 | 5,787,038 | 2,828,975 | 2,854,356 | 917,043 | 3,703,186 | 1,718,505 | 381,177 | 636,664 | 453 | |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

10. Derivative Instruments and Accounting Hedges, continued:

(b) Fair value Hedges:

The Bank uses cross-currency swaps and interest rate swaps to hedge its exposure to changes in the fair value of the hedged elements attributable to interest rates. The aforementioned hedge instruments change the effective cost of long-term issuances from a fixed interest rate to a variable interest 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, 2012 and 2011:

| | As of September 30, | |
|-------------------------|---------------------|---------------|
| | 2012 MCh\$ | 2011 MCh\$ |
| Hedged element | | |
| Commercial loans | 151,709 | 160,216 |
| Corporate bonds | 175,233 | 227,226 |
| Total | 326,942 | 387,442 |
| Hedge instrument | | |
| Cross currency swap | 151,709 | 160,216 |
| Interest rate swap | 175,233 | 227,226 |
| Total | 326,942 | 387,442 |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

10. Derivative Instruments and Accounting Hedges, continued:

(c) Cash flow Hedges:

(c.1) From the year 2011, the Bank uses cross currency swaps to hedge the risk from variability of cash flows attributable to changes in the interest rates of bonds and foreign exchange of bonds issued abroad in Mexican pesos to rate TIIE (Interbank Interest Rate Balance) plus 0.6 percentage points and Hong Kong dollars to fix rate. 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.

(c.2) Below is an estimate of the periods in which the estimated cash flows, that includes the interest and the capital amount, of the hedged item(s) are expected to be generated:

| | As of September 30, 2012 | | | | | | |
|---|---------------------------|---|---|---|---|--------------------------|----------------|
| | Up to 1 month MCh\$ | Over 1 month and up to 3 months MCh\$ | Over 3 months and up to 12 months MCh\$ | Over 1 year and up to 3 years MCh\$ | Over 3 years and up to 5 years MCh\$ | Over 5 years MCh\$ | Total MCh\$ |
| Hedged item (Corporate bonds MXN) | | | | | | | |
| Outflows | (233) | (466) | (2,331) | (58,884) | | | (61,914) |
| Hedged item (Corporate bonds HKD) | | | | | | | |
| Outflows | | | (979) | (1,959) | (1,964) | (34,285) | (39,187) |
| Hedged Instrument (Cross currency swap MXN leg) | | | | | | | |
| Inflows | 233 | 466 | 2,331 | 58,884 | | | 61,914 |
| Hedged Instrument (Cross currency swap HKD leg) | | | | | | | |
| Inflows | | | 979 | 1,959 | 1,964 | 34,285 | 39,187 |

Net cash flows

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

10. Derivative Instruments and Accounting Hedges, continued:

(c) Cash flow Hedges, continued:

| | As of September 30, 2012 | | | | | | Total MCh\$ |
|--|---------------------------|---|---|--|---|--------------------------|----------------|
| | Up to 1 month MCh\$ | Over 1 month and up to 3 months MCh\$ | Over 3 months and up to 12 months MCh\$ | Over 1 year and up to 3 years MCh\$ | Over 3 years and up to 5 years MCh\$ | Over 5 years MCh\$ | |
| Hedged item (Cash flows CLF) | | | | | | | |
| Inflows | | 815 | 1,663 | 62,035 | 859 | 34,225 | 99,597 |
| Hedged Instrument (Cross currency swap CLF/MXN leg) | | | | | | | |
| Outflows | | (815) | (1,663) | (60,330) | | | (62,808) |
| Hedged Instrument (Cross currency swap CLF/HKD leg) | | | | | | | |
| Outflows | | | | (1,705) | (859) | (34,225) | (36,789) |
| Net cash flows | | | | | | | |

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

(c.3) The accumulated amount of unrealized gain was Ch\$811 millions generated from hedging instruments, which has been recorded in equity.

(c.4) The net effect in income of derivatives cash flow hedges amount to Ch\$693 millions.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

11. Loans and advances to Banks:

(a) Amounts are detailed as follows:

| | September 2012 MCh\$ | December 2011 MCh\$ | September 2011 MCh\$ |
|--|----------------------------|---------------------------|----------------------------|
| Domestic Banks | | | |
| Interbank loans | 44,076 | 15,059 | 24,813 |
| Others credits with domestic banks | | | 504 |
| Provisions for loans to domestic banks | (36) | (5) | (14) |
| Subtotal | 44,040 | 15,054 | 25,303 |
| Foreign Banks | | | |
| Loans to banks | 179,419 | 206,477 | 204,144 |
| Overdrafts in current accounts | | | |
| Credit with domestic companies | 55,884 | 127,076 | |
| Credits with third countries | 14,286 | | 39,027 |
| Other credits with foreign banks | | | 197,892 |
| Provisions for loans to foreign banks | (828) | (1,001) | (1,379) |
| Subtotal | 248,761 | 332,552 | 439,684 |
| Central Bank of Chile | | | |
| Non-available Central Bank deposits | 500,000 | 300,000 | 200,000 |
| Other Central Bank credits | 232 | 819 | 303 |
| Subtotal | 500,232 | 300,819 | 200,303 |
| Total | 793,033 | 648,425 | 665,290 |

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

| Detail | Bank s Location | | Total MCh\$ |
|----------------------------------|-----------------|-----------------|----------------|
| | Chile MCh\$ | Abroad MCh\$ | |
| Balance as of January 1, 2011 | | 610 | 610 |
| Charge-offs | | | |
| Provisions established | 14 | 769 | 783 |
| Provisions released | | | |
| Balance as of September 30, 2011 | 14 | 1,379 | 1,393 |
| Balance as of January 1, 2012 | 5 | 1,001 | 1,006 |

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Charge-offs

| | | | |
|----------------------------------|----|-------|-------|
| Provisions established | 31 | | 31 |
| Provisions released | | (173) | (173) |
| Balance as of September 30, 2012 | 36 | 828 | 864 |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

12. Loans to Customers, net:

(a) Loans to Customers:

As of September 30, 2012 and 2011, the composition of the portfolio of loans is the following:

| | Assets before allowance | | As of September 30, 2012 | | | | Net assets MCh\$ |
|--|------------------------------|----------------------------|--------------------------|-----------------------------------|------------------------------|----------------|---------------------|
| | Normal Portfolio MCh\$ | Impaired Loans MCh\$ | Total MCh\$ | Individual Provisions MCh\$ | Group Provisions MCh\$ | Total MCh\$ | |
| Commercial loans | | | | | | | |
| Commercial loans | 8,219,956 | 238,843 | 8,458,799 | (91,892) | (62,697) | (154,589) | 8,304,210 |
| Foreign trade loans | 1,268,977 | 53,584 | 1,322,561 | (48,182) | (406) | (48,588) | 1,273,973 |
| Current account debtors | 188,909 | 11,271 | 200,180 | (3,276) | (2,550) | (5,826) | 194,354 |
| Factoring transactions | 545,880 | 6,611 | 552,491 | (7,495) | (480) | (7,975) | 544,516 |
| Commercial lease transactions (1) | 1,038,277 | 25,626 | 1,063,903 | (4,725) | (8,645) | (13,370) | 1,050,533 |
| Other loans and accounts receivable | 35,336 | 4,163 | 39,499 | (477) | (1,602) | (2,079) | 37,420 |
| Subtotal | 11,297,335 | 340,098 | 11,637,433 | (156,047) | (76,380) | (232,427) | 11,405,006 |
| Mortgage loans | | | | | | | |
| Mortgage bonds | 108,907 | 5,731 | 114,638 | | (766) | (766) | 113,872 |
| Transferable mortgage loans | 152,558 | 3,229 | 155,787 | | (582) | (582) | 155,205 |
| Other residential real estate mortgage loans | 3,732,356 | 34,646 | 3,767,002 | | (13,888) | (13,888) | 3,753,114 |
| Credits from ANAP | 27 | | 27 | | | | 27 |
| Residential lease transactions(1) | | | | | | | |
| Other loans and accounts receivable | 114 | 350 | 464 | | | | 464 |
| Subtotal | 3,993,962 | 43,956 | 4,037,918 | | (15,236) | (15,236) | 4,022,682 |
| Consumer loans | | | | | | | |
| Consumer loans in installments | 1,704,482 | 140,782 | 1,845,264 | | (124,908) | (124,908) | 1,720,356 |
| Current account debtors | 232,697 | 10,717 | 243,414 | | (7,460) | (7,460) | 235,954 |
| Credit card debtors | 588,074 | 24,085 | 612,159 | | (31,853) | (31,853) | 580,306 |
| Consumer lease transactions (1) | | | | | | | |
| Other loans and accounts receivable | 199 | 7 | 206 | | (166) | (166) | 40 |

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| | | | | | | |
|----------|-------------------|----------------|-------------------|------------------|------------------|-------------------|
| Subtotal | 2,525,452 | 175,591 | 2,701,043 | (164,387) | (164,387) | 2,536,656 |
| Total | 17,816,749 | 559,645 | 18,376,394 | (156,047) | (256,003) | 17,964,344 |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

12. Loans to Customers net, continued:

(a) Loans to Customers, continued:

| | As of September 30, 2011 | | | | | | |
|--|--------------------------|--|-------------------|-----------------------------|---|------------------|-------------------|
| | Normal Portfolio MCh\$ | Assets before allowances Substandard Loans MCh\$ | Total MCh\$ | Individual Provisions MCh\$ | Allowances established Group Provisions MCh\$ | Total MCh\$ | Net assets MCh\$ |
| Commercial loans | | | | | | | |
| Commercial loans | 7,470,714 | 250,522 | 7,721,236 | (108,305) | (54,947) | (163,252) | 7,557,984 |
| Foreign trade loans | 1,437,578 | 74,703 | 1,512,281 | (63,890) | (410) | (64,300) | 1,447,981 |
| Current account debtors | 152,547 | 7,575 | 160,122 | (6,959) | (2,227) | (9,186) | 150,936 |
| Factoring transactions | 548,748 | 2,312 | 551,060 | (6,968) | (477) | (7,445) | 543,615 |
| Commercial lease transactions (1) | 905,124 | 27,115 | 932,239 | (8,427) | (6,992) | (15,419) | 916,820 |
| Other loans and accounts receivable | 61,749 | 4,324 | 66,073 | (463) | (1,946) | (2,409) | 63,664 |
| Subtotal | 10,576,460 | 366,551 | 10,943,011 | (195,012) | (66,999) | (262,011) | 10,681,000 |
| Mortgage loans | | | | | | | |
| Mortgage bonds | 129,744 | 11,336 | 141,080 | | (918) | (918) | 140,162 |
| Transferable mortgage loans | 176,350 | 5,947 | 182,297 | | (931) | (931) | 181,366 |
| Other residential real estate mortgage loans | 3,034,709 | 45,410 | 3,080,119 | | (12,910) | (12,910) | 3,067,209 |
| Credits from ANAP | 55 | | 55 | | (21) | (21) | 34 |
| Residential lease transactions(1) | | | | | | | |
| Other loans and accounts receivable | 56 | 419 | 475 | | (2) | (2) | 473 |
| Subtotal | 3,340,914 | 63,112 | 3,404,026 | | (14,782) | (14,782) | 3,389,244 |
| Consumer loans | | | | | | | |
| Consumer loans in installments | 1,600,630 | 92,794 | 1,693,424 | | (108,861) | (108,861) | 1,584,563 |
| Current account debtors | 221,384 | 9,842 | 231,226 | | (6,540) | (6,540) | 224,686 |
| Credit card debtors | 490,028 | 14,487 | 504,515 | | (20,312) | (20,312) | 484,203 |
| Consumer lease transactions (1) | | | | | | | |
| Other loans and accounts receivable | 264 | 8 | 272 | | (16) | (16) | 256 |
| Subtotal | 2,312,306 | 117,131 | 2,429,437 | | (135,729) | (135,729) | 2,293,708 |
| Total | 16,229,680 | 546,794 | 16,776,474 | (195,012) | (217,510) | (412,522) | 16,363,952 |

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(1) In this item, the Bank finances its customers purchases of assets, including real estate and other personal property, through finance lease agreements. As of September 30, 2012, MCh\$430,555 (MCh\$385,669 in 2011) correspond to finance leases for real estate and MCh\$633,348 (MCh\$546,570 in 2011), correspond to finance leases for other assets.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

12. Loans to Customers, continued:

(b) Allowances for loan losses:

Movements in allowances for loan losses during the nine-month period ended September 30, 2012 and 2011 are as follows:

| | Individual MCh\$ | Allowances Group MCh\$ | Total MCh\$ |
|----------------------------------|---------------------|------------------------------|----------------|
| Balance as of January 1, 2011 | 161,581 | 194,546 | 356,127 |
| Application of Circular N°3,503 | 20,859 | | 20,859 |
| Charge-offs: | | | |
| Commercial loans | (4,898) | (21,275) | (26,173) |
| Mortgage loans | | (2,079) | (2,079) |
| Consumer loans | | (66,691) | (66,691) |
| Total charge-offs | (4,898) | (90,045) | (94,943) |
| Allowances established | 17,470 | 113,009 | 130,479 |
| Allowances released | | | |
| Balance as of September 30, 2011 | 195,012 | 217,510 | 412,522 |
| Balance as of January 1, 2012 | 160,377 | 224,113 | 384,490 |
| Charge-offs: | | | |
| Commercial loans | (5,759) | (26,979) | (32,738) |
| Mortgage loans | | (3,117) | (3,117) |
| Consumer loans | | (101,097) | (101,097) |
| Total charge-offs | (5,759) | (131,193) | (136,952) |
| Allowances established | 1,429 | 163,083 | 164,512 |
| Allowances released | | | |
| Balance as of September 30, 2012 | 156,047 | 256,003 | 412,050 |

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:

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1. As of September 30, 2012 and 2011, 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).

2. As of September 30, 2012 and 2011, the Bank and its subsidiaries have derecognized 100% of its sold loan portfolio.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

12. Loans to Customers, continued:

(c) Finance lease contracts:

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

| | Total receivable | | Unearned income | | Net lease receivable (*) | |
|--------------------------------------|------------------|-----------|-----------------|-----------|--------------------------|-----------|
| | September | September | September | September | September | September |
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ |
| Due within one year | 372,245 | 312,537 | (47,299) | (38,466) | 324,946 | 274,071 |
| Due after 1 year but within 2 years | 279,533 | 235,754 | (34,820) | (28,756) | 244,713 | 206,998 |
| Due after 2 years but within 3 years | 183,555 | 163,193 | (22,489) | (19,011) | 161,066 | 144,182 |
| Due after 3 years but within 4 years | 108,487 | 105,961 | (15,036) | (12,930) | 93,451 | 93,031 |
| Due after 4 years but within 5 years | 68,219 | 64,804 | (10,760) | (9,122) | 57,459 | 55,682 |
| Due after 5 years | 199,144 | 174,239 | (24,586) | (20,595) | 174,558 | 153,644 |
| Total | 1,211,183 | 1,056,488 | (154,990) | (128,880) | 1,056,193 | 927,608 |

(*) The net balance receivable does not include past-due portfolio totaling MCh\$7,710 as of September 30, 2012 (MCh\$4,631 in 2011).

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

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

During the period ended September 30, 2012 and 2011 Banco de Chile has carried out transactions of sale or transfer of the loan portfolio according to the following:

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| Carrying amount MCh\$ | As of September 30, 2012 | | Effect on income (loss) gain MCh\$ |
|--------------------------|---------------------------------|---------------------|--|
| | Allowances released MCh\$ | Sale price MCh\$ | |
| 116,295 | (194) | 116,295 | (194) |

| Carrying amount MCh\$ | As of September 30, 2011 | | Effect on income (loss) gain MCh\$ |
|--------------------------|---------------------------------|---------------------|--|
| | Allowances released MCh\$ | Sale price MCh\$ | |
| 2,974 | (61) | 2,909 | 4 |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

13. Investment Securities:

As of September 30, 2012 and 2011 and December 31, 2011, investment securities classified as available-for-sale and held-to-maturity are detailed as follows:

| | September 2012 | | | December 2011 | | | September 2011 | | |
|---|---------------------------------|------------------------------|------------------|----------------------------------|------------------------------|------------------|---------------------------------|------------------------------|------------------|
| | Available- for-sale MCh\$ | Held to maturity MCh\$ | Total MCh\$ | 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 | 201,825 | | 201,825 | 158,865 | | 158,865 | 81,369 | | 81,369 |
| Promissory notes issued by the Chilean Government and Central Bank | 140,579 | | 140,579 | 58,564 | | 58,564 | 292,855 | | 292,855 |
| Other instruments | 215,563 | | 215,563 | 194,965 | | 194,965 | 72,592 | | 72,592 |
| Other instruments issued in Chile | | | | | | | | | |
| Deposit promissory notes from domestic banks | | | | | | | | | |
| Mortgage bonds from domestic banks | 88,072 | | 88,072 | 87,966 | | 87,966 | 89,981 | | 89,981 |
| Bonds from domestic banks | 133,252 | | 133,252 | 124,203 | | 124,203 | 112,296 | | 112,296 |
| Deposits from domestic banks | 479,342 | | 479,342 | 521,881 | | 521,881 | 357,846 | | 357,846 |
| Bonds from other Chilean companies | 21,123 | | 21,123 | 48,790 | | 48,790 | 29,592 | | 29,592 |
| Promissory notes issued by other Chilean companies | | | | 5,659 | | 5,659 | 5,570 | | 5,570 |
| Other instruments | 126,250 | | 126,250 | 139,602 | | 139,602 | 134,191 | | 134,191 |
| Instruments issued abroad | | | | | | | | | |
| Instruments from foreign governments or central banks | | | | | | | | | |
| Other instruments | 108,885 | | 108,885 | 128,403 | | 128,403 | 127,928 | | 127,928 |
| Total | 1,514,891 | | 1,514,891 | 1,468,898 | | 1,468,898 | 1,304,220 | | 1,304,220 |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

13. Investment Securities, continued:

Instruments issued by the Chilean Government and Central Bank include instruments with agreements to repurchase sold to clients and financial institutions, totaling MCh\$11,597 as of September 30, 2012 (MCh\$19,238 in 2011). The agreements to repurchase have an average maturity of 4 days as of September 30, 2012 (5 days in 2011).

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

As of September 30, 2012, the portfolio of financial assets available-for-sale includes a net unrealized gain of MCh\$17,022 (net unrealized gain of MCh\$725 in 2011), recorded in other comprehensive income within equity.

During 2012 and 2011, 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, 2012 and 2011 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 September 30, 2012 and 2011, and the year ended December 31, 2011 are as follows:

| | September 2012 MCh\$ | December 2011 MCh\$ | September 2011 MCh\$ |
|--|----------------------------|---------------------------|----------------------------|
| Unrealized gain (loss) arising during the period | 25,380 | (10,416) | (11,450) |
| Realized gain included in the consolidated statement of comprehensive income | (2,086) | 932 | 4,889 |

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| | | | |
|---|--------|---------|---------|
| Net gain (loss) on available-for-sale before income tax | 23,294 | (9,484) | (6,561) |
|---|--------|---------|---------|

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

14. Investments in Other Companies:

(a) This item includes investments in other companies for an amount of MCh\$15,368 as of September 30, 2012 (MCh\$15,007 in 2011), which is detailed as follows:

| Company | Shareholder | Ownership Interest | | Equity | | Book Value | | Investment Income (Loss) | |
|---|----------------|--------------------|-------|-----------|-------|------------|--------|-----------------------------|-------|
| | | September | | September | | September | | September | |
| | | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| | | % | % | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ |
| Investments valued at equity method: | | | | | | | | | |
| Servipag Ltda. | Banco de Chile | 50.00 | 50.00 | 6,977 | 7,592 | 3,489 | 3,796 | (210) | 708 |
| Administrador Financiero del Transantiago S.A. | Banco de Chile | 20.00 | 20.00 | 11,586 | 6,756 | 2,317 | 1,351 | 574 | 575 |
| Redbanc S.A. | Banco de Chile | 38.13 | 38.13 | 4,681 | 5,418 | 1,785 | 2,066 | (158) | 492 |
| Sociedad Operadora de Tarjetas de Crédito Nexus S.A. | Banco de Chile | 25.81 | 25.81 | 6,412 | 6,412 | 1,655 | 1,655 | 313 | 274 |
| Transbank S.A. | Banco de Chile | 26.16 | 26.16 | 6,068 | 6,169 | 1,587 | 1,614 | 227 | 254 |
| Artikos Chile S.A. | Banco de Chile | 50.00 | 50.00 | 1,337 | 1,967 | 668 | 984 | (324) | 64 |
| Soc. Operadora de la Cámara de Compensación de Pagos de Alto Valor S.A. (*) | Banco de Chile | 15.00 | 14.17 | 4,188 | 3,701 | 627 | 524 | 67 | 75 |
| Sociedad Interbancaria de Depósitos de Valores S.A. | Banco de Chile | 26.81 | 26.81 | 1,849 | 1,522 | 496 | 408 | 89 | 64 |
| Centro de Compensación Automatizado S.A. | Banco de Chile | 33.33 | 33.33 | 1,455 | 1,160 | 485 | 387 | 70 | 71 |
| Subtotal | | | | | | 13,109 | 12,785 | 648 | 2,577 |
| Investments valued at cost: | | | | | | | | | |
| Bolsa de Comercio de Santiago S.A. | | | | | | 1,646 | 1,646 | 209 | 186 |
| Banco Latinoamericano de Comercio Exterior S.A. (Bladex) | | | | | | 309 | 309 | | |
| Bolsa Electrónica de Chile S.A. | | | | | | 257 | 257 | | |
| Cámara de Compensación | | | | | | 8 | 8 | | |
| Sociedad de Telecomunicaciones Financieras Interbancarias Mundiales (Swift)(**) | | | | | | 39 | 2 | | |
| Subtotal | | | | | | 2,259 | 2,222 | 209 | 186 |
| Total | | | | | | 15,368 | 15,007 | 857 | 2,763 |

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(*) The company Operadora de la Cámara de Compensación de Pagos de Alto Valor S.A. considers the calculation of its net assets as of May 31, 2012, however, incorporates a share purchase, dated September 13, totaling Ch\$34 million.

(**) On August 27, 2012 18 shares was purchased of Investment Swift which were evaluated in 3,300 Euros each, the amount of the acquisition totaled Ch\$37 million.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

14. Investments in Other Companies, continued:

(b) The reconciliation between opening and ending balance of investments in other companies that are not consolidated in 2012 and 2011 is detailed as follows:

| | September 2012 MCh\$ | September 2011 MCh\$ |
|-----------------------------|----------------------------|----------------------------|
| Balance as of January 1, | 15,418 | 13,294 |
| Sale of investments | | |
| Acquisition of investments | 71 | |
| Participation in net income | 648 | 2,577 |
| Dividends receivable | (362) | (456) |
| Dividends received | (915) | (746) |
| Payment of dividends | 508 | 338 |
| Balance as of September 30, | 15,368 | 15,007 |

(c) During the nine-month period ended September 30, 2012 and 2011 no impairment has incurred in these investments.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

15. Intangible Assets:

(a) As of September 30, 2012 and 2011, Intangible assets are detailed as follows:

| Type of intangible asset: | Useful Life | | Years Remaining amortization | | Gross balance | | Accumulated Amortization and Impairment | | Net balance | |
|--|----------------|----------------|------------------------------|----------------|----------------|----------------|---|-----------------|----------------|----------------|
| | September 2012 | September 2011 | September 2012 | September 2011 | September 2012 | September 2011 | September 2012 | September 2011 | September 2012 | September 2011 |
| | | | | | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ |
| Goodwill: | | | | | | | | | | |
| Investments in other companies | 7 | 7 | 2 | 3 | 4,138 | 4,138 | (2,845) | (2,224) | 1,293 | 1,914 |
| Other Intangible Assets: | | | | | | | | | | |
| Software or computer programs | 6 | 6 | 2 | 4 | 80,191 | 71,777 | (48,364) | (39,450) | 31,827 | 32,327 |
| Intangible assets arising from business combinations | 7 | 7 | 2 | 3 | 1,740 | 1,740 | (1,196) | (935) | 544 | 805 |
| Other intangible assets | | | | | 41 | 87 | (24) | (68) | 17 | 19 |
| Total | | | | | 86,110 | 77,742 | (52,429) | (42,677) | 33,681 | 35,065 |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

15. Intangible Assets, continued:

(b) Movements in intangible assets during the nine-month period ended September 30, 2012 and 2011 are as follows:

| | Investments in other companies MCh\$ | Software or computer programs MCh\$ | Intangible assets arising from business combinations MCh\$ | Other intangible assets MCh\$ | Total MCh\$ |
|--|---|--|--|--|----------------|
| Gross Balance | | | | | |
| Balance as of January 1, 2011 | 4,138 | 65,664 | 1,740 | 81 | 71,623 |
| Acquisitions | | 6,270 | | 6 | 6,276 |
| Disposals/ write-downs | | (157) | | | (157) |
| Balance as of September 30, 2011 | 4,138 | 71,777 | 1,740 | 87 | 77,742 |
| Balance as of January 1, 2012 | 4,138 | 74,525 | 1,740 | 102 | 80,505 |
| Acquisitions | | 5,999 | | 2 | 6,001 |
| Disposals/ write-downs | | (333) | | (63) | (396) |
| Balance as of September 30, 2012 | 4,138 | 80,191 | 1,740 | 41 | 86,110 |
| Accumulated Amortization and Impairment | | | | | |
| Balance as of January 1, 2011 | (1,759) | (32,690) | (740) | (64) | (35,253) |
| Amortization for the year (*) | (465) | (6,900) | (195) | (4) | (7,564) |
| Impairment loss (*) | | | | | |
| Disposals/ write-downs | | | | | |
| Others | | 140 | | | 140 |
| Balance as of September 30, 2011 | (2,224) | (39,450) | (935) | (68) | (42,677) |
| Balance as of January 1, 2012 | (2,379) | (41,538) | (1,000) | (71) | (44,988) |
| Amortization for the year (*) | (466) | (7,159) | (196) | (15) | (7,836) |
| Impairment loss (*) | | | | | |
| Disposals/ write-downs | | 333 | | 62 | 395 |
| Balance as of September 30, 2012 | (2,845) | (48,364) | (1,196) | (24) | (52,429) |
| Net balance as of September 30, 2012 | 1,293 | 31,827 | 544 | 17 | 33,681 |

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

15. Intangible Assets, continued:

(c) As of September 30, 2012 and 2011, the Bank has made the following commitments to purchase intangible assets, which have not been capitalized:

| Detail | Amount of Commitment | |
|-----------------------|----------------------------|----------------------------|
| | September 2012 MCh\$ | September 2011 MCh\$ |
| Software and licenses | 4,856 | 5,809 |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

16. Property and equipment:

(a) As of September 30, 2012 and 2011, this account and its movements are detailed as follows:

| | Land and Buildings MCh\$ | Equipment MCh\$ | Others MCh\$ | Total MCh\$ |
|---|--------------------------------|--------------------|-----------------|----------------|
| Cost | | | | |
| Balance as of January 1, 2011 | 173,732 | 120,913 | 128,509 | 423,154 |
| Additions | 3,200 | 6,351 | 6,867 | 16,418 |
| Disposals/write-downs | (933) | (1,886) | (681) | (3,500) |
| Transfers | | 4 | (4) | |
| Total | 175,999 | 125,382 | 134,691 | 436,072 |
| Accumulated depreciation | (32,793) | (102,872) | (93,006) | (228,671) |
| Impairment loss (*) | | (4) | | (4) |
| Balance as of September 30, 2011 | 143,206 | 22,506 | 41,685 | 207,397 |
| Balance as of January 1, 2012 | 176,266 | 125,819 | 137,138 | 439,223 |
| Additions | 337 | 7,150 | 7,798 | 15,285 |
| Disposals/write-downs | (453) | (1,176) | (1,704) | (3,333) |
| Transfers | | | | |
| Total | 176,150 | 131,793 | 143,232 | 451,175 |
| Accumulated depreciation | (35,228) | (108,272) | (99,890) | (243,390) |
| Impairment loss (*) | | | (130) | (130) |
| Balance as of September 30, 2012 | 140,922 | 23,521 | 43,212 | 207,655 |
| Accumulated Depreciation | | | | |
| Balance as of January 1, 2011 | (31,136) | (98,465) | (87,039) | (216,640) |
| Depreciation charges in the period (*) (**) | (2,232) | (6,292) | (6,611) | (15,135) |
| Sales and disposals in the period | 575 | 1,885 | 644 | 3,104 |
| Balance as of September 30, 2011 | (32,793) | (102,872) | (93,006) | (228,671) |
| Balance as of January 1, 2012 | (33,503) | (103,034) | (94,799) | (231,336) |
| Depreciation charges in the period (*) (**) | (2,178) | (6,414) | (6,553) | (15,145) |
| Sales and disposals in the period | 453 | 1,176 | 1,462 | 3,091 |
| Balance as of September 30, 2012 | (35,228) | (108,272) | (99,890) | (243,390) |

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

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(**) 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\$286 in 2011).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

16. Property and equipment, continued:

(b) As of September 30, 2012 and 2011, 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 year MCh\$ | Up to 1 month MCh\$ | September 2012 | | | | Over 5 years MCh\$ | Total MCh\$ |
|------------------|-------------------------------------|---------------------------|---|---|---|--|--------------------------|----------------|
| | | | Over 1 month and up to 3 months MCh\$ | Over 3 months and up to 12 months MCh\$ | Over 1 year and up to 3 years MCh\$ | Over 3 years and up to 5 years MCh\$ | | |
| Lease Agreements | 20,749 | 2,238 | 4,395 | 16,038 | 33,694 | 26,882 | 53,760 | 137,007 |

| | Expense for the year MCh\$ | Up to 1 month MCh\$ | September 2011 | | | | Over 5 years MCh\$ | Total MCh\$ |
|------------------|-------------------------------------|---------------------------|---|---|---|--|--------------------------|----------------|
| | | | Over 1 month and up to 3 months MCh\$ | Over 3 months and up to 12 months MCh\$ | Over 1 year and up to 3 years MCh\$ | Over 3 years and up to 5 years MCh\$ | | |
| Lease Agreements | 18,802 | 2,542 | 5,049 | 21,147 | 27,588 | 19,206 | 43,342 | 118,874 |

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

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

(c) As of September 30, 2012 and 2011, 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, 2012 and 2011.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

17. Current Taxes and Deferred Taxes:

(a) Current Taxes:

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

| | September 2012 MCh\$ | December 2011 MCh\$ | September 2011 MCh\$ |
|--|----------------------------|---------------------------|----------------------------|
| Income taxes | 47,334 | 64,590 | 56,202 |
| Income tax adjustment for change in tax rate | 2,697 | | |
| Tax from previous periods | 867 | | |
| Tax on non-deductible expenses (tax rate 35 %) | 1,740 | 1,701 | 1,280 |
| Less: | | | |
| Monthly prepaid taxes (PPM) | (27,793) | (62,225) | (50,367) |
| Credit for training expenses | (72) | (742) | (106) |
| Other | (180) | (229) | (53) |
| Total | 24,593 | 3,095 | 6,956 |
| Tax rate | 20.00% | 20.00% | 20.00% |

| | September 2012 MCh\$ | December 2011 MCh\$ | September 2011 MCh\$ |
|-------------------------|----------------------------|---------------------------|----------------------------|
| Current tax assets | 1,629 | 1,407 | 384 |
| Current tax liabilities | (26,222) | (4,502) | (7,340) |
| Total | (24,593) | (3,095) | (6,956) |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

17. Current Taxes and Deferred Taxes, continued:

(b) Income Tax:

The Bank's tax expense recorded for the nine-month period ended September 30, 2012 and 2011 as follows:

| | September 2012 MCh\$ | September 2011 MCh\$ |
|--|----------------------------|----------------------------|
| Income tax expense: | | |
| Current year taxes | 47,334 | 56,202 |
| Income tax adjustment for change in tax rate | 2,697 | |
| Tax from previous periods | (1,147) | (1,203) |
| Subtotal | 48,884 | 54,999 |
| Credit (charge) for deferred taxes: | | |
| Origin and reversal of temporary differences | (3,663) | (10,863) |
| Effect of changes in tax rate | (14,206) | 2,005 |
| Subtotal | (17,869) | (8,858) |
| Non deductible expenses (Art. 21 Income Tax Law) | 1,740 | 1,280 |
| Other | 7 | 32 |
| Net charge to income for income taxes | 32,762 | 47,453 |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

17. Current and Deferred Taxes, continued:

(c) Reconciliation of effective tax rate:

The following is a reconciliation of the income tax rate to the effective rate applied to determine the Bank's income tax expense as of September 30, 2012 and 2011:

| | September 2012 | | September 2011 | |
|--|-------------------|----------|-------------------|----------|
| | Tax rate % | MCh\$ | Tax rate % | MCh\$ |
| Income tax calculated on net income before tax | 20.00 | 72,134 | 20.00 | 75,334 |
| Additions or deductions | (7.09) | (25,568) | (7.40) | (27,904) |
| Non-deductible expenses | 0.48 | 1,740 | 0.34 | 1,280 |
| Tax from previous year | (0.32) | (1,147) | (0.32) | (1,203) |
| Effect of changes in tax rate (*) | (3.94) | (14,206) | 0.53 | 2,005 |
| Lease deferred tax adjustment | 0.82 | 2,942 | | |
| Others | (0.87) | (3,133) | (0.55) | (2,059) |
| Effective rate and income tax expense | 9.08 | 32,762 | 12.60 | 47,453 |

The effective rate for income tax for the period ended September 30, 2012 is 9.08% (12.60% in September 2011).

(*)The Law No. 20,630 of September 27, 2012, changed permanently the tax rate of the income tax calculated on net income before tax (first category) to 20.00%.

The effect on deferred tax and income tax as a result of this tax rate change represented a credit to income for the period 2012 by MCh\$11,509, which breaks down as follows:

| Item | MCh\$ |
|--|----------|
| Deferred tax adjustment for change in tax rate | (14,206) |
| Income tax adjustment for change in tax rate | 2,697 |

| | |
|---|----------|
| Net effect (credit) to income for the period 2012 | (11,509) |
|---|----------|

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

17. Current and Deferred Taxes, continued:

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

During the period 2012, the Bank has recorded the effects of deferred taxes.

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

| | Balances as of December 31, 2011 MCh\$ | Unrecognized Temporary Differences MCh\$ | Income MCh\$ | Effect | Equity MCh\$ | Balances as of September 30, 2012 MCh\$ |
|---|--|---|-----------------|--------|-----------------|---|
| Debit Differences: | | | | | | |
| Allowances for loan losses | 76,910 | | 18,734 | | | 95,644 |
| Obligations with agreements to repurchase | 1,850 | | (1,686) | | | 164 |
| Leasing equipment | 12,320 | | (12,678) | | | (358) |
| Personnel provisions | 4,930 | | 393 | | | 5,323 |
| Staff vacation | 3,637 | | 471 | | | 4,108 |
| Accrued interests and indexation adjustments from past due loans | 1,573 | | 359 | | | 1,932 |
| Staff severance indemnities provisions | 1,462 | | 225 | | | 1,687 |
| Other adjustments | 13,600 | 119 | 5,292 | | | 19,011 |
| Total debit differences | 116,282 | 119 | 11,110 | | | 127,511 |
| Credit Differences: | | | | | | |
| Investments with agreements to repurchase | 2,111 | | (1,954) | | | 157 |
| Depreciation and price-level restatement of property and equipment | 11,609 | | 1,652 | | | 13,261 |
| Adjustment for valuation of financial assets available-for-sale | (373) | | | | 4,628 | 4,255 |
| Adjustment for cash flow hedge | (90) | | | | 252 | 162 |
| Transitory assets | 1,525 | | 1,292 | | | 2,817 |
| Adjustment for derivative instruments | 2,057 | | (8,224) | | | (6,167) |
| Other adjustments | 6,374 | (5) | 475 | | | 6,844 |
| Total credit differences | 23,213 | (5) | (6,759) | | 4,880 | 21,329 |
| Deferred tax assets (liabilities), net | 93,069 | 124 | 17,869 | | (4,880) | 106,182 |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

18. Other Assets:

(a) Item detail:

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

| | September 2012 MCh\$ | December 2011 MCh\$ | September 2011 MCh\$ |
|---|----------------------------|---------------------------|----------------------------|
| Assets held for leasing (*) | 75,129 | 74,185 | 106,942 |
| Assets received or awarded as payment | | | |
| Assets awarded in judicial sale | 3,063 | 2,745 | 1,963 |
| Assets received in lieu of payment | 272 | 1,863 | 328 |
| Provision for assets received in lieu of payment (see (b) below) (**) | (61) | (1,118) | (27) |
| Subtotal | 3,274 | 3,490 | 2,264 |
| Other Assets | | | |
| Documents intermediated (***) | 75,468 | 77,613 | 109,303 |
| Other accounts and notes receivable | 36,127 | 9,851 | 30,571 |
| Guaranteed cash deposit | 27,454 | 35,051 | 34,690 |
| Investment properties | 16,793 | 17,079 | 17,174 |
| Prepaid expenses | 8,836 | 4,567 | 7,294 |
| VAT receivable | 7,336 | 9,557 | 9,090 |
| Recoverable income taxes | 6,408 | 5,373 | 5,352 |
| Commissions receivable | 5,666 | 4,193 | 3,876 |
| Transaction in progress | 2,531 | 1,340 | 3,608 |
| Rental guarantees | 1,359 | 1,344 | 1,264 |
| Pending transactions | 1,250 | 2,709 | 1,708 |
| Materials and supplies | 614 | 654 | 685 |
| Recovered leased assets for sale | 487 | 203 | 153 |
| Accounts receivable for sale of assets received in lieu of payment | 276 | 530 | 668 |
| Others | 21,877 | 15,845 | 13,722 |
| Subtotal | 212,482 | 185,909 | 239,158 |
| Total | 290,885 | 263,584 | 348,364 |

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

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(**) 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 0.0106% (0.0134% in 2011) of the Bank's effective equity.

The assets awarded at judicial sale are assets that have been acquired as payment of debts previously owed towards the Bank. The assets awarded at judicial sales are not subject to the aforementioned requirement. These properties are 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 September 30, 2012 and September 30, 2011 are detailed as follows:

| | MCh\$ |
|----------------------------------|---------|
| Balance as of January 1, 2011 | 15 |
| Provisions used | (17) |
| Provisions established | 43 |
| Provisions released | (14) |
| Balance as of September 30, 2011 | 27 |
| Balance as of January 1, 2012 | 1,118 |
| Provisions used | (1,146) |
| Provisions established | 89 |
| Provisions released | |
| Balance as of September 30, 2012 | 61 |

19. Current accounts and Other Demand Deposits:

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

| | September 2012 MCh\$ | December 2011 MCh\$ | September 2011 MCh\$ |
|------------------------------------|----------------------------|---------------------------|----------------------------|
| Current accounts | 4,088,128 | 3,968,504 | 3,764,479 |
| Other demand deposits and accounts | 597,837 | 616,395 | 522,533 |
| Other demand deposits | 315,810 | 310,527 | 314,803 |
| Total | 5,001,775 | 4,895,426 | 4,601,815 |

20. Savings accounts and Time Deposits:

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

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| | September 2012 MCh\$ | December 2011 MCh\$ | September 2011 MCh\$ |
|-----------------------------|----------------------------|---------------------------|----------------------------|
| Time deposits | 9,710,292 | 9,081,335 | 8,727,133 |
| Term savings accounts | 179,978 | 177,900 | 177,856 |
| Other term balances payable | 57,680 | 23,089 | 30,988 |
| Total | 9,947,950 | 9,282,324 | 8,935,977 |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

21. Borrowings from Financial Institutions:

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

| | September 2012 MCh\$ | December 2011 MCh\$ | September 2011 MCh\$ |
|---|----------------------------|---------------------------|----------------------------|
| Domestic banks | | | |
| Foreign banks | | | |
| Foreign trade financing | | | |
| Commerzbank A.G. | 168,912 | 156,138 | 177,904 |
| Bank of America N.T. & S.A. | 162,407 | 169,482 | 178,787 |
| Wells Fargo Bank | 149,405 | 197,076 | 194,266 |
| Citibank N.A. | 131,829 | 193,049 | 176,162 |
| Standard Chartered Bank | 92,771 | 124,412 | 118,160 |
| The Bank of New York Mellon | 56,601 | 36,412 | 41,234 |
| Bank of Montreal | 47,647 | 125,053 | 79,986 |
| JP Morgan Chase Bank | 38,109 | 122,699 | 126,636 |
| Toronto Dominion Bank | 38,103 | 67,682 | 61,952 |
| Zuercher Kantonalbank | 26,995 | 41,038 | 26,840 |
| Sumitomo Banking | 16,661 | 36,456 | 46,462 |
| Mercantil Commercebank N.A. | 14,212 | | 23,161 |
| Banco Espiritu Santo | 2,391 | 2,605 | |
| Bank of China | 1,692 | 1,206 | 790 |
| Banca Nazionale del Lavoro | | 78,198 | 77,177 |
| Royal Bank of Scotland | | 64,584 | 114,530 |
| ING Bank | | 39,108 | 59,446 |
| Branch Banking and Trust Company | | 10,413 | 10,316 |
| Bank of Nova | | 3,119 | |
| Banca Itesa | | | 51,667 |
| China Development Bank | | | 51,524 |
| Others | 372 | 65 | 1,473 |
| Borrowings and other obligations | | | |
| Wells Fargo Bank | 94,944 | 103,742 | 128,587 |
| China Development Bank | 41,826 | 52,032 | 51,821 |
| Standard Chartered Bank | 35,901 | 39,591 | 51,786 |
| Citibank N.A. | 2,167 | 1,010 | |
| Commerzbank A.G. | 839 | 2,761 | |
| Otros | 685 | 153 | 43 |
| Subtotal | 1,124,469 | 1,668,084 | 1,850,710 |
| Chilean Central Bank | 28 | 22,855 | 64 |

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| | | | |
|-------|-----------|-----------|-----------|
| Total | 1,124,497 | 1,690,939 | 1,850,774 |
|-------|-----------|-----------|-----------|

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

21. Borrowings from Financial Institutions, continued:

(b) Chilean Central Bank Obligations

Debts to the Central Bank of Chile include credit lines for the renegotiation of loans and other Central Bank borrowings. These credit lines were provided by the Central Bank of Chile for the renegotiation of loans due to the need to refinance debt as a result of the economic recession and crisis of the banking system in the early 80 s.

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

| | September 2012 MCh\$ | December 2011 MCh\$ | September 2011 MCh\$ |
|---|----------------------------|---------------------------|----------------------------|
| Borrowings and other obligations | | 22,793 | |
| Total credit lines for the renegotiation of loans | 28 | 62 | 64 |
| Total | 28 | 22,855 | 64 |

(c) Foreign Obligations

The maturities are as follows:

| | September 2012 MCh\$ | December 2012 MCh\$ | September 2011 MCh\$ |
|-----------------------------------|----------------------------|---------------------------|----------------------------|
| Up to 1 month | 174,419 | 115,696 | 305,656 |
| Over 1 month and up to 3 months | 153,010 | 200,786 | 378,908 |
| Over 3 months and up to 12 months | 655,278 | 1,079,317 | 874,269 |
| Over 1 year and up to 3 years | 99,936 | 220,368 | 240,227 |
| Over 3 years and up to 5 years | 41,826 | 51,917 | 51,650 |
| Over 5 years | | | |
| Total | 1,124,469 | 1,668,084 | 1,850,710 |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

22. Debt Issued:

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

| | September 2012 MCh\$ | December 2011 MCh\$ | September 2011 MCh\$ |
|--------------------|-------------------------------------|------------------------------------|-------------------------------------|
| Mortgage bonds | 123,738 | 152,098 | 163,372 |
| Bonds | 2,110,601 | 1,488,369 | 1,414,442 |
| Subordinated bonds | 744,105 | 747,874 | 754,239 |
| Total | 2,978,444 | 2,388,341 | 2,332,053 |

During the period ended as of September 2012, Banco de Chile issued bonds by an amount of MCh\$815,989, of which corresponds to Unsubordinated bonds and Subordinated Bonds by an amount of MCh\$799,917 and MCh\$16,072 respectively, according to the following details:

Bonds

| Series | MCh\$ | Term | Interest rate | Currency | Issued date | Maturity date |
|------------|--------|----------|---------------|----------|-------------|---------------|
| BCHIUO0911 | 89,896 | 10 years | 3.40 | UF | 02/15/2012 | 02/15/2022 |
| BCHIUD0510 | 14,109 | 6 years | 2.20 | UF | 02/16/2012 | 02/16/2018 |
| BCHIU0611 | 1,338 | 7 years | 3.20 | UF | 03/05/2012 | 03/05/2019 |
| BCHIU0611 | 3,352 | 7 years | 3.20 | UF | 03/07/2012 | 03/07/2019 |
| BCHIU0611 | 1,116 | 7 years | 3.20 | UF | 03/23/2012 | 03/23/2019 |
| BCHIUP1211 | 88,345 | 10 years | 3.40 | UF | 04/04/2012 | 04/04/2022 |
| BCHIU0611 | 2,236 | 7 years | 3.20 | UF | 04/17/2012 | 04/17/2019 |
| BCHIUQ1011 | 27,343 | 11 years | 3.40 | UF | 05/08/2012 | 05/08/2023 |
| BCHIUQ1011 | 48,568 | 11 years | 3.40 | UF | 05/11/2012 | 05/11/2023 |
| BCHIUQ1011 | 12,449 | 11 years | 3.40 | UF | 06/04/2012 | 06/04/2023 |
| BCHIUS0212 | 46,428 | 11 years | 3.40 | UF | 06/04/2012 | 06/04/2023 |
| BCHIUS0212 | 20,552 | 11 years | 3.40 | UF | 06/07/2012 | 06/07/2023 |
| BCHIU0112 | 66,850 | 12 years | 3.40 | UF | 06/12/2012 | 06/12/2024 |
| BCHIUR1011 | 33,295 | 12 years | 3.40 | UF | 06/20/2012 | 06/20/2024 |
| BCHIUR1011 | 4,450 | 12 years | 3.40 | UF | 07/30/2012 | 07/30/2024 |
| BCHIUR1011 | 13,469 | 12 years | 3.40 | UF | 09/14/2012 | 09/14/2024 |
| BCHIUR1011 | 1,799 | 12 years | 3.40 | UF | 09/24/2012 | 09/24/2024 |
| BCHIUR1011 | 5,284 | 12 years | 3.40 | UF | 09/25/2012 | 09/25/2024 |

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| | | | | | | |
|-----------------------------------|---------|----------|------|-----|------------|------------|
| BONO HKD (*) | 24,487 | 15 years | 4.00 | HKD | 09/05/2012 | 09/05/2027 |
| Subtotal as of September 30, 2012 | 505,366 | | | | | |
| Short-term as of Bonds (**) | 294,551 | | | | | |
| Total as of September 30, 2012 | 799,917 | | | | | |

(*) On August 9, 2012 it approved in Board Meeting No. 2,759 a bond issue program in Hong Kong, according the Regulation K of SEC (Securities and Exchange Commission) for an amount of US\$60,000,000 in Hong Kong dollars, of which on September 5, 2012 it were issued and placed an amount of HKD 400,000,000.

(**) On May 4, 2012 Banco de Chile gradually began issuing bonds denominated Short-term Bonds (Commercial Papers), which have maturity, date of January 15, 2013. The total issuance was USD\$620,500,000.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

22. Debt Issued, continued:

Subordinated Bonds

| Series | MCh\$ | Term | Interest rate | Currency | Issued date | Maturity date |
|--------------------------------|--------|----------|---------------|----------|-------------|---------------|
| UCHI-G1111 | 13,191 | 25 years | 3.75 | UF | 07/30/2012 | 07/30/2037 |
| UCHI-G1111 | 1,099 | 25 years | 3.75 | UF | 07/31/2012 | 07/31/2037 |
| UCHI-G1111 | 1,782 | 25 years | 3.75 | UF | 08/31/2012 | 08/31/2037 |
| Total as of September 30, 2012 | 16,072 | | | | | |

During the year ended December 31, 2011, Banco de Chile issued bonds by an amount of Ch\$749,586 million, of which correspond to unsubordinated bond.

Bonds

| Series | MCh\$ | Term | Interest rate | Currency | Issued date | Maturity date |
|-------------|---------|----------|---------------|----------|-------------|---------------|
| BCHIUE0510 | 82,639 | 6 years | 2.20 | UF | 05/20/2011 | 05/20/2017 |
| BCHIUG0610 | 81,802 | 11 years | 2.70 | UF | 05/27/2011 | 05/27/2022 |
| BCHIUC0510 | 37,866 | 5 years | 2.20 | UF | 07/07/2011 | 07/07/2016 |
| BCHIUF0610 | 36,608 | 10 years | 2.70 | UF | 07/07/2011 | 07/07/2021 |
| BCHIUI0611 | 42,944 | 7 years | 3.20 | UF | 07/12/2011 | 07/12/2018 |
| BCHIUI0611 | 34,096 | 7 years | 3.20 | UF | 07/20/2011 | 07/20/2018 |
| BCHIUK0611 | 52,866 | 11 years | 3.50 | UF | 07/28/2011 | 07/28/2022 |
| BCHIUD0510 | 46,014 | 6 years | 2.20 | UF | 07/28/2011 | 07/28/2017 |
| BCHIUK0611 | 33,451 | 11 years | 3.50 | UF | 07/29/2011 | 07/29/2022 |
| BCHIUI0611 | 432 | 7 years | 3.20 | UF | 08/02/2011 | 08/02/2018 |
| BCHIUI0611 | 756 | 7 years | 3.20 | UF | 08/03/2011 | 08/03/2018 |
| BCHIUIJ0811 | 48,045 | 8 years | 3.20 | UF | 09/12/2011 | 09/12/2019 |
| BCHI-B1208 | 84,912 | 7 years | 2.20 | UF | 09/12/2011 | 09/12/2018 |
| BCHIUD0510 | 12,790 | 6 years | 2.20 | UF | 09/22/2011 | 09/22/2017 |
| BCHIUH0611 | 21,668 | 6 years | 3.00 | UF | 09/29/2011 | 09/29/2017 |
| BCHIUI0611 | 65,014 | 7 years | 3.20 | UF | 09/30/2011 | 09/30/2018 |
| BCHIUD0510 | 10,675 | 6 years | 2.20 | UF | 09/30/2011 | 09/30/2017 |
| BCHIUD0510 | 1,068 | 6 years | 2.20 | UF | 10/13/2011 | 10/13/2017 |
| BNCHIL (*) | 55,940 | 3 years | 5.41 | MXN | 12/08/2011 | 12/04/2014 |
| Total | 749,586 | | | | | |

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(*) At the Ordinary Meeting No. BCH 2,738 held on August 11, 2011, the minutes of which were recorded in a public deed drawn up at the office of the Public Notary Mr. René Benavente Cash on August 19, 2011, authorized a program to place certificates in Mexico in an amount of MXN10,000,000,000, of which an amount of MXN1,500,000,000 were issued and placed on December 8, 2011.

The Bank has not had breaches of capital, interest or other breaches with respect to its debts instruments during year 2012 and 2011.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

23. Other Financial Obligations:

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

| | September 2012 MCh\$ | December 2011 MCh\$ | September 2011 MCh\$ |
|---------------------------|----------------------------|---------------------------|----------------------------|
| Public sector obligations | 57,710 | 61,734 | 63,750 |
| Other Chilean obligations | 89,844 | 123,051 | 158,705 |
| Total | 147,554 | 184,785 | 222,455 |

24. Provisions:

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

| | September 2012 MCh\$ | December 2011 MCh\$ | September 2011 MCh\$ |
|--|----------------------------|---------------------------|----------------------------|
| Provision for minimum dividends | 214,885 | 259,501 | 204,100 |
| Provisions for Personnel benefits and payroll expenses (see (c) below) | 59,890 | 60,634 | 53,300 |
| Provisions for contingent loan risks | 38,243 | 35,334 | 37,765 |
| Provisions for contingencies: | | | |
| Additional loan provisions (*) | 95,486 | 95,486 | 73,006 |
| Other provisions for contingencies | 4,443 | 2,702 | 962 |
| Country risk provisions | 4,040 | 4,281 | 4,787 |
| Total | 416,987 | 457,938 | 373,920 |

(*)The additional provisions correspond to a countercyclical provision for commercial loans. As of September 30, 2012, the Bank has not established and released additional provisions (establishing of MCh\$1,572 in 2011).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

24. Provisions, continued:

(b) The following table details the movements in provisions and accrued expenses during the nine month period ending September 30, 2012 and September 30, 2011:

| | 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, 2011 | 242,503 | 55,433 | 30,114 | 71,434 | 4,619 | 404,103 |
| Provisions established | 204,100 | 35,242 | 7,839 | 1,572 | 1,512 | 250,265 |
| Provisions used | (242,503) | (36,679) | | | (215) | (279,397) |
| Provisions released | | (696) | (188) | | (167) | (1,051) |
| Balances as of September 30, 2011 | 204,100 | 53,300 | 37,765 | 73,006 | 5,749 | 373,920 |
| Balances as of January 1, 2012 | 259,501 | 60,634 | 35,334 | 95,486 | 6,983 | 457,938 |
| Provisions established | 214,885 | 40,732 | 2,909 | | 2,219 | 260,745 |
| Provisions used | (259,501) | (37,606) | | | (223) | (297,330) |
| Provisions released | | (3,870) | | | (496) | (4,366) |
| Balances as of September 30, 2012 | 214,885 | 59,890 | 38,243 | 95,486 | 8,483 | 416,987 |

(c) Provisions for personnel benefits and payroll:

| | September 2012 MCh\$ | December 2011 MCh\$ | September 2011 MCh\$ |
|------------------------------------|----------------------------|---------------------------|----------------------------|
| Short-term personnel benefits | 24,247 | 28,827 | 21,736 |
| Vacation accrual | 21,192 | 20,361 | 19,789 |
| Pension plan- defined benefit plan | 9,858 | 8,511 | 7,870 |
| Other benefits | 4,593 | 2,935 | 3,905 |
| Total | 59,890 | 60,634 | 53,300 |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

24. Provisions, continued:

(d) Pension plan Defined benefit plan:

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

| | September 2012 MCh\$ | December 2011 MCh\$ | September 2011 MCh\$ |
|------------------------------------|----------------------------|---------------------------|----------------------------|
| Opening defined benefit obligation | 8,511 | 7,981 | 7,981 |
| Increase in provisions | 1,727 | 886 | 553 |
| Benefit paid | (624) | (282) | (201) |
| Prepayments | (22) | (20) | (20) |
| Actuarial gains | 266 | (54) | (443) |
| Closing defined benefit obligation | 9,858 | 8,511 | 7,870 |

(ii) Net benefits expenses:

| | September 2012 MCh\$ | December 2011 MCh\$ | September 2011 MCh\$ |
|---------------------------------------|----------------------------|---------------------------|----------------------------|
| Current service cost | 1,727 | 886 | 553 |
| Interest cost of benefits obligations | 429 | 482 | 562 |
| Actuarial gains | (163) | (536) | (1,004) |
| Net benefit expenses | 1,993 | 832 | 111 |

(iii) Assumptions used to determine pension obligations:

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

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| | September 2012 % | December 2011 % | September 2011 % |
|------------------------|------------------------|-----------------------|------------------------|
| Discount rate | 5.37 | 6.04 | 7.06 |
| Annual salary increase | 2.00 | 2.00 | 2.00 |
| Payment probability | 93.00 | 93.00 | 93.00 |

The most recent actuarial valuation of the present value of the benefit plan obligation was carried out at September 30, 2012.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

24. Provisions, continued:

(e) Movements in provisions for incentive plans:

| | September 2012 MCh\$ | December 2011 MCh\$ | September 2011 MCh\$ |
|----------------------------------|----------------------------|---------------------------|----------------------------|
| Balances as of January 1, | 28,827 | 25,920 | 25,920 |
| Provisions established | 22,315 | 30,655 | 23,570 |
| Provisions used | (24,025) | (27,724) | (27,735) |
| Provisions release | (2,870) | (24) | (19) |
| Balance as of September 30, 2012 | 24,247 | 28,827 | 21,736 |

(f) Movements in vacations accruals:

| | September 2012 MCh\$ | December 2011 MCh\$ | September 2011 MCh\$ |
|----------------------------------|----------------------------|---------------------------|----------------------------|
| Balances as of January 1, | 20,361 | 18,774 | 18,774 |
| Provisions established | 4,566 | 5,821 | 4,171 |
| Provisions used | (3,485) | (4,187) | (3,070) |
| Provisions release | (250) | (47) | (86) |
| Balance as of September 30, 2012 | 21,192 | 20,361 | 19,789 |

(g) Employee share-based benefits provision:

As of September 30, 2012 and 2011, the Bank and its subsidiaries do not have a stock-based compensation plan.

(h) Contingent loan provisions:

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As of September 30, 2012 and 2011, the Bank and its subsidiaries maintain contingent loan provisions by an amount of Ch\$38,243 million (Ch\$37,765 million in 2011). See Note N°26 (d).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

25. Other Liabilities:

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

| | September 2012 MCh\$ | December 2011 MCh\$ | September 2011 MCh\$ |
|--------------------------------|----------------------------|---------------------------|----------------------------|
| Accounts and notes payable (*) | 85,412 | 79,031 | 73,989 |
| Unearned income | 5,237 | 5,379 | 5,317 |
| Dividends payable | 919 | 786 | 836 |
| Other liabilities | | | |
| Documents intermediated (**) | 129,877 | 134,820 | 129,428 |
| Cobranding | 22,150 | 20,894 | 19,504 |
| VAT debit | 9,943 | 12,465 | 10,031 |
| Leasing deferred gains | 5,482 | 7,039 | 5,994 |
| Transactions in progress | 3,506 | 1,941 | 2,128 |
| Insurance payments | 844 | 1,158 | 1,185 |
| Others | 2,544 | 2,252 | 2,772 |
| Total | 265,914 | 265,765 | 251,184 |

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

26. Contingencies and Commitments:

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

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

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

| | September 2012 MCh\$ | December 2011 MCh\$ | September 2011 MCh\$ |
|---|----------------------------|---------------------------|----------------------------|
| Contingent loans | | | |
| Guarantees and surety bonds | 351,431 | 216,249 | 212,140 |
| Confirmed foreign letters of credit | 96,177 | 137,253 | 96,127 |
| Issued letters of credit | 151,474 | 131,567 | 184,381 |
| Bank guarantees | 1,348,065 | 1,235,031 | 1,145,578 |
| Immediately available credit lines | 5,388,667 | 4,881,220 | 4,717,788 |
| Other commitments | 138,752 | 164,361 | 152,980 |
| Transactions on behalf of third parties | | | |
| Collections | 363,742 | 582,090 | 419,332 |
| Third-party resources managed by the Bank: | | | |
| Financial assets managed on behalf of third parties | 8,518 | 2,766 | 75,771 |
| Financial assets acquired on its own behalf | 27,284 | 62,701 | 37,315 |
| Fiduciary activities | | | |
| Securities held in safe custody in the Bank | 6,227,878 | 5,613,495 | 6,503,574 |
| Securities held in safe custody in other entities | 4,334,369 | 4,088,670 | 4,312,692 |
| Securities issued by own bank | 1 | | |
| Total | 18,436,358 | 17,115,403 | 17,857,678 |

The prior information only includes the most significant balances.

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

(b) Lawsuits and legal proceedings:

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

In the ordinary course of business, the Bank and its subsidiaries act as defendant or co-defendant in various litigation matters. Although there can be no assurances, the Bank's management believes, based on information currently available, that the ultimate resolution of these legal proceedings are not likely to have a material adverse effect on its results of operations, financial position, or liquidity. As of September 30, 2012, the Bank has established provisions for this concept in the amount of MCh\$481 (MCh\$742 in 2011), recorded within Provisions in the Interim Condensed Consolidated Statement of Financial Position. The following table presents estimated date of completion of the respective litigation:

| | 2013 | 2014 | September 30, 2012 | | Total |
|---------------------|-------|-------|--------------------|-------|-------|
| | MCh\$ | MCh\$ | 2015 | 2016 | MCh\$ |
| | | | MCh\$ | MCh\$ | |
| Legal contingencies | 80 | 5 | 16 | 380 | 481 |

(b.2) Contingencies for significant lawsuits:

As of September 30, 2012 and 2011, the Bank is not party to any significant lawsuits that affect or may affect these consolidated financial statements.

(c) Guarantees granted:

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

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In compliance with Article 226 and subsequent Articles of Law 18,045, Banchile Administradora General de Fondos S.A., has designated Banco de Chile as the representative of the beneficiaries of the guarantees it has established and in that character the Bank has issued bank guarantees totaling UF 2,412,000, maturing January 4, 2013 (UF 2,631,000, maturing on January 7, 2011 for the nine month 2011).

In addition to these guarantees for creating mutual funds, there are other guarantees for a guaranteed return on certain mutual funds, totaling Ch\$103,188 million as of September 30, 2012 (Ch\$132,111 million in 2011).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

26. Contingencies and Commitments, continued:

(c) Guarantees granted, continued:

The details of guarantees are as follow:

| Fund | September 2012 MCh\$ | Guarantees Number |
|--|----------------------------|----------------------|
| Mutual Fund Banca Americana Voltarget Guaranteed | 14,320 | 003003-9 |
| Mutual Fund Estrategia Commodities Guaranteed | 8,381 | 338360-1 |
| Mutual Fund Muralla China Guaranteed | 24,773 | 003002-1 |
| Mutual Fund Potencias Consolidadas Guarnated | 35,898 | 003000-5 |
| Mutual Fund Ahorro Plus I Guaranteed | 786 | 338358-8 |
| Mutual Fund Ahorro Estable II Guaranteed | 13,030 | 003004-7 |
| Mutual Fund Ahorro Estable III Guaranteed | 6,000 | 338362-7 |
| Total | 103,188 | |

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

For the purposes of ensuring correct and complete compliance with all of its obligations as broker-dealer entity, in conformity with the provisions of Article 30 and subsequent Articles of Law 18,045 on Securities Markets, the subsidiary established a guarantee in an insurance policy for UF 20,000, insured by Cía. de Seguros de Crédito Continental S.A., that matures April 22, 2014, whereby the Securities Exchange of the Santiago Stock Exchange was appointed as the subsidiary's creditor representative.

| Guarantees: | September 2012 MCh\$ | December 2011 MCh\$ | September 2011 MCh\$ |
|--|----------------------------|---------------------------|----------------------------|
| Shares to secure short-sale transactions in: | | | |
| Securities Exchange of the Santiago, Stock Exchange | 16,221 | 15,980 | 44,729 |
| Securities Exchange of the Electronic, Stock Exchange of Chile | 28,423 | 21,731 | 26,370 |
| Fixed income securities to ensure system CCLV, Securities Exchange of the Santiago, Stock Exchange | | | |
| | 2,991 | 2,987 | |
| Total | 47,635 | 40,698 | 71,099 |

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

(c) Guarantees granted, continued:

In conformity with the provisions of internal stock market regulations, and for the purpose of securing the broker's correct performance, the company established a pledge on its share of the Santiago Stock Exchange in favor of that institution, as recorded in Public Deed on September 13, 1990, signed before Santiago public notary Mr. Raúl 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 Chartis Chile Compañía de Seguros Generales S.A. that expires January 2, 2013, and that covers employee fidelity, physical losses, falsification or adulteration, and currency fraud with a coverage amount equivalent to US\$10,000,000.

(d) Provisions for contingencies loans:

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

| | September 2012 MCh\$ | December 2011 MCh\$ | September 2011 MCh\$ |
|-----------------------------|-------------------------------------|------------------------------------|-------------------------------------|
| Credit lines | 22,918 | 20,679 | 22,878 |
| Bank guarantees | 12,281 | 12,520 | 11,772 |
| Guarantees and surety bonds | 2,518 | 1,526 | 2,024 |
| Letters of credit | 421 | 523 | 1,033 |
| Other commitments | 105 | 86 | 58 |
| Total | 38,243 | 35,334 | 37,765 |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

27. Equity:

(a) Capital

(i) Authorized, subscribed and paid shares:

As of September 30, 2012, the paid-in capital of Banco de Chile is represented by 88,037,813,511 registered shares (86,942,514,973 in 2011), with no par value, fully paid and distributed.

(ii) Shares:

(ii.1) On March 17, 2011, the extraordinary shareholders meeting approved the capitalization of 30% of the distributable net income obtained during the fiscal year ending as of December 31, 2010 by an amount of Ch\$67,217 millions through the issuance of 1,005,766,185 shares.

(ii.2) On April 15, 2011, the transformation of the shares series Banco de Chile-S into ordinary shares Banco de Chile was duly registered in the respective Securities Register as agreed upon the Extraordinary Shareholders Meeting held on March 17, 2011.

Accordingly, the shares in which the capital of the Bank is divided are registered in the Securities Register of the Superintendence of Banks and Financial Institutions and have the name Banco de Chile .

(ii.3) On June 5, 2012, Banco de Chile informed of the capitalization of 30% of the distributable net income obtained during the fiscal year ending December 31, 2011, through the issuance of fully paid-in shares, of no par value, agreed in the Extraordinary Shareholders Meeting held on March 22, 2012, which are as follows:

In the said Extraordinary Shareholders Meeting, it was agreed to increase the Bank's capital in the amount of Ch\$73,910,745,344 through the issuance of 1,095,298,538 fully paid-in shares, of no par value, payable under the distributable net income for the year 2011 that was not

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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 No. 4/2012, on June 4, 2012.

The Board of Directors of Banco de Chile, at the meeting No. 2,754, dated May 24, 2012, set June 28, 2012, as the date for issuance and distribution of the fully paid in shares.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

27. Equity, continued:

(a) Capital, continued

(ii) Shares, continued:

(ii.4) The following table shows the share movements from December 31, 2010 to September 30, 2012:

| | Ordinary shares | Ordinary S Series shares | Total shares |
|--|--------------------|-----------------------------|----------------|
| As of December 31, 2010 | 73,834,890,472 | 8,716,808,951 | 82,551,699,423 |
| Capitalization of retained earnings | 1,005,766,185 | | 1,005,766,185 |
| Transformation of the shares series Banco de Chile-S into ordinary shares Banco de Chile | 8,716,808,951 | (8,716,808,951) | |
| Fully paid the share capital increase | 2,861,391,655 | | 2,861,391,655 |
| Total shares subscribed and fully paid | 86,418,857,263 | | 86,418,857,263 |
| Shares subscribed and not paid | 165,708,132 | | 165,708,132 |
| Shares issued and not subscribed | 357,949,578 | | 357,949,578 |
| As of September 30, 2011 | 86,942,514,973 | | 86,942,514,973 |
| As of December 31, 2011 | 86,942,514,973 | | 86,942,514,973 |
| Capitalization of retained earnings | 1,095,298,538 | | 1,095,298,538 |
| As of September 30, 2012 | 88,037,813,511 | | 88,037,813,511 |

(ii.5) During the capital increase process as of September 30, 2011, the Bank subscribed and fully paid shares by 2,861,391,655, being, at that dated, an amount net of cost associated with the issuance of Ch\$210,114 millions.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

27. Equity, continued:

(b) Distributable income:

For purposes of Law No. 19,396 (in particular Articles 24, 25 and 28 of such law) and the Central Bank Contract, 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 September 30, 2012 ascended to Ch\$306,978 millions (Ch\$291,571 millions in 2011).

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 2011 made in March 2012 amounted to Ch\$58,092 millions (Ch\$32,096 millions of income for the year 2010 retained in March 2011).

(c) Approval and payment of dividends:

At the Ordinary Shareholders Meeting held on March 22, 2012, the Bank's shareholders agreed to distribute and pay dividend No. 200 amounting to Ch\$2.984740 per common share of Banco de Chile, with charge to net income for the year ended December 31, 2011.

At the Ordinary Shareholders Meeting held on March 17, 2011, the Bank's shareholders agreed to distribute and pay dividend No. 199 amounting to Ch\$2.937587 per common share of Banco de Chile, with charge to net income for the year ended December 31, 2010.

(d) Provision for minimum dividends:

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The Board of Directors established a minimum dividend distribution policy, where the Bank has to record a provision of 70% of net income as described in Note 2 (v) of the Annual Consolidated Financial Statements. Accordingly, the Bank recorded a liability under the line item Provisions for an amount of MCh\$214,885 (MCh\$204,100 in 2011) against Retained earnings .

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

27. Equity, continued:

(e) Earnings per share:

i. Basic earnings per share:

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

ii. Diluted earnings per share:

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

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

| | September 2012 | September 2011 |
|---|-------------------|-------------------|
| Basic earnings per share: | | |
| Net profits attributable to ordinary equity holders of the bank (in millions) | 327,910 | 329,218 |
| Weighted average number of ordinary shares | 88,037,813,511 | 85,407,427,274 |
| Earning per shares (in Chilean pesos) | 3.72 | 3.85 |
| Diluted earnings per share: | | |
| Net profits attributable to ordinary equity holders of the bank (in millions) | 327,910 | 329,218 |
| Weighted average number of ordinary shares | 88,037,813,511 | 85,407,427,274 |
| Assumed conversion of convertible debt | | |
| Adjusted number of shares | 88,037,813,511 | 85,134,802,008 |
| Diluted earnings per share (in Chilean pesos) | 3.72 | 3.85 |

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As of September 30, 2012 and 2011, the Bank did not have any instruments that could lead to a dilution of its ordinary shares.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

27. Equity, continued:

(f) Other comprehensive income:

The cumulative translation adjustment is generated from the Bank's translation of its investments in foreign companies, as it records the effects of foreign currency translation for these items in equity. During period of 2012 it was made a charge to equity for an amount of Ch\$65 million (credit to equity for Ch\$62 million in 2011).

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 2012 it was made a credit to equity for an amount of Ch\$18,666 million (charge to equity for Ch\$5,249 million in 2011).

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 2012 it was made a credit to equity for an amount of Ch\$1,044 million (for the period 2011 there was no balance).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

28. Interest Revenue and Expenses:

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

| | September 2012 | | | Total MCh\$ | September 2011 | | | Total MCh\$ |
|--------------------------------|-------------------|---------------------|--------------------------|----------------|-------------------|---------------------|--------------------------|----------------|
| | Interest MCh\$ | Adjustment MCh\$ | Prepaid fees MCh\$ | | Interest MCh\$ | Adjustment MCh\$ | Prepaid fees MCh\$ | |
| Commercial loans | 510,362 | 51,120 | 1,462 | 562,944 | 412,253 | 90,390 | 3,203 | 505,846 |
| Consumer loans | 379,081 | 555 | 5,122 | 384,758 | 311,939 | 1,056 | 4,624 | 317,619 |
| Residential mortgage loans | 124,381 | 49,182 | 2,926 | 176,489 | 100,988 | 79,782 | 3,360 | 184,130 |
| Financial investment | 44,861 | 9,521 | | 54,382 | 35,334 | 14,022 | | 49,356 |
| Repurchase agreements | 2,044 | | | 2,044 | 3,919 | | | 3,919 |
| Loans and advances to banks | 8,237 | | | 8,237 | 7,310 | | | 7,310 |
| Other interest revenue | 122 | 970 | | 1,092 | 100 | 1,647 | | 1,747 |
| Total | 1,069,088 | 111,348 | 9,510 | 1,189,946 | 871,843 | 186,897 | 11,187 | 1,069,927 |

The amount of interest revenue recognized on a received basis for impaired portfolio as of September 30, 2012 was Ch\$6,649 million (Ch\$6,747 million in 2011).

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

| | September 2012 | | | Interest MCh\$ | September 2011 | |
|-------------------------------|-------------------|---------------------|----------------|-------------------|---------------------|----------------|
| | Interest MCh\$ | Adjustment MCh\$ | Total MCh\$ | | Adjustment MCh\$ | Total MCh\$ |
| Commercial loans | 5,478 | 1,762 | 7,240 | 5,946 | 2,964 | 8,910 |
| Residential mortgage loans | 1,449 | 687 | 2,136 | 540 | 127 | 667 |
| Consumer loans | 194 | | 194 | 986 | 557 | 1,543 |
| Total | 7,121 | 2,449 | 9,570 | 7,472 | 3,648 | 11,120 |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

28. Interest Revenue and Expenses, continued:

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

| | Interest MCh\$ | September 2012 Adjustment MCh\$ | Total MCh\$ | Interest MCh\$ | September 2011 Adjustment MCh\$ | Total MCh\$ |
|--|-------------------|--|----------------|-------------------|--|----------------|
| Savings accounts and time deposits | 325,390 | 31,420 | 356,810 | 235,594 | 55,455 | 291,049 |
| Debt issued | 78,528 | 29,814 | 108,342 | 58,213 | 44,333 | 102,546 |
| Other financial obligations | 1,594 | 546 | 2,140 | 1,711 | 1,057 | 2,768 |
| Repurchase agreements | 11,634 | 10 | 11,644 | 7,599 | | 7,599 |
| Borrowings from financial institutions | 18,400 | 1 | 18,401 | 16,191 | (4) | 16,187 |
| Demand deposits | 58 | 2,245 | 2,303 | 42 | 3,853 | 3,895 |
| Other interest expenses | 14 | 98 | 112 | | 386 | 386 |
| Total | 435,618 | 64,134 | 499,752 | 319,350 | 105,080 | 424,430 |

(d) As of September 30, 2012 and 2011, the Bank uses interest rate swaps to hedge its position on the fair value of corporate bonds and commercial loans through micro-hedging.

| | Income (loss) MCh\$ | September 2012 Expenses MCh\$ | Total MCh\$ | Income (loss) MCh\$ | September 2011 Expenses MCh\$ | Total MCh\$ |
|-----------------------------|---------------------------|--|----------------|---------------------------|--|----------------|
| Gain from accounting hedges | 2,400 | 1,778 | 4,178 | 1,010 | | 1,010 |
| Loss from accounting hedges | (11,246) | | (11,246) | (28,209) | | (28,209) |
| Net gain on hedged items | 1,558 | | 1,558 | 17,591 | | 17,591 |
| Total | (7,288) | 1,778 | (5,510) | (9,608) | | (9,608) |

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

September September

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| | 2012 MCh\$ | 2011 MCh\$ |
|--|---------------|---------------|
| Interest revenue | 1,189,946 | 1,069,927 |
| Interest expenses | (499,752) | (424,430) |
| Subtotal | 690,194 | 645,497 |
| Income accounting hedges (net) | (5,510) | (9,608) |
| Total interest revenue and expenses, net | 684,684 | 635,889 |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

29. Income and Expenses from Fees and Commissions:

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

| | September 2012 MCh\$ | September 2011 MCh\$ |
|---|----------------------------|----------------------------|
| Income from fees and commission | | |
| Card services | 74,908 | 66,908 |
| Collections and payments | 44,705 | 37,066 |
| Investments in mutual funds and other | 42,645 | 49,661 |
| Trading and securities management | 20,088 | 21,177 |
| Lines of credit and overdrafts | 17,082 | 17,022 |
| Fees for insurance transactions | 12,913 | 16,476 |
| Portfolio management | 12,879 | 22,395 |
| Use of distribution channel | 11,914 | 14,595 |
| Guarantees and letters of credit | 10,481 | 9,564 |
| Usage Banchile s brand | 9,241 | 8,232 |
| Financial advisory services | 2,908 | 1,504 |
| Other fees earned | 15,562 | 13,484 |
| Total income from fees and commissions | 275,326 | 278,084 |
| Expenses from fees and commissions | | |
| Fees for credit card transactions | (30,085) | (25,810) |
| Sales force fees | (7,206) | (5,830) |
| Fees for collections and payments | (4,965) | (4,959) |
| Fees for securities transactions | (2,494) | (2,921) |
| Sale of mutual fund units | (2,142) | (2,527) |
| Other fees | (1,197) | (848) |
| Total expenses from fees and commissions | (48,089) | (42,895) |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

30. Net Financial Operating Income:

The gain (losses) from trading and brokerage activities is detailed as follows:

| | September 2012 MCh\$ | September 2011 MCh\$ |
|--|----------------------------|----------------------------|
| Financial assets held-for-trading | 14,777 | 19,022 |
| Sale of available-for-sale instruments | 5,620 | 2,490 |
| Net income on other transactions | 2,219 | (159) |
| Derivative instruments | (6,850) | 39,676 |
| Sale of loan portfolios | | (55) |
| Total | 15,766 | 60,974 |

31. Foreign Exchange Transactions, net:

Net foreign exchange transactions are detailed as follows:

| | September 2012 MCh\$ | September 2011 MCh\$ |
|-------------------------------|----------------------------|----------------------------|
| Translation difference, net | 35,812 | (21,620) |
| Indexed foreign currency, net | (10,290) | 9,972 |
| Gain from accounting hedges | (693) | |
| Total | 24,829 | (11,648) |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

32. Provisions for Loan Losses:

The movement during the nine-month period ended September 2012 and 2011 is the following:

| | Loans and advances to banks | | Commercial loans | | Loans to customers Mortgage loans | | Consumer loans | | Total | | Contingent loans | | Total | |
|--|-----------------------------|---------------|------------------|-----------------|-----------------------------------|----------------|------------------|-----------------|------------------|------------------|------------------|----------------|------------------|------------------|
| | 2012 MCh\$ | 2011 MCh\$ | 2012 MCh\$ | 2011 MCh\$ | 2012 MCh\$ | 2011 MCh\$ | 2012 MCh\$ | 2011 MCh\$ | 2012 MCh\$ | 2011 MCh\$ | 2012 MCh\$ | 2011 MCh\$ | 2012 MCh\$ | 2011 MCh\$ |
| Provisions established: | | | | | | | | | | | | | | |
| Individual provisions | (31) | (783) | (1,429) | (17,470) | | | | | (1,429) | (17,470) | (2,663) | (7,839) | (4,123) | (26,092) |
| Group provisions | | | (33,736) | (30,197) | (2,449) | (1,587) | (126,898) | (81,225) | (163,083) | (113,009) | (246) | | (163,329) | (113,009) |
| Provisions established, net | (31) | (783) | (35,165) | (47,667) | (2,449) | (1,587) | (126,898) | (81,225) | (164,512) | (130,479) | (2,909) | (7,839) | (167,452) | (139,101) |
| Provisions released: | | | | | | | | | | | | | | |
| Individual provisions | 173 | | | | | | | | | | | | | 173 |
| Group provisions | | | | | | | | | | | | 188 | | 188 |
| Provisions released, net | 173 | | | | | | | | | | | 188 | 173 | 188 |
| Provision, net | 142 | (783) | (35,165) | (47,667) | (2,449) | (1,587) | (126,898) | (81,225) | (164,512) | (130,479) | (2,909) | (7,651) | (167,279) | (138,913) |
| Additional provision | | | | (1,572) | | | | | | | (1,572) | | | (1,572) |
| Recovery of written-off assets | | | 10,091 | 8,851 | 1,456 | 788 | 18,148 | 22,458 | 29,695 | 32,097 | | | 29,695 | 32,097 |
| Provisions, net of allowances for credit risk | 142 | (783) | (25,074) | (40,388) | (993) | (799) | (108,750) | (58,767) | (134,817) | (99,954) | (2,909) | (7,651) | (137,584) | (108,388) |

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

33. Personnel Expenses:

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

| | September 2012 MCh\$ | September 2011 MCh\$ |
|-----------------------------|----------------------------|----------------------------|
| Remuneration | 134,965 | 125,287 |
| Bonuses | 53,964 | 81,797 |
| Lunch and health benefits | 16,300 | 14,553 |
| Staff severance indemnities | 9,152 | 3,182 |
| Training expenses | 1,269 | 1,057 |
| Other personnel expenses | 15,982 | 14,844 |
| Total | 231,632 | 240,720 |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

34. Administrative Expenses:

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

| | September 2012 MCh\$ | September 2011 MCh\$ |
|--|----------------------------|----------------------------|
| General administrative expenses | | |
| Information Technology and communications | 34,887 | 34,565 |
| Maintenance and repair of property and equipment | 21,830 | 20,430 |
| Office rental | 14,335 | 13,298 |
| Securities and valuables transport services | 6,821 | 6,584 |
| Rent ATM area | 5,539 | 4,611 |
| External advisory services | 4,876 | 3,867 |
| Office supplies | 4,796 | 4,741 |
| Lighting, heating and other utilities | 3,673 | 4,441 |
| Representation and transferring of personnel | 2,530 | 2,827 |
| Legal and notary | 2,321 | 2,062 |
| Insurance premiums | 2,052 | 1,776 |
| P.O box, mail and postage | 1,965 | 2,140 |
| Donations | 1,059 | 1,127 |
| Equipment rental | 875 | 893 |
| Fees for professional services | 521 | 395 |
| SBIF fines | 40 | |
| Other general administrative expenses | 7,937 | 6,035 |
| Subtotal | 116,057 | 109,792 |
| Outsources services | | |
| Credit pre-evaluation services | 14,197 | 17,438 |
| Data processing | 5,814 | 5,610 |
| Other | 8,419 | 6,093 |
| Subtotal | 28,430 | 29,141 |
| Board expenses | | |
| Board remunerations | 1,517 | 1,524 |
| Other Board expenses | 322 | 490 |
| Subtotal | 1,839 | 2,014 |
| Marketing expenses | | |
| Advertising | 21,209 | 19,754 |
| Subtotal | 21,209 | 19,754 |
| Taxes, payroll taxes and contributions | | |
| Contribution to the Superintendency of Banks | 4,782 | 4,007 |

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| | | |
|---------------------------|---------|---------|
| Real estate contributions | 1,981 | 1,652 |
| Patents | 1,133 | 1,102 |
| Other taxes | 617 | 494 |
| Subtotal | 8,513 | 7,255 |
| Total | 176,048 | 167,956 |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

35. Depreciation, Amortization and Impairment:

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

| | September 2012 MCh\$ | September 2011 MCh\$ |
|---|----------------------------|----------------------------|
| Depreciation and amortization | | |
| Depreciation of property and equipment (Note 16a) | 15,431 | 15,421 |
| Amortization of intangibles assets (Note 15b) | 7,836 | 7,564 |
| Total | 23,267 | 22,985 |

(b) As of September 30, 2012 and 2011, the composition of impairment expenses is the following:

| | September 2012 MCh\$ | September 2011 MCh\$ |
|---|----------------------------|----------------------------|
| Impairment | | |
| Impairment of Financial Instruments | 518 | |
| Impairment of Properties and Equipment (Note 16a) | 130 | 4 |
| Impairment of Intangible Assets (Note 15b) | | |
| Total | 648 | 4 |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

36. Other Operating Income:

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

| | September 2012 MCh\$ | September 2011 MCh\$ |
|--|----------------------------|----------------------------|
| Income for assets received in lieu of payment | | |
| Income from sale of assets received in lieu of payment | 5,246 | 4,809 |
| Other income | 2 | 108 |
| Subtotal | 5,248 | 4,917 |
| Release of provisions for contingencies | | |
| Country risk provisions | 241 | |
| Other provisions for contingencies | 255 | 167 |
| Subtotal | 496 | 167 |
| Other income | | |
| Rental income | 4,427 | 4,170 |
| Recovery from external branches | 1,865 | 1,572 |
| Expense recovery | 681 | 1,180 |
| Fiduciary and trustee commissions | 423 | 69 |
| Other tax adjustments | 272 | 807 |
| Gain on sale of property and equipment | 231 | 1,289 |
| Monthly prepaid taxes revaluation | 80 | 430 |
| Income from sale of leased assets | 79 | 942 |
| Income from external branches | 41 | 36 |
| Refund charged-off of property and equipment | 19 | 1,430 |
| Refund policy insurances | 15 | 9 |
| Others | 2,464 | 2,244 |
| Subtotal | 10,597 | 14,178 |
| Total | 16,341 | 19,262 |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

37. Other Operating Expenses:

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

| | September 2012 MCh\$ | September 2011 MCh\$ |
|---|----------------------------|----------------------------|
| Provisions and expenses for assets received in lieu of payment | | |
| Provisions for assets received in lieu of payment | 89 | 29 |
| Charge-off assets received in lieu of payment | 1,974 | 2,865 |
| Expenses to maintain assets received in lieu of payment | 423 | 396 |
| Subtotal | 2,486 | 3,290 |
| Provisions for contingencies | | |
| Country risk provisions | | 1,291 |
| Other provisions for contingencies | 3,337 | 583 |
| Subtotal | 3,337 | 1,874 |
| Other expenses | | |
| Cobranding travel club and global pass | 13,905 | 13,648 |
| Write-offs for operating risks | 7,382 | 2,097 |
| Other provisions | 5,400 | |
| Transactions in progress provisions | 2,643 | |
| Card administration | 1,674 | 1,874 |
| Write-offs and provisions for fraud | 696 | 513 |
| Operating expenses and charge-off leasing assets | 655 | 441 |
| Mortgage life insurance | 202 | 183 |
| Contributions to government organizations | 173 | 157 |
| Civil judgments | 162 | 194 |
| Loss on sale of properties and equipment | 7 | 15 |
| Expenses of previous periods | | 7 |
| Others | 1,140 | 1,412 |
| Subtotal | 34,039 | 20,541 |
| Total | 39,862 | 25,705 |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

38. Related Party Transactions:

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

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

Moreover, Article 84 of the 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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

38. Related Party Transactions, continued:

(a) Loans to related parties:

| | Production Companies (*) | | | Investment Companies (**) | | | Individuals (***) | | | Total | | |
|---------------------------------------|---------------------------|--------------------------|---------------------------|---------------------------|--------------------------|---------------------------|---------------------------|--------------------------|---------------------------|---------------------------|--------------------------|---------------------------|
| | September 2012 MM\$ | December 2011 MM\$ | September 2011 MM\$ | September 2012 MM\$ | December 2011 MM\$ | September 2011 MM\$ | September 2012 MM\$ | December 2011 MM\$ | September 2011 MM\$ | September 2012 MM\$ | December 2011 MM\$ | September 2011 MM\$ |
| Loans and accounts receivable: | | | | | | | | | | | | |
| Commercial loans | 272,105 | 209,764 | 213,082 | 63,617 | 81,798 | 75,401 | 701 | 575 | 558 | 336,423 | 292,137 | 289,041 |
| Residential mortgage loans | | | | | | | 14,927 | 13,919 | 12,828 | 14,927 | 13,919 | 12,828 |
| Consumer loans | | | | | | | 3,479 | 3,387 | 2,797 | 3,479 | 3,387 | 2,797 |
| Gross loans | 272,105 | 209,764 | 213,082 | 63,617 | 81,798 | 75,401 | 19,107 | 17,881 | 16,183 | 354,829 | 309,443 | 304,666 |
| Provision for loan losses | (1,016) | (602) | (451) | (176) | (295) | (259) | (83) | (68) | (61) | (1,275) | (965) | (771) |
| Net loans | 271,089 | 209,162 | 212,631 | 63,441 | 81,503 | 75,142 | 19,024 | 17,813 | 16,122 | 353,554 | 308,478 | 303,895 |
| Off balance sheet accounts: | | | | | | | | | | | | |
| Guarantees | 21,068 | 18,670 | 19,273 | | | | | | | 21,068 | 18,670 | 19,273 |
| Letters of credits | 235 | 158 | 311 | | | | | | | 235 | 158 | 311 |
| Banks guarantees | 30,010 | 21,313 | 25,790 | 1,940 | 2,038 | 194 | | | | 31,950 | 23,351 | 25,984 |
| Immediately available credit lines | 37,827 | 32,406 | 24,865 | 3,263 | 1,451 | 1,649 | 9,501 | 9,393 | 9,223 | 50,591 | 43,250 | 35,737 |
| Total off balance sheet account | 89,140 | 72,547 | 70,239 | 5,203 | 3,489 | 1,843 | 9,501 | 9,393 | 9,223 | 103,844 | 85,429 | 81,305 |
| Provision for contingencies loans | (120) | (95) | (82) | (1) | (2) | (2) | | | (5) | (121) | (97) | (89) |
| Off balance sheet account, net | 89,020 | 72,452 | 70,157 | 5,202 | 3,487 | 1,841 | 9,501 | 9,393 | 9,218 | 103,723 | 85,332 | 81,216 |

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Amount covered by Collateral

| | | | | | | | | | | | | |
|-------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Mortgage | 31,013 | 27,958 | 27,881 | 55 | 55 | 55 | 15,256 | 15,431 | 15,421 | 46,324 | 43,444 | 43,357 |
| Warrant | | | | | | | | | | | | |
| Pledge | 13 | | | | | | 7 | 7 | 7 | 20 | 7 | 7 |
| Others (****) | 2,842 | 2,855 | 2,855 | 17,300 | 17,300 | 17,300 | 10 | 10 | 10 | 20,152 | 20,165 | 20,165 |
| Total collateral | 33,868 | 30,813 | 30,736 | 17,355 | 17,355 | 17,355 | 15,273 | 15,448 | 15,438 | 66,496 | 63,616 | 63,529 |

Acquired Instruments

| | | | | | | | | | | | | |
|-----------------------------------|--|--------------|--|--|--|--|--|--|--|--|--|--------------|
| For trading purposes | | 2,154 | | | | | | | | | | 2,154 |
| Total acquired instruments | | 2,154 | | | | | | | | | | 2,154 |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

38. Related Party Transactions, continued:

(a) Loans with related parties, continued:

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

i) They engage in productive activities and generate a separable flow of income

ii) Less than 50% of their assets are trading securities or investments

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

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

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

(b) Other assets and liabilities with related parties:

| | September 2012 MCh\$ | December 2011 MCh\$ | September 2011 MCh\$ |
|-------------------------|----------------------------|---------------------------|----------------------------|
| Assets | | | |
| Cash and due from banks | 21,265 | 97,390 | 95,070 |

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| Repurchase agreements and Security Borrowing | | | |
|--|---------|---------|---------|
| Derivative instruments | 111,278 | 116,010 | 141,461 |
| Other assets | 4,421 | 2,665 | 2,728 |
| Total | 136,964 | 216,065 | 239,259 |
| Liabilities | | | |
| Demand deposits | 110,702 | 69,287 | 113,882 |
| Savings accounts and time deposits | 450,330 | 531,448 | 527,444 |
| Derivative instruments | 90,201 | 100,238 | 120,608 |
| Borrowings from financial institutions | 133,996 | 194,059 | 176,162 |
| Debt issued | 35,585 | | |
| Other liabilities | 9,647 | 7,969 | 6,333 |
| Total | 830,461 | 903,001 | 944,429 |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

38. Related Party Transactions, continued:

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

| Type of income or expense recognized | September 2012 | | September 2011 | |
|--|-------------------|------------------|-------------------|------------------|
| | Income MCh\$ | Expense MCh\$ | Income MCh\$ | Expense MCh\$ |
| Interest and revenue expenses | 12,584 | 14,929 | 10,486 | 22,214 |
| Fees and commission income | 43,093 | 22,184 | 44,931 | 21,582 |
| Financial operating | 161,390 | 132,764 | 439,337 | 347,296 |
| Released or established of provision for credit risk | | 349 | 426 | |
| Operating expenses | | 50,478 | | 52,462 |
| Other income and expenses | 601 | 15 | 646 | 50 |
| Total | 217,668 | 220,719 | 495,826 | 443,604 |

(*) This detail does not constitute a Statement of Comprehensive Income for related party transactions since 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:

There are no contracts entered during the period 2012 and 2011 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.

(e) Payments to key management personnel:

| | September 2012 MCh\$ | September 2011 MCh\$ |
|--------------------------------|----------------------------|----------------------------|
| Remunerations | 2,939 | 2,638 |
| Short-term benefits | 3,871 | 2,820 |
| Contract termination indemnity | 260 | |

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Total 7,070 5,458

Composition of key personnel:

| Position | N° of executives | |
|------------------------|------------------|----------------|
| | September 2012 | September 2011 |
| CEO | 1 | 1 |
| Deputy general manager | 1 | |
| CEOs of subsidiaries | 8 | 8 |
| Division Managers | 14 | 15 |
| Total | 24 | 24 |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

38. Related Party Transactions, continued:

(f) Directors expenses and remunerations:

| Name of Directors | Remunerations | | Fees for attending Board meetings | | Fees for attending Committees and Subsidiary Board meetings (1) | | Consulting | | Total | |
|------------------------------|----------------|----------------|-----------------------------------|----------------|---|----------------|----------------|----------------|----------------|----------------|
| | September 2012 | September 2011 | September 2012 | September 2011 | September 2012 | September 2011 | September 2012 | September 2011 | September 2012 | September 2011 |
| | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ |
| Pablo Granifo Lavín | 267(*) | 258(*) | 32 | 34 | 216 | 213 | | | 515 | 505 |
| Gonzalo Menéndez Duque | 37 | 35 | 13 | 18 | 84 | 81 | | | 134 | 134 |
| Jorge Awad Mehech | 37 | 36 | 15 | 20 | 80 | 76 | | | 132 | 132 |
| Jaime Estévez Valencia | 37 | 35 | 15 | 19 | 69 | 61 | | | 121 | 115 |
| Andrónico Luksic Craig | 110 | 106 | 6 | 10 | | | | | 116 | 116 |
| Rodrigo Manubens Moltedo | 37 | 35 | 16 | 19 | 37 | 34 | | | 90 | 88 |
| Francisco Pérez Mackenna | 37 | 35 | 13 | 16 | 38 | 33 | | | 88 | 84 |
| Jorge Ergas Heymann | 37 | 24 | 13 | 10 | 33 | 26 | | | 83 | 60 |
| Thomas Fürst Freiwirth | 37 | 35 | 14 | 17 | 30 | 24 | | | 81 | 76 |
| Guillermo Luksic Craig | 37 | 35 | 4 | 6 | | | | | 41 | 41 |
| Jacob Ergas Ergas | | 10 | | 5 | 7 | 15 | | | 7 | 30 |
| Felipe Joannon Vergara | | 10 | | 7 | | 12 | | | | 29 |
| Otros directores de filiales | | | | | 123 | 121 | | 64 | 123 | 185 |
| Total | 673 | 654 | 141 | 181 | 717 | 696 | | 64 | 1,531 | 1,595 |

(1) Includes fees paid to members of the Advisory Committee of Banchile Corredores de Seguros Ltda. of MCh\$13 (MCh\$7 in 2011).

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(*) *Includes a provision of MCh\$155 (MCh\$152 in 2011) for an incentive subject to achieving the Bank's forecasted earnings.*

Fees paid for advisory services to the Board of Directors amount to MCh\$198 (MCh\$184 in 2011).

Travel and other related expenses amount to MCh\$110 (MCh\$235 in 2011).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

39. Fair Value of Financial Assets and Liabilities:

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

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

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

- (i) Industry standards of fair value measurements

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

- (ii) Quoted prices in active markets

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

- (iii) Valuation techniques

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

(iv) Fair value adjustments

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

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

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

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

(vi) Judgmental analysis and information to Senior Management.

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

(a) Fair value hierarchy

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

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

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

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

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

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Level 2: No market quotes are available for the specific financial instrument. For instruments in this level the valuation is done based on inference from observable market parameters; quoted prices for similar instruments in active markets.

This level is composed mostly by derivatives, currency and rate derivatives, bank's debt securities, mortgage claims, money market instruments and less liquid Chilean central bank and treasury securities.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

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

In the event that there is no observable price for an instrument in a specific term, the price will be inferred from the interpolation between periods that do have observable quoted price in active markets. These models incorporate various market variables, including foreign exchange rates and interest rate curves. In some cases external data from specialized providers, brokers such as ICAP and Riskamerica, price for similar transactions and historical information it is used for validate the parameters that will be used as inputs.

The techniques described above are used by the Santiago Stock Exchange in Chile, Bloomberg or the Over-the-Counter, and correspond to the standard methodology used in the local and international markets.

Level 3: The input parameters used in the valuation are not observable through market quotes in active markets neither can be inferred directly from other transaction information in active markets. This category also includes instruments that are valued based on quoted prices for similar instruments where adjustments or assumptions are needed to reflect the differences between them.

Instruments classified as level 3 correspond to Corporate Debt issued mainly Chilean and foreign companies, issued both in Chile and abroad. These instruments are classified, for accounting purposes, as Available for Sale. For this securities classified as level 3, the indicative internal rate of return is used to discount every cash flow and obtain the fair value of each instrument, for each currency. In this case only external data from specialized providers, brokers such as ICAP, Riskamerica and Interactive Data, it is used to for validate the parameters that will be used as inputs.

For this level corresponds to the described technique used by both the Bolsa de Comercio de Santiago de Chile as Bloomberg, and correspond to the standard methodology used in the local and international market.

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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 | |
|------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 2012 MCh\$ | 2011 MCh\$ | 2012 MCh\$ | 2011 MCh\$ | 2012 MCh\$ | 2011 MCh\$ | 2012 MCh\$ | 2011 MCh\$ |
| Financial Assets | | | | | | | | |
| Financial assets | | | | | | | | |
| held-for-trading from the | | | | | | | | |
| Chilean Government and | | | | | | | | |
| Central Bank | 56,816 | 50,815 | 3,198 | 7,815 | | | 60,014 | 58,630 |
| Other instruments issued in | | | | | | | | |
| Chile | 175 | 45 | 206,009 | 228,767 | 343 | 4,234 | 206,527 | 233,046 |
| Instruments issued abroad | | | | | | | | |
| Mutual fund investments | 75,127 | 52,264 | | | | | 75,127 | 52,264 |
| Subtotal | 132,118 | 103,124 | 209,207 | 236,582 | 343 | 4,234 | 341,668 | 343,940 |
| Derivative contracts for | | | | | | | | |
| trading purposes | | | | | | | | |
| Forwards | | | 105,657 | 354,717 | | | 105,657 | 354,717 |
| Swaps | | | 274,042 | 279,653 | | | 274,042 | 279,653 |
| Call Options | | | 575 | 2,282 | | | 575 | 2,282 |
| Put Options | | | 903 | 12 | | | 903 | 12 |
| Futures | | | | | | | | |
| Subtotal | | | 381,177 | 636,664 | | | 381,177 | 636,664 |
| Hedge accounting derivative | | | | | | | | |
| contracts | | | | | | | | |
| Swaps | | | | | | | | |
| Subtotal | | | | | | | | |
| Financial assets | | | | | | | | |
| available-for-sale from the | | | | | | | | |
| Chilean Government and | | | | | | | | |
| Central Bank | | | 557,967 | 446,816 | | | 557,967 | 446,816 |
| Other instruments issued in | | | | | | | | |
| Chile | | | 564,267 | 447,827 | 283,772 | 281,649 | 848,039 | 729,476 |
| Instruments issued abroad | 27,248 | 9,884 | | | 81,637 | 118,044 | 108,885 | 127,928 |
| Subtotal | 27,248 | 9,884 | 1,122,234 | 894,643 | 365,409 | 399,693 | 1,514,891 | 1,304,220 |
| Total | 159,366 | 113,008 | 1,712,618 | 1,767,889 | 365,752 | 403,927 | 2,237,736 | 2,284,824 |
| Financial Liabilities | | | | | | | | |

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Derivative contracts for trading purposes

| | | | | |
|----------------------------|---------|---------|---------|---------|
| Forwards | 133,948 | 283,930 | 133,948 | 283,930 |
| Swaps | 279,620 | 298,901 | 279,620 | 298,901 |
| Call Options | 702 | 2,084 | 702 | 2,084 |
| Put Options | 610 | 123 | 610 | 123 |
| Futures | | | | |
| Other | | 21 | | 21 |
| Subtotal | 414,880 | 585,059 | 414,880 | 585,059 |
| Hedge derivative contracts | | | | |
| Swaps | 38,411 | 36,081 | 38,411 | 36,081 |
| Subtotal | 38,411 | 36,081 | 38,411 | 36,081 |
| Total | 453,291 | 621,140 | 453,291 | 621,140 |

During the nine month period ended September 30, 2012 and 2011, there were no transfers between level 1 and 2 and nor between level 2 and 3

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

(c) Level 3 reconciliation

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

| | Balance as of January 1, 2012 MCh\$ | Gain (Loss) Recognized in Income MCh\$ | As of September 30, 2012 | | | Transfer between Level 1 and 2 MCh\$ | Balance as of September 30, 2012 MCh\$ |
|--------------------------------------|--|---|---|--|----------------------------|--|--|
| | | | Gain (Loss) Recognized in Equity MCh\$ | Purchases, Sales and Agreements, net MCh\$ | Reclassifications MCh\$ | | |
| Financial Assets | | | | | | | |
| Financial assets held-for-trading | | | | | | | |
| Other instruments issued in Chile | 585 | 152 | | (394) | | | 343 |
| Subtotal | 585 | 152 | | (394) | | | 343 |
| Available-for-Sale Instruments | | | | | | | |
| Other instruments issued in Chile | 321,378 | 1,578 | (601) | (38,583) | | | 283,772 |
| Instruments issued abroad | 105,391 | (3,952) | 19,484 | (39,286) | | | 81,637 |
| Subtotal | 426,769 | (2,374) | 18,883 | (77,869) | | | 365,409 |
| Total | 427,354 | (2,222) | 18,883 | (78,263) | | | 365,752 |

| | Balance as of January 1, 2011 MCh\$ | Gain (Loss) Recognized in Income MCh\$ | As of September 30, 2011 | | | Transfer between Level 1 and 2 MCh\$ | Balance as of September 30, 2011 MCh\$ |
|--------------------------------------|--|---|---|--|----------------------------|--|--|
| | | | Gain (Loss) Recognized in Equity MCh\$ | Purchases, Sales and Agreements, net MCh\$ | Reclassifications MCh\$ | | |
| Financial Assets | | | | | | | |
| Financial assets held-for-trading | | | | | | | |
| Other instruments issued in Chile | 1,740 | 75 | | 2,419 | | | 4,234 |
| Subtotal | 1,740 | 75 | | 2,419 | | | 4,234 |
| Available-for- Sale Instruments | | | | | | | |

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| | | | | | | |
|-----------------------------------|---------|--------|----------|--------|----------|---------|
| Other instruments issued in Chile | 230,480 | 9,229 | (3,848) | 30,151 | 15,637 | 281,649 |
| Instruments issued abroad | 76,104 | 16,180 | (9,192) | 50,589 | (15,637) | 118,044 |
| Subtotal | 306,584 | 25,409 | (13,040) | 80,740 | | 399,693 |
| Total | 308,324 | 25,484 | (13,040) | 83,159 | | 403,927 |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

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

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

| | As of September 30, 2012 | | As of September 30, 2011 | |
|--|--------------------------|---------------------------|--------------------------|---------------------------|
| | Level 3 | Sensitivity to changes in | Level 3 | Sensitivity to changes in |
| | MCh\$ | key assumptions of | MCh\$ | key assumptions of |
| | | models | | models |
| | | MCh\$ | | MCh\$ |
| Financial Assets | | | | |
| Financial assets held-for-trading | | | | |
| Other instruments issued in Chile | 343 | (2) | 4,234 | (16) |
| Total | 343 | (2) | 4,234 | (16) |
| Financial assets available-for-Sale | | | | |
| Other instruments issued in Chile | 283,772 | 65 | 281,649 | (3,511) |
| Instruments issued abroad | 81,637 | (637) | 118,044 | (1,299) |
| Total | 365,409 | (572) | 399,693 | (4,810) |

The level 3 figures in the precedent matrix represent the fair value calculated using data provided by the Business area, verified by the PCU using prices from independent market data providers. The following column, sensitivity to changes in key assumptions of models, represents the best proxy for what could be a variation, or delta, in the fair value of these instruments.

The sensitivity figures are calculated as a difference in fair values. This difference is calculated as the fair value in the precedent column, Banco de Chile figures, minus the fair value obtained by using other market data set. The rationale behind this way to calculate the sensitivity is based on the appropriateness of prices and rates provided by independent sources, such as Interactive Data. This brokerage information companies uses all the available market information and is used by the major financial institutions in Chile such as Banks and Pension Funds.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

(e) Other assets and liabilities

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

| | Book Value | | Fair Value | |
|---|----------------------------|----------------------------|----------------------------|----------------------------|
| | September 2012 MCh\$ | September 2011 MCh\$ | September 2012 MCh\$ | September 2011 MCh\$ |
| Assets | | | | |
| Cash and due from banks | 610,396 | 866,149 | 610,396 | 866,149 |
| Transactions in the course of collection | 409,937 | 461,081 | 409,937 | 461,081 |
| Receivables from repurchase agreements and security borrowing | 46,830 | 72,865 | 46,830 | 72,865 |
| Subtotal | 1,067,163 | 1,400,095 | 1,067,163 | 1,400,095 |
| Loans and advances to banks | | | | |
| Domestic banks | 44,040 | 25,303 | 44,040 | 25,303 |
| Central Bank of Chile | 500,232 | 200,303 | 500,232 | 200,303 |
| Foreign banks | 248,761 | 439,684 | 248,761 | 439,684 |
| Subtotal | 793,033 | 665,290 | 793,033 | 665,290 |
| Loans to customers, net | | | | |
| Commercial loans | 11,405,006 | 10,681,000 | 11,468,524 | 10,722,693 |
| Residential mortgage loans | 4,022,682 | 3,389,244 | 4,163,431 | 3,490,263 |
| Consumer loans | 2,536,656 | 2,293,708 | 2,556,386 | 2,293,835 |
| Subtotal | 17,964,344 | 16,363,952 | 18,188,341 | 16,506,791 |
| Total | 19,824,540 | 18,429,337 | 20,048,537 | 18,572,176 |
| Liabilities | | | | |
| Current accounts and other demand deposits | 5,001,775 | 4,601,815 | 5,001,775 | 4,601,815 |
| Transactions in the course of payment | 211,450 | 290,720 | 211,450 | 290,720 |
| Payables from repurchase agreements and security lending | 309,049 | 230,292 | 309,049 | 230,292 |
| Savings accounts and time deposits | 9,947,950 | 8,935,977 | 9,932,922 | 8,910,112 |
| Borrowings from financial institutions | 1,124,497 | 1,850,774 | 1,117,776 | 1,844,075 |
| Other financial obligations | 147,554 | 222,455 | 147,554 | 222,455 |
| Subtotal | 16,742,275 | 16,132,033 | 16,720,526 | 16,099,469 |
| Debt Issued | | | | |
| Letters of credit for residential purposes | 90,201 | 113,867 | 91,294 | 115,176 |
| Letters of credit for general purposes | 33,537 | 49,505 | 33,943 | 50,074 |

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| | | | | |
|-------------------|------------|------------|------------|------------|
| Bonds | 2,110,601 | 1,414,442 | 1,987,067 | 1,321,615 |
| Subordinate bonds | 744,105 | 754,239 | 726,693 | 729,604 |
| Subtotal | 2,978,444 | 2,332,053 | 2,838,997 | 2,216,469 |
| Total | 19,720,719 | 18,464,086 | 19,559,523 | 18,315,938 |

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

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

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

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

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

The Bank did not incur any day 1 profits or losses during the reporting period.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

40. Maturity of Assets and Liabilities:

The table below shows details of loans and other financial assets and liabilities grouped in accordance with their remaining maturity, including accrued interest as of September 30, 2012 and 2011, respectively. Trading and available-for-sale instruments are included at their fair value:

| | As of September 30, 2012 | | | | | | 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 | 610,396 | | | | | | 610,396 |
| Transactions in the course of collection | 409,937 | | | | | | 409,937 |
| Financial Assets held-for-trading | 341,668 | | | | | | 341,668 |
| Receivables from repurchase agreements and security borrowing | 8,859 | 36,178 | 1,793 | | | | 46,830 |
| Derivative instruments | 28,796 | 41,305 | 105,805 | 91,489 | 43,923 | 69,859 | 381,177 |
| Loans and advances to banks (**) | 610,858 | 21,157 | 161,882 | | | | 793,897 |
| Loans to customers (*) (**) | 1,475,462 | 2,147,105 | 3,300,317 | 3,974,433 | 2,032,740 | 4,455,741 | 17,385,798 |
| Financial assets available-for-sale | 394,221 | 114,695 | 387,813 | 228,990 | 170,477 | 218,695 | 1,514,891 |
| Financial assets held-to-maturity | | | | | | | |
| Total assets | 3,880,197 | 2,360,440 | 3,957,610 | 4,294,912 | 2,247,140 | 4,744,295 | 21,484,594 |

| | As of September 30, 2011 | | | | | | 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 | 866,149 | | | | | | 866,149 |
| Transactions in the course of collection | 461,081 | | | | | | 461,081 |
| Financial Assets held-for-trading | 343,940 | | | | | | 343,940 |
| Receivables from repurchase agreements and security borrowing | 3,089 | 43,435 | 26,341 | | | | 72,865 |
| Derivative instruments | 176,055 | 98,152 | 137,335 | 98,085 | 54,970 | 72,067 | 636,664 |
| Loans and advances to banks (**) | 375,233 | 103,901 | 152,130 | 35,419 | | | 666,683 |
| Loans to customers (*) (**) | 1,711,249 | 1,994,750 | 3,030,284 | 3,398,523 | 1,968,530 | 3,901,132 | 16,004,468 |
| Financial assets available-for-sale | 558,502 | 127,521 | 230,851 | 98,989 | 91,771 | 196,586 | 1,304,220 |
| Financial assets held-to-maturity | | | | | | | |
| Total assets | 4,495,298 | 2,367,759 | 3,576,941 | 3,631,016 | 2,115,271 | 4,169,785 | 20,356,070 |

(*) This only includes loans that are current as of period end. Therefore, it excludes past due loans amounting to MCh\$990,596 (MCh\$772,006 in 2011) of which MCh\$603,199 (MCh\$454,660 in 2011) were less than 30 days past due.

(**) The respective provisions, which amount to MCh\$412,050 (MCh\$412,522 in 2011) for loans to customers and MCh\$864 (MCh\$1,393 in 2011) for borrowings from financial institutions, have not been deducted from these balance.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

40. Maturity of Assets and Liabilities, continued:

| | As of September 30, 2012 | | | | | | Total MCh\$ |
|--|---------------------------|--|---|--|--|--------------------------|----------------|
| | Up to 1 month MCh\$ | Over 1 month and up to 3 months MCh\$ | Over 3 month and up to 12 months MCh\$ | Over 1 year and up to 3 years MCh\$ | Over 3 year and up to 5 years MCh\$ | Over 5 years MCh\$ | |
| Liabilities | | | | | | | |
| Current accounts and other demand deposits | 5,001,775 | | | | | | 5,001,775 |
| Transactions in the course of payment | 211,450 | | | | | | 211,450 |
| Payables from repurchase agreements and security lending | 308,645 | 404 | | | | | 309,049 |
| Savings accounts and time deposits (***) | 4,295,606 | 2,572,871 | 2,269,605 | 629,777 | 80 | 32 | 9,767,971 |
| Derivative instruments | 48,570 | 45,451 | 78,066 | 117,055 | 57,609 | 106,540 | 453,291 |
| Borrowings from financial institutions | 174,447 | 153,010 | 655,278 | 99,936 | 41,826 | | 1,124,497 |
| Debt issued: | | | | | | | |
| Mortgage bonds | 5,893 | 6,469 | 16,837 | 38,217 | 24,053 | 32,269 | 123,738 |
| Bonds | 54,728 | 77,338 | 33,849 | 302,155 | 514,505 | 1,128,026 | 2,110,600 |
| Subordinate bonds | 13,597 | 14,310 | 14,624 | 47,726 | 152,421 | 501,427 | 744,105 |
| Other financial obligations | 90,483 | 1,816 | 4,131 | 11,092 | 7,376 | 32,656 | 147,554 |
| Total liabilities | 10,205,194 | 2,871,669 | 3,072,390 | 1,245,958 | 797,870 | 1,800,950 | 19,994,031 |

| | As of September 30, 2011 | | | | | | Total MCh\$ |
|--|---------------------------|--|---|--|--|--------------------------|----------------|
| | Up to 1 month MCh\$ | Over 1 month and up to 3 months MCh\$ | Over 3 month and up to 12 months MCh\$ | Over 1 year and up to 3 years MCh\$ | Over 3 year and up to 5 years MCh\$ | Over 5 years MCh\$ | |
| Liabilities | | | | | | | |
| Current accounts and other demand deposits | 4,601,815 | | | | | | 4,601,815 |
| Transactions in the course of payment | 290,720 | | | | | | 290,720 |
| Payables from repurchase agreements and security lending | 196,076 | 34,193 | 23 | | | | 230,292 |
| Savings accounts and time deposits (***) | 3,711,788 | 2,145,748 | 2,448,709 | 451,523 | 327 | 26 | 8,758,121 |
| Derivative instruments | 182,213 | 51,936 | 112,543 | 104,238 | 50,806 | 119,404 | 621,140 |
| Borrowings from financial institutions | 305,720 | 378,908 | 874,269 | 240,227 | 51,650 | | 1,850,774 |
| Debt issued: | | | | | | | |
| Mortgage bonds | 6,745 | 7,577 | 20,891 | 47,237 | 33,890 | 47,032 | 163,372 |
| Bonds | 3,457 | 15,586 | 7,559 | 188,732 | 364,412 | 834,696 | 1,414,442 |
| Subordinate bonds | 13,261 | 16,555 | 18,810 | 48,388 | 161,406 | 495,819 | 754,239 |

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| | | | | | | | |
|-----------------------------|-----------|-----------|-----------|-----------|---------|-----------|------------|
| Other financial obligations | 159,278 | 2,020 | 4,288 | 12,365 | 8,756 | 35,748 | 222,455 |
| Total liabilities | 9,471,073 | 2,652,523 | 3,487,092 | 1,092,710 | 671,247 | 1,532,725 | 18,907,370 |

(***) Excluding term saving accounts, which amount to MCh\$179,979 (MCh\$177,856 in 2011).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

41. Subsequent Events:

In the Extraordinary Shareholders Meeting held on October 17, 2012 it was agreed to increase the Bank's capital in the amount of Ch\$250,000,000,000 by means of the issuance of 3,939,489,442 cash shares, Banco de Chile-T series, with same rights as all Banco de Chile's shares, with the exception that they will not allow its shareholders to receive dividends and/or fully paid-in shares, with respect to our net distributable earnings for fiscal year 2012. Once said dividends and/or fully paid-in shares are distributed and paid shares Banco de Chile-T will be automatically converted into Banco de Chile shares.

The price of the issuance of the shares will be set by the Board of Directors within a period of 180 days following the aforementioned Shareholders Meeting according to the terms and conditions agreed upon on therein, having in consideration the market price for the Bank's shares, and in that case, such price shall not be more nor less than 8% of the average closing stock market price for Banco de Chile shares in a period of 30 market business days prior to the determination, minus the net distributable earnings per share accumulated until the last day of the month preceding to the determination date.

Likewise, it was agreed that the shares will be offered to the shareholders in accordance to the law while remaining shares to be offered in the stock markets of the country, and potentially abroad, at the opportunities determined by the Board of Directors.

On the other hand, in the aforementioned Meeting it was informed that the principal shareholder LQ Inversiones Financieras S.A., has announced by means of a letter dated October 16, 2012 its intention to underwrite and to pay the aggregate amount of shares corresponding to the Ordinary Preemptive Rights Period, and to assign and transfer its right to purchase options corresponding to it during the Special Preemptive Rights Period in the aforementioned capital increase.

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, 2012 and the date of issuance of these Interim Condensed Consolidated Financial Statements.

Héctor Hernández G.

General Accounting Manager

Arturo Tagle Q.

Chief Executive Officer