

BANK OF CHILE  
Form 6-K  
January 29, 2016  
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## **FORM 6-K**

# **SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

### **Report of Foreign Private Issuer**

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

For the month of January, 2016

Commission File Number 001-15266

## **BANK OF CHILE**

(Translation of registrant's name into English)

**Paseo Ahumada 251**

**Santiago, Chile**

(Address of principal executive offices)

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

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Form 20-F  Form 40-F

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

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

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

Yes  No

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

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BANCO DE CHILE  
REPORT ON FORM 6-K

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

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*Consolidated Financial Statements*

**BANCO DE CHILE AND SUBSIDIARIES**

*Santiago, Chile*

*December 31, 2015 and 2014*

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**BANCO DE CHILE AND SUBSIDIARIES**

December 31, 2015 and 2014

(Translation of consolidated financial statements originally issued in Spanish)

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

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**BANCO DE CHILE AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

For the years ended December 31, 2015 and 2014

(Expressed in million of Chilean pesos)

**BANCO DE CHILE AND SUBSIDIARIES**

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The accompanying notes 1 to 42 form an  
integral part of these consolidated financial statements

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For the years ended December 31, 2015 and 2014

(Expressed in million of Chilean pesos)

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



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

The accompanying notes 1 to 42 form an  
integral part of these consolidated financial statements

Table of Contents**BANCO DE CHILE AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

For the years ended December 31, 2015 and 2014

(Expressed in million of Chilean pesos)

|  | Notes | 2015<br>MCh\$    | 2014<br>MCh\$    |
|--|-------|------------------|------------------|
| Interest revenue   | 28    | 1,899,302        | 2,033,846        |
| Interest expense   | 28    | (680,169)        | (788,788)        |
| <b>Net interest income</b>   |       | <b>1,219,133</b> | <b>1,245,058</b> |
| Income from fees and commissions                                   | 29    | 436,076          | 387,452          |
| Expenses from fees and commissions                                 | 29    | (130,097)        | (115,264)        |
| <b>Net fees and commission income</b>                              |       | <b>305,979</b>   | <b>272,188</b>   |
| Net financial operating income                                     | 30    | 36,539           | 29,459           |
| Foreign exchange transactions, net                                 | 31    | 57,318           | 70,225           |
| Other operating income   | 36    | 27,386           | 29,472           |
| <b>Total operating revenues</b>                                    |       | <b>1,646,355</b> | <b>1,646,402</b> |
| Provisions for loan losses   | 32    | (303,062)        | (283,993)        |
| <b>OPERATING REVENUES, NET OF PROVISIONS FOR LOAN LOSSES</b>       |       | <b>1,343,293</b> | <b>1,362,409</b> |
| Personnel expenses   | 33    | (381,388)        | (384,512)        |
| Administrative expenses  | 34    | (289,974)        | (270,537)        |
| Depreciation and amortization                                      | 35    | (29,537)         | (30,501)         |
| Impairment   | 35    | (263)            | (2,085)          |
| Other operating expenses   | 37    | (25,076)         | (27,027)         |
| <b>TOTAL OPERATING EXPENSES</b>                                    |       | <b>(726,238)</b> | <b>(714,662)</b> |
| <b>NET OPERATING INCOME</b>  |       | <b>617,055</b>   | <b>647,747</b>   |
| Income attributable to associates                                  | 14    | 3,672            | 2,861            |
| <b>Income before income tax</b>                                    |       | <b>620,727</b>   | <b>650,608</b>   |
| Income tax   | 17    | (61,730)         | (59,527)         |
| <b>NET INCOME FOR THE YEAR</b>                                     |       | <b>558,997</b>   | <b>591,081</b>   |
| Attributable to:   |       |                  |                  |
| Equity holders of the parent                                       |       | 558,995          | 591,080          |
| Non-controlling interests  |       | 2                | 1                |
|  |       | <b>Ch\$</b>      | <b>Ch\$</b>      |
| Net income per share attributable to equity holders of the parent: |       |                  |                  |
| Basic net income per share   | 27    | 5.82             | 6.24             |
| Diluted net income per share                                       | 27    | 5.82             | 6.24             |

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The accompanying notes 1 to 42 form an  
integral part of these consolidated financial statements

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For the years ended December 31, 2015 and 2014

(Expressed in million of Chilean pesos)

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

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

The accompanying notes 1 to 42 form an  
integral part of these consolidated financial statements

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For the years ended December 31, 2015 and 2014

(Expressed in millions of Chilean pesos)

| Notes  | Reserves              |                      |                              | Other comprehensive income                            |                                   |   | Retained earnings                             |                           |                                       | Attributable to equity holders of the parent MCh\$ | Non-controlling interest MCh\$ |
|--|-----------------------|----------------------|------------------------------|---|-----------------------------------|---|---|---------------------------|---------------------------------------|--|--------------------------------|
|  | Paid-in Capital MCh\$ | Other reserves MCh\$ | Reserves from earnings MCh\$ | Unrealized gains (losses) on available-for-sale MCh\$ | Derivatives cash flow hedge MCh\$ | Cumulative translation adjustment MCh\$ | Retained earnings from previous periods MCh\$ | Income for the year MCh\$ | Provision for minimum dividends MCh\$ |  |                                |
| Balances as of December 31, 2013                             | 1,849,351             | 32,125               | 181,511                      | 29,372  | (13,421)                          | (23)                                    | 16,379  | 513,602                   | (324,582)                             | 2,284,314  |                                |
| Capitalization of retained earnings                          | 95,569                |                      |                              |   |                                   |   |   | (95,569)                  |                                       |  |                                |
| Income distribution  | 27                    |                      |                              |   |                                   |   |   |                           |                                       |  |                                |
| Income retention (released) according to law                 | 27                    |                      | 49,913                       |   |                                   |   |   | (49,913)                  |                                       |  |                                |
| Paid and distributed dividends                               |                       |                      |                              |   |                                   |   |   | (368,120)                 | 324,582                               | (43,538)   |                                |
| Equity adjustment investment in other companies              |                       |                      | 5                            |   |                                   |   |   |                           |                                       |  | 5                              |
| Defined benefit plans adjustment                             | 27                    |                      | (296)                        |   |                                   |   |   |                           |                                       | (296)  |                                |
| Other comprehensive income:                                  |                       |                      |                              |   |                                   |   |   |                           |                                       |  |                                |
| Cumulative translation adjustment                            |                       |                      |                              |   |                                   |   | 80  |                           |                                       |  | 80                             |
| Derivatives cash flow hedge, net                             |                       |                      |                              |   | 23,507                            |   |   |                           |                                       |  | 23,507                         |
| Valuation adjustment on available-for-sale instruments (net) |                       |                      |                              | 4,590   |                                   |   |   |                           |                                       |  | 4,590                          |
| Income for the period 2014                                   |                       |                      |                              |   |                                   |   |   | 591,080                   |                                       |  | 591,080                        |
| Provision for minimum dividends                              | 27                    |                      |                              |   |                                   |   |   |                           | (324,588)                             | (324,588)  |                                |
| <b>Balances as of December 31, 2013</b>                      | <b>27</b>             | <b>1,944,920</b>     | <b>31,834</b>                | <b>231,424</b>  | <b>33,962</b>                     | <b>10,086</b>                           | <b>57</b>                                     | <b>16,379</b>             | <b>591,080</b>                        | <b>(324,588)</b>                                   | <b>2,535,154</b>               |

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

The accompanying notes 1 to 42 form an integral part of these consolidated financial statements

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

For the years ended December 31, 2015 and 2014

(Expressed in million of Chilean pesos)

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



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

|   | 2015<br>MCh\$ | 2014<br>MCh\$ |
|---|---------------|---------------|
| <b>Operating cash flow of Interest:</b> |               |               |
| Interest received                       | 1,687,598     | 1,705,103     |
| Interest paid                           | (335,714)     | (588,572)     |

The accompanying notes 1 to 42 form an  
integral part of these consolidated financial statements

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**BANCO DE CHILE AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

As of December 31, 2015 and 2014

(Expressed in million of Chilean pesos)

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**1. Company Information:**

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

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

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

Banco de Chile's legal domicile is Paseo Ahumada 251, Santiago, Chile and its Web site is [www.bancochile.cl](http://www.bancochile.cl).

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

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



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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued**

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

(a) Basis of preparation:

Legal provisions

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

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

(b) Basis of consolidation:

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

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



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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued**

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

(b) Basis of consolidation, continued:

(i) Subsidiaries

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

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

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

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

## (b) Basis of consolidation, continued:

## (i) Subsidiaries, continued

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

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

| RUT          | Subsidiaries                                      | Country      | Functional<br>Currency | Direct    |           | Interest Owned<br>Indirect |           | Total     |           |
|--------------|---|--------------|------------------------|-----------|-----------|----------------------------|-----------|-----------|-----------|
|              |   |              |                        | 2015<br>% | 2014<br>% | 2015<br>%                  | 2014<br>% | 2015<br>% | 2014<br>% |
| 44,000,213-7 | Banchile Trade Services Limited<br>(*)            | Hong<br>Kong | US\$                   | 100.00    | 100.00    |                            |           | 100.00    | 100.00    |
| 96,767,630-6 | Banchile Administradora General<br>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<br>Ltda.           | Chile        | Ch\$                   | 99.83     | 99.83     | 0.17                       | 0.17      | 100.00    | 100.00    |
| 96,571,220-8 | Banchile Corredores de Bolsa S.A.                 | Chile        | Ch\$                   | 99.70     | 99.70     | 0.30                       | 0.30      | 100.00    | 100.00    |
| 96,932,010-K | Banchile Securitizadora S.A.                      | Chile        | Ch\$                   | 99.01     | 99.00     | 0.99                       | 1.00      | 100.00    | 100.00    |
| 96,645,790-2 | Socofin S.A.                                      | Chile        | Ch\$                   | 99.00     | 99.00     | 1.00                       | 1.00      | 100.00    | 100.00    |
| 96,510,950-1 | Promarket S.A.                                    | Chile        | Ch\$                   | 99.00     | 99.00     | 1.00                       | 1.00      | 100.00    | 100.00    |

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

## (ii) Associates and Joint Ventures:

*Associates*

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

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



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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, *continued*

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

(b) Basis of consolidation, continued:

(ii) Associates and Joint Ventures, continued:

*Joint Ventures*

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

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

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

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

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

- Artikos S.A.
- Servipag Ltda.

(iii) Shares or rights in other companies

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

(iv) **Special purpose entities**

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

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

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued**

---

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

(b) Basis of consolidation, continued:

(v) Fund management

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

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

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

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

(c) Non-controlling interest:

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

(d) Use of estimates and judgment:

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

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

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued**

---

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

(d) Use of estimates and judgment, continued:

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

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

(e) Financial asset and liability valuation criteria:

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

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

(i) Initial recognition

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

(ii) Classification

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

(iii) Derecognition

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

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

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

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued**

---

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

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

(iii) Derecognition, continued:

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

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

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

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

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

(iv) Offsetting

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

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

(v) Valuation at amortized cost

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



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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued**

---

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

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

(vi) Fair value measurements

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

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

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

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

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

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

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued**

---

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

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

(vi) Fair value measurements, continued:

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

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

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

(f) Presentation and functional currency:

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

(g) Transactions in foreign currency:

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



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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

---

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

(g) Transactions in foreign currency, continued:

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

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

(h) Segment reporting:

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

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

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

(iii) That separate financial information is available.

(i) Cash and cash equivalents:

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

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued**

---

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

(i) Cash and cash equivalents, continued:

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

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

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

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

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

(j) Financial assets held-for-trading:

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

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



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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

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

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

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

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

(l) **Derivative instruments:**

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

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

In addition, the Bank includes in the valorization of derivatives the *Counterparty Valuation Adjustment (CVA)*, to reflect the counterparty risk in the determination of fair value. This valorization doesn't consider the Bank's own credit risk, known as *Debit Valuation Adjustment (DVA)* in conformity with standards issued by SBIF.

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, *continued*

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

(1) Derivative instruments, continued:

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

- (1) A hedge of the fair value of existing assets or liabilities or firm commitments, or
- (2) A hedge of cash flows related to existing assets or liabilities or forecasted transactions.

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

- (a) at its inception, the hedge relationship has been formally documented;
- (b) it is expected that the hedge will be highly effective;
- (c) the effectiveness of the hedge can be measured in a reasonable manner; and
- (d) the hedge is highly effective with respect to the hedged risk on an ongoing basis and throughout the entire hedge relationship.

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

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



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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued**

---

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

(l) Derivative instruments, continued:

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

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

(m) Loans to customers:

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

(i) Valuation method

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

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued**

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

(m) Loans to customers, continued:

(ii) Lease contracts

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

(iii) Factoring transactions

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

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

(iv) Impairment of loans

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

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

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

(v) Allowance for loan losses

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

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

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued**

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

(m) Loans to customers, continued:

(v) Allowance for loan losses, continued:

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

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

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

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

v.i.1 Normal Loans and Substandard Loans:

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

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



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

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, *continued*

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

(m) Loans to customers, continued:

(v) Allowance for loan losses, continued:

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

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

*Allowances for Normal and Substandard Loans*

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

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

The banks must use the following equation:

$$\text{Provision} = (\text{ESA-GE}) \times (\text{PD debtor} / 100) \times (\text{LGD debtor} / 100) + \text{GE} \times (\text{PD guarantor} / 100) \times (\text{LGD guarantor} / 100)$$

Where:

ESA = Exposure subject to allowances

GE = Guaranteed exposure

EAP = (Loans + Contingent Loans) Financial Guarantees

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

#### v.i.2 Non-complying Loans

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

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

(m) Loans to customers, continued:

(v) Allowance for loan losses, continued:

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

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

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

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

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

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

$$\text{Expected loss} = (\text{TE} - \text{R}) / \text{TE}$$

$$\text{Allowance} = \text{TE} \times (\text{AP}/100)$$

Where:

TE = total exposure

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

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

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued**

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

(m) Loans to customers, continued:

(v) Allowance for loan losses, continued:

(v.ii) Allowances for group evaluations

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

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

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

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

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

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

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

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

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

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

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

(m) Loans to customers, continued:

(v) Allowance for loan losses, continued

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

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

Provision factor applicable according past due and PVG

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

PI : Non-compliance probability

PDI : Loss by non-compliance



PE : Expected loss

PVG : Outstanding Capital of the Credit/Mortgage Guarantee Value

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, *continued*

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

(m) Loans to customers, continued:

(vi) Charge-offs

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

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

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

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

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

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

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

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

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

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, *continued*

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

(m) Loans to customers, continued:

(vi) Charge-offs, continued

(vi.ii) Charge-offs of lease operations

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

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

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

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

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

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

(vii) Loan loss recoveries

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

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

(viii) Renegotiations of charge-off transactions

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

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

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

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued**

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

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

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

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

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

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

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

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

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued**

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

(o) Intangible assets:

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

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

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

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

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

(p) Property and equipment:

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

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

Estimated useful lives for 2015 and 2014 are as follows:

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

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



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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued**

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

(q) **Deferred taxes and income taxes:**

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

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

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

(r) **Assets received in lieu of payment:**

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

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

(s) **Investment properties:**

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

(t) Debt issued:

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, *continued*

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

(u) Provisions and contingent liabilities:

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

- i) a present obligation has arisen from a past event and,
- ii) as of the date of the financial statements it is probable that the Bank or its subsidiaries have to disburse resources to settle the obligation and the amount can be reliably measured.

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

The following are classified as contingent in the complementary information:

- i. Guarantors and pledges: Comprises guarantors, pledges and standby letters of credit. In addition it includes payment guarantees for purchases in factoring transactions.
- ii. Confirmed foreign letters of credit: Corresponds to letters of credit confirmed by the Bank.
- iii. Documentary letters of credit: Includes documentary letters of credit issued by the Bank which have not yet been negotiated.

- iv. Documented guarantee: Guarantee with promissory notes.
  
- v. Free disposal lines of credit: The unused amount of credit lines that allow customers to draw without prior approval by the Bank (for example, using credit cards or overdrafts in checking accounts).
  
- vi. Other credit commitments: Amounts not yet lent under committed loans, which must be disbursed at an agreed future date when events contractually agreed upon with the customer occur, such as in the case of lines of credit linked to the progress of a construction or similar projects.

Table of Contents**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued****2. Summary of Significant Accounting Principles, continued:****(u) Provisions and contingent liabilities, continued:**

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

Exposure to credit risk on contingent loans:

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

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

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

Additional provisions:

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

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

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued**

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

(u) Provisions and contingent liabilities, continued:

Additional provisions, continued:

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

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

(v) Provision for minimum dividends:

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

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

(w) Employee benefits:

(i) Staff vacations:

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

(ii) Short-term benefits

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

(iii) Staff severance indemnities:

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



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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued**

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

(w) Employee benefits, continued:

(iii) Staff severance indemnities, continued:

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

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

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

(x) Earnings per share:

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

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

(y) Interest revenue and expense:

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

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, *continued*

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

(y) Interest revenue and expense, continued:

*Loans with individual evaluation:*

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

*Group evaluation loans:*

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

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

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

(z) Fees and commissions:

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

- Fees earned from an single act are recognized once the act has taken place.
- Fees earned from transactions or services provided over a longer period of time are recognized over the life of the transactions or services.
- Loan commitment fees for loans that are likely to be drawn down and other credit-related fees are deferred (together with incremental costs) and recognized as an adjustment to the effective interest rate of the loan. When it is unlikely that a loan is drawn down, the fees are recognized over the commitment period on a straight-line basis.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued**

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

(aa) Identifying and measuring impairment:

Financial assets, different to loans to customers

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

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

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

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

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

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

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

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

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued**

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

(aa) Identifying and measuring impairment, continued:

Financial assets, different to loans to customers, continued

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

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

Non-financial assets

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

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

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

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



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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued**

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

(ab) Lease transactions:

(i) The Bank acting as lessor

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

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

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

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued**

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

(ab) Lease transactions, continued:

(ii) The Bank acting as lessee

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

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

(ac) Fiduciary activities:

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

(ad) Customer loyalty program:

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

(ae) Reclassifications

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

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued**

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**3. New Accounting Pronouncements:**

**Accounting rules issued by IASB:**

The following is a summary of new standards, interpretations and improvements to the International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) that is not effective as of December 31, 2015:

**IFRS 9 Financial Instruments**

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

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

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

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

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, *continued*

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

**IFRS 9 Financial Instruments, continued:**

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

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

**IFRS 11 Joint Arrangements**

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

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

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

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

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

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

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

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

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

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued**

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

**3.1 Accounting rules issued by IASB, continued:**

**IFRS 15 Revenue from Contracts with Customers**

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

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

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

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

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

**IAS 27 Consolidated and Separated Financial Statements**

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



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

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

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

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

It is permitted its immediately application

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued**

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

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

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

**Annual improvements IFRS**

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

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

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

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

- **IFRS 7 Financial Instruments: Disclosures**

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

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

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

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

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

- **IAS 34 Interim Financial Reporting**

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

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

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued**

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

**Annual improvements IFRS, continued:**

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

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

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

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

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

- **IAS 1 Presentation of Financial Statements**

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

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

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

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

- **IFRS 16 Leases**

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

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

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

• **IFRS 16 Leases, continued**

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

**Accounting rules issued by Superintendency of Banks and Financial Institutions:**

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

Modifications are in the following summary:

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

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

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

- ii) Has not been granted new refinancing to pay its obligations.
- iii) At least one of payments including amortization of capital.
- iv) If the debtor has some credit with installments in periods of less than six months, has already made two payments.
- v) If the debtor must pay monthly installments for one or more loans, have been paid at least four consecutive installments.
- vi) The debtor does not appear with a direct debt not paid in the information of this Superintendency, at least that correspond to immaterial amounts.

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

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

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued**

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

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

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

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

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

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

**4. Changes in Accounting Policies and Disclosures:**

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



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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, *continued*

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**5. Relevant Events:**

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

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

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

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

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

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

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

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, *continued*

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**5. Relevant Events, continued:**

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

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

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

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

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

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

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

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, *continued*

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**5. Relevant Events, continued:**

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

i. In the said Extraordinary Shareholders Meeting, it was agreed to increase the Bank's capital in the amount of \$ 96,252,499,241 through the issuance of 1,473,778,889 fully paid-in shares, of no par value, payable under the distributable net income for the year 2014 that was not distributed as dividends as agreed at the Ordinary Shareholders Meeting held on the same day.

The Chilean Superintendency of Banks and Financial Institutions approved the amendment of the bylaws, through resolution N°285 dated June 5, 2015, which was registered on page 42,128 N° 24,868 of the register of the Chamber of Commerce of Santiago for the year 2015, and was published at *Diario Oficial* on June 10, 2015.

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

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

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

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

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

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

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

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued**

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**5. Relevant Events, continued:**

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

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

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

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

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

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



2. Agreements entered into by Banco de Chile and Banchile Seguros de Vida S.A.:
  - a. Collection and Data Administration Agreement.
  - b. Use Agreement for Distribution Channels.
  - c. Banchile's Trademark License Agreement.
  - d. Credit Life Insurance Agreement.
  
3. Framework Agreement for Insurance Banking, entered into by Banco de Chile, Banchile Corredores de Seguros Limitada and Banchile Seguros de Vida S.A.

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

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued**

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**6. Segment Reporting:**

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

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

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

**Treasury and money market operations:**

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

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

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

**Entity**

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

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued**

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**6. Segment Reporting, continued:**

The financial information used to measure the performance of the Bank's business segments is not necessarily comparable with similar information from other financial institutions because it is based on internal reporting policies. The accounting policies used to prepare the Bank's operating segment information are similar as those described in Note No. 2 Summary of Significant Accounting Principles. The Bank obtains the majority of its income from: interest, revaluations and fees, discounted the credit cost and expenses. Management is mainly based on these concepts in its evaluation of segment performance and decision-making regarding goals, allocation of resources for each unit individually. Although the results of the segments reconcile with those of the Bank at total level, it is not thus necessarily concerning the different concepts, since the management is measured and controls in individual form and additionally applies the following criteria:

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

The Bank did not enter into transactions with a particular customer or third party that exceed 10% of its total income in 2015 and 2014.

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

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

**6. Segment Reporting, continued:**

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

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



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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

## 6. Segment Reporting, continued:

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





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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

**7. Cash and Cash Equivalents:**

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

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

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

(b) Transactions in the course of collection:

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

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

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

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

**8. Financial Assets Held-for-trading:**

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

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

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

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

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

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

Additionally, the Bank holds financial investments in mortgage finance bonds issued by itself in the amount of MCh\$25,303 as of December 31, 2015 (MCh\$32,956 in 2014), which are presented as a reduction of the liability line item Debt issued .

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

**9. Repurchase Agreements and Security Lending and Borrowing:**

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

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

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

**Securities received:**

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

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

**9. Repurchase Agreements and Security Lending and Borrowing, continued:**

(b) The Bank obtains financing by selling financial instruments and committing to purchase them at future dates, plus interest at a prefixed rate. As of December 31, 2015 and 2014, the Bank has the following payables resulting from such transactions:

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

**institutions**

Instruments from  
foreign governments  
or central bank  
Other instruments

|       |         |         |        |     |         |         |
|-------|---------|---------|--------|-----|---------|---------|
| Total | 170,451 | 249,323 | 13,680 | 159 | 184,131 | 249,482 |
|-------|---------|---------|--------|-----|---------|---------|

**Securities given:**

The carrying amount of securities lent and of Payables from Repurchase Agreements and Security Lending at December 31, 2015 is Ch\$184,919 million (Ch\$252,465 million in 2014). The counterparty is allowed to sell or repledge those securities in the absence of default by the Bank.



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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

**10. Derivative Instruments and Accounting Hedges:**

(a) As of December 31, 2015 and 2014, the Bank's portfolio of derivative instruments is detailed as follows:

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



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

## (b) Fair value Hedges:

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

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

|                         | 2015<br>MCh\$ | 2014<br>MCh\$ |
|-------------------------|---------------|---------------|
| <b>Hedged element</b>   |               |               |
| Commercial loans        | 19,222        | 48,611        |
| Corporate bonds         | 174,054       | 146,585       |
| <b>Hedge instrument</b> |               |               |
| Cross currency swap     | 19,222        | 48,611        |
| Interest rate swap      | 174,054       | 146,585       |

## (c) Cash flow Hedges:

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

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



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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

**10. Derivative Instruments and Accounting Hedges, continued:**

## (c) Cash flow Hedges, continued:

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

| Hedge item                 | 2015                      |  |   |  |   |                          | Total<br>MCh\$ |
|----------------------------|---------------------------|--|---|--|---|--------------------------|----------------|
|                            | Up to 1<br>month<br>MCh\$ | Over 1 month<br>and up to 3<br>months<br>MCh\$ | Over 3<br>months and<br>up to 12<br>months<br>MCh\$ | Over 1 year<br>and up to 3<br>years<br>MCh\$ | Over 3 years<br>and up to 5<br>years<br>MCh\$ | Over 5<br>years<br>MCh\$ |                |
| <b>Outflows:</b>           |                           |  | (602)   | (1,207)                                      | (1,207)                                       | (39,340)                 | (42,356)       |
| Corporate Bond EUR         |                           |  | (12,852)  | (25,658)                                     | (79,631)                                      | (368,924)                | (487,065)      |
| Corporate Bond HKD         |                           |  | (636)   | (16,219)                                     |   |                          | (16,855)       |
| Corporate Bond PEN         | (255)                     | (108,678)                                      | (166,473)   | (279,477)                                    | (217,702)                                     |                          | (772,585)      |
| Corporate Bond CHF         | (678)                     |  | (1,736)   | (229,377)                                    |   |                          | (231,791)      |
| Obligation USD             |                           | (314)  | (66,316)  | (1,901)                                      | (76,302)                                      | (29,853)                 | (174,686)      |
| Corporate Bond JPY         |                           |  |   |  |   |                          |                |
| <b>Hedge instruments</b>   |                           |  |   |  |   |                          |                |
| <b>Inflows:</b>            |                           |  |   |  |   |                          |                |
| Cross Currency Swap<br>EUR |                           |  | 602   | 1,207  | 1,207   | 39,340                   | 42,356         |
| Cross Currency Swap<br>HKD |                           |  | 12,852  | 25,658                                       | 79,631  | 368,924                  | 487,065        |
| Cross Currency Swap<br>PEN |                           |  | 636   | 16,219                                       |   |                          | 16,855         |
| Cross Currency Swap<br>CHF | 255                       | 108,678  | 166,473   | 279,477                                      | 217,702                                       |                          | 772,585        |
| Cross Currency Swap<br>USD | 678                       |  | 1,736   | 229,377                                      |   |                          | 231,791        |
| Cross Currency Swap<br>JPY |                           | 314  | 66,316  | 1,901  | 76,302  | 29,853                   | 174,686        |
| Net cash flow              |                           |  |   |  |   |                          |                |



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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

**10. Derivative Instruments and Accounting Hedges, continued:**

## (c) Cash flow Hedges, continued:

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

| Hedge item                 | 2014                      |  |   |  |   |                          | Total<br>MCh\$ |
|----------------------------|---------------------------|--|---|--|---|--------------------------|----------------|
|                            | Up to 1<br>month<br>MCh\$ | Over 1 month<br>and up to 3<br>months<br>MCh\$ | Over 3<br>months and<br>up to 12<br>months<br>MCh\$ | Over 1 year<br>and up to 3<br>years<br>MCh\$ | Over 3 years<br>and up to 5<br>years<br>MCh\$ | Over 5<br>years<br>MCh\$ |                |
| <b>Hedge item</b>          |                           |  |   |  |   |                          |                |
| <u>Outflows:</u>           |                           |  |   |  |   |                          |                |
| Corporate Bond MXN         |                           |  |   |  |   |                          |                |
| Corporate Bond HKD         |                           |  | (9,508)   | (19,070)                                     | (66,617)                                      | (268,771)                | (363,966)      |
| Corporate Bond PEN         |                           |  | (622)   | (16,442)                                     |   |                          | (17,064)       |
| Corporate Bond CHF         | (219)                     | (1,135)  | (5,413)   | (317,811)                                    | (344,146)                                     |                          | (668,724)      |
| Obligation USD             | (498)                     | (95)   | (156,333)   | (61,751)                                     |   |                          | (218,677)      |
| Corporate Bond JPY         |                           | (271)  | (968)   | (58,445)                                     | (41,062)                                      | (51,563)                 | (152,309)      |
| <b>Hedge instruments</b>   |                           |  |   |  |   |                          |                |
| <u>Inflows:</u>            |                           |  |   |  |   |                          |                |
| Cross Currency Swap<br>MXN |                           |  |   |  |   |                          |                |
| Cross Currency Swap<br>HKD |                           |  | 9,508   | 19,070                                       | 66,617  | 268,771                  | 363,966        |
| Cross Currency Swap<br>PEN |                           |  | 622   | 16,442                                       |   |                          | 17,064         |
| Cross Currency Swap<br>CHF | 219                       | 1,135  | 5,413   | 317,811                                      | 344,146                                       |                          | 668,724        |
| Cross Currency Swap<br>USD | 498                       | 95   | 156,333   | 61,751                                       |   |                          | 218,677        |
| Cross Currency Swap<br>JPY |                           | 271  | 968   | 58,445                                       | 41,062  | 51,563                   | 152,309        |
| Net cash flow              |                           |  |   |  |   |                          |                |

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

**10. Derivative Instruments and Accounting Hedges, continued:**

## (c) Cash flow Hedges, continued:

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

|                            | Up to 1 month<br>MCh\$ | Over 1<br>month and<br>up to 3<br>months<br>MCh\$ | Over 3<br>months and<br>up to 12<br>months<br>MCh\$ | 2015<br>Over 1 year<br>and up to 3<br>years<br>MCh\$ | Over 3 years<br>and up to 5<br>years<br>MCh\$ | Over 5 years<br>MCh\$ | Total<br>MCh\$ |
|----------------------------|------------------------|---|---|--|---|-----------------------|----------------|
| <b>Hedge ítem</b>          |                        |   |   |  |   |                       |                |
| <u>Inflows:</u>            |                        |   |   |  |   |                       |                |
| Cash flow in CLF           | 2,961                  | 107,007   | 231,948   | 494,015  | 345,015                                       | 359,902               | 1,540,848      |
| <b>Hedge instruments</b>   |                        |   |   |  |   |                       |                |
| <u>Outflows:</u>           |                        |   |   |  |   |                       |                |
| Cross Currency Swap<br>HKD |                        |   | (9,062)   | (17,999)   | (63,301)                                      | (288,281)             | (378,643)      |
| Cross Currency Swap<br>PEN |                        |   | (493)   | (16,135)   |   |                       | (16,628)       |
| Cross Currency Swap<br>JPY |                        | (1,024)   | (68,015)  | (5,660)  | (79,042)                                      | (30,716)              | (184,457)      |
| Cross Currency Swap<br>USD |                        |   | (3,866)   | (216,820)  |   |                       | (220,686)      |
| Cross Currency Swap<br>CHF | (2,961)                | (105,983)   | (149,493)   | (235,376)  | (200,642)                                     |                       | (694,455)      |
| Cross Currency Swap<br>EUR |                        |   | (1,019)   | (2,025)  | (2,030)                                       | (40,905)              | (45,979)       |
| Net cash flow              |                        |   |   |  |   |                       |                |



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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

**10. Derivative Instruments and Accounting Hedges, continued:**

## (c) Cash flow Hedges, continued:

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

| Hedge ítem                 | Up to 1 month<br>MCh\$ | Over 1<br>month and<br>up to 3<br>months<br>MCh\$ | Over 3<br>months and<br>up to 12<br>months<br>MCh\$ | 2014   |   |                       | Total<br>MCh\$ |
|----------------------------|------------------------|---|---|--|---|-----------------------|----------------|
|                            |                        |   |   | Over 1 year<br>and up to 3<br>years<br>MCh\$ | Over 3 years<br>and up to 5<br>years<br>MCh\$ | Over 5 years<br>MCh\$ |                |
| <b>Hedge ítem</b>          |                        |   |   |  |   |                       |                |
| <u>Inflows:</u>            |                        |   |   |  |   |                       |                |
| Cash flow in CLF           | 2,892                  | 490,949   | 3,230   | 165,707                                      | 442,808                                       | 283,714               | 1,389,300      |
| <b>Hedge instruments</b>   |                        |   |   |  |   |                       |                |
| <u>Outflows:</u>           |                        |   |   |  |   |                       |                |
| Cross Currency Swap<br>MXN |                        | (14,578)  |   | (7,273)                                      | (59,188)                                      | (224,232)             | (305,271)      |
| Cross Currency Swap<br>HKD |                        | (15,978)  |   | (475)  |   |                       | (16,453)       |
| Cross Currency Swap<br>PEN |                        | (69,059)  | (976)   | (3,471)                                      | (48,703)                                      | (59,482)              | (181,691)      |
| Cross Currency Swap<br>JPY |                        | (58,945)  |   | (141,795)                                    |   |                       | (200,740)      |
| Cross Currency Swap<br>USD | (2,892)                | (332,389)   | (2,254)   | (12,693)                                     | (334,917)                                     |                       | (685,145)      |
| Cross Currency Swap<br>CHF | (2,751)                |   | (9,834)   | (150,119)                                    | (209,546)                                     | (102,805)             | (475,055)      |
| Net cash flow              |                        |   |   |  |   |                       |                |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, *continued*

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**10. Derivative Instruments and Accounting Hedges, continued:**

(c) Cash flow Hedges, continued:

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

(c.3) The accumulated amount of unrealized gain was a credit to equity for an amount of Ch\$9,971 million (credit to equity for Ch\$29,756 million in 2014) generated from hedging instruments, which has been recorded in equity. The net effect of deferred tax was a credit to equity for Ch\$7,728 millions in 2015 (credit to equity for Ch\$23,507 millions in 2014)

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

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

(c.5) As of December 31, 2015 and 2014, it not exist inefficiency in cash flow hedge, because both, hedge item and hedge instruments are mirror one of other, it means that all variation of value attributable to rate and revaluation components are netted almost totally.

(c.6) As of December 31, 2015 and 2014, the Bank has not hedges of net investments in foreign business

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

**11. Loans and advances to Banks:**

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

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

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

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



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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

## (a.i) Loans to Customers:

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

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

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

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

12. **Loans to Customers net, continued:**(a.i) **Loans to Customers continued:**

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

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

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



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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

## (a.ii) Impaired Portfolio

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

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

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

## (b) Allowances for loan losses:

Movements in allowances for loan losses during the 2015 and 2014 periods are as follows:

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

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

**Other Disclosures:**

1. As of December 31, 2015 and 2014, the Bank and its subsidiaries accomplished buy and sell of loan portfolios. The effect in income is no more than 5% of net income before taxes, as detailed in Note No. 12 (e).
2. As of December 31, 2015 and 2014, the Bank and its subsidiaries have derecognized 100% of its sold loan portfolio and it has been transferred all or substantially all risks and benefits related to these financial assets. (see note No. 12 letter (f)).

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

## (c) Finance lease contracts:

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

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

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

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

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

## (d) Loans by industry sector:

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

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

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

## (e) Purchase of loan portfolio

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

During the period 2014 has not acquired portfolio loans.

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

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

## As of December 31, 2015

|                            | Carrying<br>amount<br>MCh\$ | Allowances<br>released<br>MCh\$ | Sale price<br>MCh\$ | Effect on income<br>(loss) gain<br>MCh\$ |
|----------------------------|-----------------------------|---------------------------------|---------------------|--|
| Sale of outstanding loans  | 89,085                      | (2,690)                         | 89,085              | 2,690                                    |
| Sale of write-off loans(*) |                             |                                 | 1,440               | 1,440                                    |
| <b>Totales</b>             | <b>89,085</b>               | <b>(2,690)</b>                  | <b>90,525</b>       | <b>4,130</b>                             |

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

## As of December 31, 2014

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|                             | Carrying<br>amount<br>MCh\$ | Allowances<br>released<br>MCh\$ | Sale price<br>MCh\$ | Effect on income<br>(loss) gain<br>MCh\$ |
|-----------------------------|-----------------------------|---------------------------------|---------------------|--|
| Sale of outstanding loans   | 454,465                     | (993)                           | 454,465             | 993                                      |
| Sale of writte-off loans(*) |                             |                                 |                     |  |
| <b>Totales</b>              | <b>454,465</b>              | <b>(993)</b>                    | <b>454,465</b>      | <b>993</b>                               |

(g) Own assets securitizations:

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

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

**13. Investment Securities:**

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

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



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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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**13. Investment Securities, continued:**

Instruments issued by the Chilean Government and Central Bank include instruments with agreements to repurchase sold to clients and financial institutions, for December 31, 2015 this amount was \$3,054 million (\$25,673 million in 2014). Repurchase agreements had an average maturity of 6 days in December 2015 (4 days in December 2014).

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

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

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

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

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

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

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

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

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

**14. Investments in Other Companies:**

(a) This item includes investments in other companies for an amount of MCh\$28,126 in 2015 (MCh\$25,312 in 2014), which is detailed s follows:

| Company   | Shareholder    | Ownership Interest |           | Equity        |               | Book Value    |               | Investment<br>Income (Loss) |               |
|---|----------------|--------------------|-----------|---------------|---------------|---------------|---------------|-----------------------------|---------------|
|   |                | 2015<br>%          | 2014<br>% | 2015<br>MCh\$ | 2014<br>MCh\$ | 2015<br>MCh\$ | 2014<br>MCh\$ | 2015<br>MCh\$               | 2014<br>MCh\$ |
| <b>Associates</b>   |                |                    |           |               |               |               |               |                             |               |
| Transbank S.A. (*)  | Banco de Chile | 26.16              | 26.16     | 40,302        | 34,177        | 10,542        | 8,939         | 1,314                       | 1,070         |
| Administrador Financiero del Transantiago S.A.                          | Banco de Chile | 20.00              | 20.00     | 12,758        | 11,145        | 2,552         | 2,229         | 323                         | 282           |
| Soc. Operadora de Tarjetas de Crédito Nexus S.A.                        | Banco de Chile | 25.81              | 25.81     | 9,472         | 8,253         | 2,444         | 2,130         | 449                         | 389           |
| Redbanc S.A.  | Banco de Chile | 38.13              | 38.13     | 5,419         | 4,969         | 2,066         | 1,895         | 245                         | 241           |
| Sociedad Imerc OTC S.A.   | Banco de Chile | 11.48              | 12.49     | 9,823         | 10,899        | 1,128         | 1,252         | (119)                       | (177)         |
| Centro de Compensación Automatizado S.A.                                | Banco de Chile | 33.33              | 33.33     | 3,252         | 2,615         | 1,084         | 871           | 211                         | 220           |
| Soc. Operadora de la Cámara de Compensación de Pagos de Alto Valor S.A. | Banco de Chile | 15.00              | 15.00     | 4,955         | 4,643         | 743           | 696           | 136                         | 106           |
| Sociedad Interbancaria de Depósitos de Valores S.A.                     | Banco de Chile | 26.81              | 26.81     | 2,656         | 2,401         | 712           | 644           | 125                         | 151           |
| <b>Subtotal Associates</b>  |                |                    |           | 88,637        | 79,102        | 21,271        | 18,656        | 2,684                       | 2,282         |
| <b>Joint Ventures</b>   |                |                    |           |               |               |               |               |                             |               |
| Servipag Ltda.  | Banco de Chile | 50.00              | 50.00     | 7,778         | 7,281         | 3,889         | 3,641         | 249                         | 51            |
| Artikos Chile S.A.  | Banco de Chile | 50.00              | 50.00     | 1,378         | 1,491         | 689           | 746           | 310                         | 153           |
| <b>Subtotal Joint Ventures</b>  |                |                    |           | 9,156         | 8,772         | 4,578         | 4,387         | 559                         | 204           |
| <b>Subtotales</b>   |                |                    |           | 97,793        | 87,874        | 25,849        | 23,043        | 3,243                       | 2,486         |
| <b>Investments valued at cost (1):</b>                                  |                |                    |           |               |               |               |               |                             |               |
| Bolsa de Comercio de Santiago S.A.                                      |                |                    |           |               |               | 1,646         | 1,646         | 370                         | 329           |
| Banco Latinoamericano de Comercio Exterior S.A. (Bladex)                |                |                    |           |               |               | 309           | 309           | 59                          | 46            |

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|   |               |               |              |              |
|---|---------------|---------------|--------------|--------------|
| Bolsa Electrónica de Chile S.A.   | 257           | 257           |              |              |
| Sociedad de Telecomunicaciones Financieras Interbancarias Mundiales (Swift) | 57            | 49            |              |              |
| CCLV Contraparte Central S.A.   | 8             | 8             |              |              |
| <b>Subtotal</b>   | <b>2,277</b>  | <b>2,269</b>  | <b>429</b>   | <b>375</b>   |
| <b>Total</b>  | <b>28,126</b> | <b>25,312</b> | <b>3,672</b> | <b>2,861</b> |

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

(\*) On April 16, 2015 Transbank S.A. made a capital increase by an amount of MCh\$5,328 through of capitalization of earnings and revaluations by an amount of MCh\$4,150 and issue of shares by MCh\$1,178. Banco de Chile made the subscription and payment of 1,536 shares by a total amount of MCh\$308 (amount does not include payment of revaluations MCh\$6). The shares participation of Banco de Chile in Transbank S.A. did not change with this operation.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

## 14. Investments in Other Companies, continued:

## (b) Associates

|                                     | 2015<br>MCh\$  | 2014<br>MCh\$  |
|-------------------------------------|----------------|----------------|
| Current assets                      | 620,978        | 588,635        |
| Non-current assets                  | 98,770         | 74,361         |
| <b>Total Assets</b>                 | <b>719,748</b> | <b>662,996</b> |
| Current liabilities                 | 620,951        | 578,659        |
| Non-current liabilities             | 10,152         | 5,227          |
| <b>Total Liabilities</b>            | <b>631,103</b> | <b>583,886</b> |
| Equity                              | 88,637         | 79,102         |
| Minority interest                   | 8              | 8              |
| <b>Total Liabilities and Equity</b> | <b>719,748</b> | <b>662,996</b> |
| Revenue                             | 221,109        | 194,145        |
| Operating expenses                  | (211,126)      | (186,386)      |
| Other income (expenses)             | 1,966          | 1,000          |
| <b>Profit before tax</b>            | <b>11,949</b>  | <b>8,759</b>   |
| Income tax                          | (1,880)        | (762)          |
| Profit for the year                 | 10,069         | 7,997          |

## (c) Joint Ventures:

The Bank has a 50% interest in Servipag Ltda. and a 50% interest in Artikos S.A., two jointly controlled entities. Bank's interest of both entities is accounted for using the equity method in the consolidated financial statements.

Below it presents summarised financial information of entities controlled jointly:

|                    | Artikos S.A.  |               | Servipag Ltda. |               |
|--------------------|---------------|---------------|----------------|---------------|
|                    | 2015<br>MCh\$ | 2014<br>MCh\$ | 2015<br>MCh\$  | 2014<br>MCh\$ |
| Current assets     | 1,224         | 1,289         | 50,449         | 53,077        |
| Non-current assets | 755           | 689           | 17,193         | 16,227        |

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|                                     |              |              |               |               |
|-------------------------------------|--------------|--------------|---------------|---------------|
| <b>Total Assets</b>                 | <b>1,979</b> | <b>1,978</b> | <b>67,642</b> | <b>69,304</b> |
| Current liabilities                 | 601          | 487          | 55,127        | 59,501        |
| Non-current liabilities             |              |              | 4,737         | 2,522         |
| <b>Total Liabilities</b>            | <b>601</b>   | <b>487</b>   | <b>59,864</b> | <b>62,023</b> |
| Equity                              | 1,378        | 1,491        | 7,778         | 7,281         |
| <b>Total Liabilities and Equity</b> | <b>1,979</b> | <b>1,978</b> | <b>67,642</b> | <b>69,304</b> |
| Revenue                             | 3,147        | 2,659        | 38,879        | 37,140        |
| Operating expenses                  | (735)        | (662)        | (37,632)      | (36,199)      |
| Other income (expenses)             | (1,929)      | (1,727)      | (797)         | (781)         |
| <b>Profit (loss) before tax</b>     | <b>483</b>   | <b>270</b>   | <b>450</b>    | <b>160</b>    |
| Income tax                          | 137          | 36           | 47            | (59)          |
| <b>Profit (loss) for the year</b>   | <b>620</b>   | <b>306</b>   | <b>497</b>    | <b>101</b>    |

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

**14. Investments in Other Companies, continued:**

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

|  | 2015<br>MCh\$ | 2014<br>MCh\$ |
|--|---------------|---------------|
| Beginning book value                               | 25,312        | 16,670        |
| Acquisition of investments                         | 314           | 6,608         |
| Participation in income with significant influence | 3,243         | 2,486         |
| Dividends receivable                               | 535           | 405           |
| Dividends received                                 | (663)         | (195)         |
| Payment of minimum dividends                       | 455           | 148           |
| Total  | 28,126        | 25,312        |

(e) As of December 31, 2015 and 2014 no impairment has incurred in these investments.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

**15. Intangible Assets:**

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

|  | Years       |      |                        |      | Gross balance |        |          |          | Accumulated Amortization and Impairment |        | Net balance |      |
|--|-------------|------|------------------------|------|---------------|--------|----------|----------|---|--------|-------------|------|
|  | Useful Life |      | Remaining amortization |      | 2015          | 2014   | 2015     | 2014     | 2015                                    | 2014   | 2015        | 2014 |
|  | 2015        | 2014 | 2015                   | 2014 | MCh\$         | MCh\$  | MCh\$    | MCh\$    | MCh\$                                   | MCh\$  | MCh\$       |      |
| <b>Other Intangible Assets:</b>                      |             |      |                        |      |               |        |          |          |   |        |             |      |
| Software or computer programs                        | 6           | 6    | 4                      | 4    | 100,000       | 92,225 | (73,281) | (65,632) | 26,719                                  | 26,593 |             |      |
| Intangible assets arising from business combinations |             |      |                        |      | 1,740         | 1,740  | (1,740)  | (1,740)  |   |        |             |      |
| Total  |             |      |                        |      | 101,740       | 93,965 | (75,021) | (67,372) | 26,719                                  | 26,593 |             |      |



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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

## 15. Intangible Assets, continued:

(b) Movements in intangible assets during the 2015 and 2014 periods are as follows:

|  | 2015                                      |  |  |                |
|--|---|--|--|----------------|
|  | Software or computer<br>programs<br>MCh\$ | Intangible assets<br>arising from<br>business<br>combinations<br>MCh\$ | Other<br>intangible<br>assets<br>MCh\$ | Total<br>MCh\$ |
| <b>Gross Balance</b>                       |   |  |  |                |
| Balance as of January 1, 2015              | 92,225                                    | 1,740  |  | 93,965         |
| Acquisitions                               | 8,519                                     |  |  | 8,519          |
| Disposals                                  | (685)                                     |  |  | (685)          |
| Impairment loss (*)                        | (59)                                      |  |  | (59)           |
| Total                                      | 100,000                                   | 1,740  |  | 101,740        |
| <b>Accumulated Amortization</b>            |   |  |  |                |
| Balance as of January 1, 2015              | (65,632)                                  | (1,740)  |  | (71,510)       |
| Amortization of the period (*)             | (8,331)                                   |  |  | (8,331)        |
| Disposals                                  | 682                                       |  |  | 682            |
| Total                                      | (72,381)                                  | (1,740)  |  | (75,021)       |
| <b>Balance as of December 31,<br/>2015</b> | <b>26,719</b>                             |  |  | <b>26,719</b>  |

|                                 | 2014                                      |  |  |                |
|---------------------------------|---|--|--|----------------|
|                                 | Software or computer<br>programs<br>MCh\$ | Intangible assets<br>arising from<br>business<br>combinations<br>MCh\$ | Other<br>intangible<br>assets<br>MCh\$ | Total<br>MCh\$ |
| <b>Gross Balance</b>            |   |  |  |                |
| Balance as of January 1, 2014   | 86,986                                    | 1,740  | 501                                    | 89,227         |
| Acquisitions                    | 5,382                                     |  |  | 5,382          |
| Disposals                       | (504)                                     |  |  | (504)          |
| Reclasification                 | 481                                       |  | (501)                                  | (20)           |
| Impairment loss (*)             | (120)                                     |  |  | (120)          |
| Total                           | 92,225                                    | 1,740  |  | 93,695         |
| <b>Accumulated Amortization</b> |   |  |  |                |
| Balance as of January 1, 2014   | (57,767)                                  | (1,740)  | (49)                                   | (59,556)       |
| Amortization of the period (*)  | (8,352)                                   |  |  | (8,352)        |
| Disposals                       | 498                                       |  |  | 498            |
| Reclasification                 | (11)                                      |  | 49                                     | 38             |

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|  |          |         |          |
|--|----------|---------|----------|
| Total                                      | (65,632) | (1,740) | (67,372) |
| <b>Balance as of December 31,<br/>2014</b> | 26,593   |         | 26,593   |

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

Table of ContentsNOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, *continued*15. **Intangible Assets, continued:**

(c) As of December 31, 2015 and 2014, the Bank has made the following commitments to purchase intangible assets, which have not been capitalized:

| Detail                | Amount of Commitment |               |
|-----------------------|----------------------|---------------|
|                       | 2015<br>MCh\$        | 2014<br>MCh\$ |
| Software and licenses | 5,779                | 3,508         |

Table of ContentsNOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, *continued***16. Property and equipment:**

(a) As of December 31, 2015 and 2014 property and equipment are detailed as follows:

|  | Gross Balance |               | Acumulated Depreciation |               | Net Balance   |               |
|--|---------------|---------------|-------------------------|---------------|---------------|---------------|
|  | 2015<br>MCh\$ | 2014<br>MCh\$ | 2015<br>MCh\$           | 2014<br>MCh\$ | 2015<br>MCh\$ | 2014<br>MCh\$ |
| <b>Type of Property and equipment:</b> |               |               |                         |               |               |               |
| Land and Buildings                     | 292,166       | 285,754       | (126,568)               | (120,084)     | 165,598       | 165,670       |
| Equipment                              | 167,874       | 151,911       | (127,644)               | (119,842)     | 40,230        | 32,069        |
| Other                                  | 47,960        | 43,774        | (38,117)                | (36,110)      | 9,843         | 7,664         |
| Total                                  | 508,000       | 481,439       | (292,329)               | (276,036)     | 215,671       | 205,403       |

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

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

|  | 2015                           |                    |                 |                  |
|--|--------------------------------|--------------------|-----------------|------------------|
|  | Land and<br>Buildings<br>MCh\$ | Equipment<br>MCh\$ | Other<br>MCh\$  | Total<br>MCh\$   |
| <b><u>Gross Balance</u></b>            |                                |                    |                 |                  |
| Balance as of January 1, 2014          | 285,755                        | 151,911            | 43,773          | 481,439          |
| Reclasification                        | 625                            |                    | 859             | 1,484            |
| Acquisitions                           | 7,909                          | 18,746             | 4,821           | 31,476           |
| Disposals                              | (2,051)                        | (2,769)            | (1,381)         | (6,201)          |
| Transfers                              |                                | (11)               | 11              |                  |
| Impairment loss (*) (***)              | (72)                           | (3)                | (123)           | (198)            |
| <b>Total</b>                           | <b>292,166</b>                 | <b>167,874</b>     | <b>47,960</b>   | <b>508,000</b>   |
| <b><u>Accumulated Depreciation</u></b> |                                |                    |                 |                  |
| Balance as of January 1, 2014          | (120,084)                      | (119,842)          | (36,110)        | (276,036)        |
| Reclasification                        | (110)                          |                    | (882)           | (992)            |
| Transfers                              | (8,117)                        | (10,567)           | (2,143)         | (20,827)         |
| Depreciation of period (*) (**)        | 1,743                          | 2,764              | 1,019           | 5,526            |
| Disposals and sales of period          |                                | 1                  | (1)             |                  |
| <b>Total</b>                           | <b>(126,568)</b>               | <b>(127,644)</b>   | <b>(38,117)</b> | <b>(292,329)</b> |
| <b>Balance as of December 31, 2015</b> | <b>165,598</b>                 | <b>40,230</b>      | <b>9,843</b>    | <b>215,671</b>   |
|  | 2014                           |                    |                 |                  |
|  | Land and<br>Buildings<br>MCh\$ | Equipment<br>MCh\$ | Other<br>MCh\$  | Total<br>MCh\$   |
| <b><u>Gross Balance</u></b>            |                                |                    |                 |                  |
| Balance as of January 1, 2014          | 280,614                        | 137,827            | 42,632          | 461,073          |
| Reclasification                        |                                |                    | (200)           | (200)            |
| Acquisitions                           | 6,028                          | 22,776             | 2,709           | 31,513           |
| Disposals                              | (865)                          | (7,807)            | (622)           | (9,294)          |
| Transfers                              |                                | 485                | (485)           |                  |
| Impairment loss (*) (***)              | 23                             | (1,370)            | (260)           | (1,653)          |
| <b>Total</b>                           | <b>285,754</b>                 | <b>151,911</b>     | <b>43,774</b>   | <b>481,439</b>   |
| <b><u>Accumulated Depreciation</u></b> |                                |                    |                 |                  |
| Balance as of January 1, 2014          | (112,725)                      | (116,081)          | (34,689)        | (263,495)        |
| Depreciation of period (*) (**)        | (8,198)                        | (11,283)           | (2,287)         | (21,768)         |
| Disposals and sales of period          | 839                            | 7,808              | 580             | 9,227            |

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|  |           |           |          |           |
|--|-----------|-----------|----------|-----------|
| Transfers                              |           | (286)     | 286      |           |
| <b>Total</b>                           | (120,084) | (119,842) | (36,110) | (276,036) |
| <b>Balance as of December 31, 2014</b> | 165,670   | 32,069    | 7,664    | 205,403   |

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

(\*\*) This amount not includes depreciation charges in the period for investments properties. This amount is include in item Other Assets for MCh\$379 (MCh\$381 in 2014)

(\*\*\*) Not include provision related to write-offs of property and equipment for an amount of Ch\$6 million (Ch\$312 million in 2014)

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

(c) As of December 31, 2015 and 2014, the Bank has operating lease agreements in which it acts as lessee that cannot be terminated unilaterally; information on future payments is detailed as follows:

|                  | Expense<br>for the<br>year<br>MCh\$ | Up to 1<br>month<br>MCh\$ | 2015  |   |   |  |                          | Total<br>MCh\$ |
|------------------|-------------------------------------|---------------------------|---|---|---|--|--------------------------|----------------|
|                  |                                     |                           | Over 1<br>month<br>and up to<br>3 months<br>MCh\$ | Over 3<br>months<br>and up to<br>12 months<br>MCh\$ | Over 1<br>year and<br>up to 3<br>years<br>MCh\$ | Over 3<br>years and<br>up to 5<br>years<br>MCh\$ | Over 5<br>years<br>MCh\$ |                |
| Lease Agreements | 30,984                              | 2,662                     | 5,383   | 21,800  | 39,572  | 27,613   | 45,379                   | 142,409        |

|                  | Expense<br>for the<br>year<br>MCh\$ | Up to 1<br>month<br>MCh\$ | 2014  |   |   |  |                          | Total<br>MCh\$ |
|------------------|-------------------------------------|---------------------------|---|---|---|--|--------------------------|----------------|
|                  |                                     |                           | Over 1<br>month<br>and up to<br>3 months<br>MCh\$ | Over 3<br>months<br>and up to<br>12 months<br>MCh\$ | Over 1<br>year and<br>up to 3<br>years<br>MCh\$ | Over 3<br>years and<br>up to 5<br>years<br>MCh\$ | Over 5<br>years<br>MCh\$ |                |
| Lease Agreements | 29,588                              | 2,520                     | 4,992   | 21,264  | 40,375  | 29,612   | 46,479                   | 145,242        |

As these lease agreements are operating, under IAS 17 the leased assets are not presented in the Bank's statement of financial position.

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

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





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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

## 17. Current and Deferred Taxes:

## (a) Current Taxes:

As of each year 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, amounts as of December 31, 2015 and 2014 are detailed as follows:

|                                      | 2015<br>MCh\$ | 2014<br>MCh\$ |
|--------------------------------------|---------------|---------------|
| Income taxes                         | 121,585       | 106,550       |
| Tax on non-deductible expenses (35%) | 2,805         | 1,802         |
| Less:                                |               |               |
| Monthly prepaid taxes (PPM)          | (94,813)      | (83,050)      |
| Credit for training expenses         | (1,931)       | (1,818)       |
| Real estate contributions (taxation) | (896)         | (1,597)       |
| Other                                | (2,036)       | (2,857)       |
| Total current taxes                  | 24,714        | 19,030        |
| Tax rate                             | 22.5%         | 21.0%         |

|                         | 2015<br>MCh\$ | 2014<br>MCh\$ |
|-------------------------|---------------|---------------|
| Current tax assets      | 3,279         | 3,468         |
| Current tax liabilities | (27,993)      | (22,498)      |
| Total current taxes     | (24,714)      | (19,030)      |

## (b) Income Tax:

The Bank's tax expense recorded for the years ended December 31, 2015 and 2014 is detailed as follows:

|                            | 2015<br>MCh\$ | 2014<br>MCh\$ |
|----------------------------|---------------|---------------|
| <b>Income tax expense:</b> |               |               |

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|  |          |          |
|--|----------|----------|
| Current year taxes                                 | 119,342  | 100,302  |
| Tax from previous periods                          | (1,851)  | 13,596   |
| Subtotal   | 117,491  | 113,898  |
| <b>Credit (charge) for deferred taxes:</b>         |          |          |
| Origin and reversal of temporary differences       | (42,138) | (33,642) |
| Effect of changes in tax rate                      | (15,652) | (27,277) |
| Subtotal   | (57,790) | (60,919) |
| Non deductible expenses (Art. 21 Ley de la Renta ) | 2,805    | 1,802    |
| Other  | (776)    | 4,746    |
| Net charge to income for income taxes              | 61,730   | 59,527   |

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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 reconciliation between income tax rate and effective rate applied to determine the Bank's income tax expense as of December 31, 2015 and 2014:

|  | 2015          |          | 2014          |          |
|--|---------------|----------|---------------|----------|
|  | Tax rate<br>% | MCh\$    | Tax rate<br>% | MCh\$    |
| Income tax calculated on net income before tax | 22.50         | 139,664  | 21.00         | 136,628  |
| Additions or deductions                        | (5.15)        | (31,952) | (4.82)        | (31,374) |
| Tax restatement                                | (4.30)        | (26,718) | (5.12)        | (33,299) |
| Non-deductible expenses                        | 0.45          | 2,805    | 0.28          | 1,802    |
| Tax from previous year                         | (0.30)        | (1,851)  | 2.09          | 13,596   |
| Effect in deferred taxes (changes in tax rate) | (2.52)        | (15,652) | (4.19)        | (27,277) |
| Others   | (0.74)        | (4,566)  | (0.08)        | (549)    |
| Effective rate and income tax expense          | 9.94          | 61,730   | 9.16          | 59,527   |

The effective rate for income tax for 2015 is 9.94% (9.16% in 2014).

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

| Year | Rate  |
|------|-------|
| 2014 | 21.0% |
| 2015 | 22.5% |
| 2016 | 24.0% |
| 2017 | 25.5% |
| 2018 | 27.0% |

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The effect in income by deferred taxes produced by the change of tax rate was a credit in income for an amount of Ch\$15,652 million (Ch\$27,277 million in 2014).

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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 year 2015, the Bank has recorded the effects of deferred taxes in financial statements.

As of December 31, 2015 the effects of deferred taxes on assets, liabilities and income accounts are detailed as follows:

|   | Balances as<br>of December<br>31, 2014<br>MCh\$ | Income<br>MCh\$ | Effect | Equity<br>MCh\$ | Balances as<br>of December<br>31, 2015<br>MCh\$ |
|---|---|-----------------|--------|-----------------|---|
| <b>Debit Differences:</b>   |   |                 |        |                 |   |
| Allowances for loan losses  | 146,562   | 31,606          |        |                 | 178,168   |
| Obligations with agreements to repurchase                             |   |                 |        |                 |   |
| Personnel provisions  | 9,314   | (1,447)         |        |                 | 7,867   |
| Staff vacation  | 5,489   | 779             |        |                 | 6,268   |
| Accrued interests and indexation adjustments from past<br>due loans   | 3,738   | 286             |        |                 | 4,024   |
| Staff severance indemnities provisions                                | 1,460   | (117)           |        | 9               | 1,352   |
| Provision of credit cards expenses                                    | 10,637  | 2,991           |        |                 | 13,628  |
| Provision of accrued expenses   | 11,466  | 220             |        | 102             | 11,788  |
| Leasing   |   | 18,239          |        |                 | 18,239  |
| Other adjustments   | 14,203  | 435             |        |                 | 14,638  |
| <b>Total debit differences</b>  | <b>202,869</b>                                  | <b>52,992</b>   |        | <b>111</b>      | <b>255,972</b>                                  |
| <b>Credit Differences:</b>  |   |                 |        |                 |   |
| Depreciation and price-level restatement of property<br>and equipment | 14,304  | (1,141)         |        |                 | 13,163  |
| Adjustment for valuation of financial assets<br>available-for-sale    | 9,860   |                 |        | 2,722           | 12,582  |
| Leasing   | 2,992   | (2,992)         |        |                 |   |
| Transitory assets   | 2,478   | 162             |        |                 | 2,640   |
| Derivative instrument adjustment                                      | 13  | (13)            |        |                 |   |
| Accrued loans to effective rate                                       | 2,308   | 257             |        |                 | 2,565   |
| Other adjustments   | 3,074   | (1,071)         |        |                 | 2,003   |
| <b>Total credit differences</b>                                       | <b>35,029</b>                                   | <b>(4,798)</b>  |        | <b>2,722</b>    | <b>32,953</b>                                   |
| <b>Deferred tax assets (liabilities), net</b>                         | <b>167,840</b>                                  | <b>57,790</b>   |        | <b>(2,611)</b>  | <b>223,019</b>                                  |



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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

(e) For the purpose of complying with the Circular No. 47 issued by the Chilean Internal Revenue Service (SII) and No. 3,478 issued by the Superintendency of Banks, dated August 18, 2009 the movements and effects generated by the application of Article 31, No. 4 of the Income Tax Law are detailed as follows:

As the circular requires, the information corresponds only to the Bank's credit operations and does not consider operations of subsidiary entities that are consolidated in these consolidated financial statements.

**(e.1) Loans to customers as of December 31, 2015**

|                            | <b>Book value<br/>assets (*)<br/>MCh\$</b> | <b>Tax value<br/>assets<br/>MCh\$</b> | <b>Past-due<br/>loans with<br/>guarantees<br/>MCh\$</b> | <b>Tax value assets<br/>Past-due<br/>loans<br/>without<br/>guarantees<br/>MCh\$</b> | <b>Total<br/>Past-due<br/>loans<br/>MCh\$</b> |
|----------------------------|--|---------------------------------------|---|---|---|
| Loans and advance to banks | 1,395,195                                  | 1,395,897                             |   |   |   |
| Commercial loans           | 12,200,386                                 | 12,733,691                            | 29,606  | 69,942  | 99,548  |
| Consumer loans             | 3,540,122                                  | 3,959,497                             | 448   | 17,298  | 17,746  |
| Residential mortgage loans | 6,370,034                                  | 6,402,268                             | 5,803   | 136   | 5,939   |
| Total                      | 23,505,737                                 | 24,491,353                            | 35,857  | 87,376  | 123,233                                       |

**(e.1) Loans to customers as of December 31, 2014**

|                            | <b>Book value<br/>assets (*)<br/>MCh\$</b> | <b>Tax value<br/>assets<br/>MCh\$</b> | <b>Past-due<br/>loans with<br/>guarantees<br/>MCh\$</b> | <b>Tax value assets<br/>Past-due<br/>loans<br/>without<br/>guarantees<br/>MCh\$</b> | <b>Total<br/>Past-due<br/>loans<br/>MCh\$</b> |
|----------------------------|--|---------------------------------------|---|---|---|
| Loans and advance to banks | 1,155,365                                  | 1,156,181                             |   |   |   |
| Commercial loans           | 10,925,817                                 | 11,404,824                            | 19,923  | 57,350  | 77,273  |
| Consumer loans             | 3,162,963                                  | 3,597,603                             | 393   | 18,643  | 19,036  |

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|                            |            |            |        |        |         |
|----------------------------|------------|------------|--------|--------|---------|
| Residential mortgage loans | 5,394,602  | 5,415,279  | 4,496  | 93     | 4,589   |
| Total                      | 20,638,747 | 21,573,887 | 24,812 | 76,086 | 100,898 |

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(\*) In accordance with the mentioned Circular and instructions from the SII, the value of financial statement assets, are presented on an individual basis (only Banco de Chile) net of allowance for loan losses and do not include lease and factoring operations.



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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

## 17. Current and Deferred Taxes, continued:

## (e.2) Provisions on past-due loans

|                            | Balance as of<br>January 1,<br>2015<br>MCh\$ | Charge-offs<br>against<br>provisions<br>MCh\$ | Provisions<br>established<br>MCh\$ | Provisions<br>released<br>MCh\$ | Balance as of<br>December 31,<br>2015<br>MCh\$ |
|----------------------------|--|---|------------------------------------|---------------------------------|--|
| Commercial loans           | 57,350                                       | (41,860)                                      | 108,174                            | (53,754)                        | 69,942   |
| Consumer loans             | 18,643                                       | (192,746)                                     | 213,756                            | (22,355)                        | 17,298   |
| Residential mortgage loans | 93   | (921)   | 1,414                              | (450)                           | 136  |
| Total                      | 76,086                                       | (235,527)                                     | 323,344                            | (76,559)                        | 87,376   |

## (e.2) Provisions on past-due loans

|                            | Balance as of<br>January 1,<br>2014<br>MCh\$ | Charge-offs<br>against<br>provisions<br>MCh\$ | Provisions<br>established<br>MCh\$ | Provisions<br>released<br>MCh\$ | Balance as of<br>December 31,<br>2014<br>MCh\$ |
|----------------------------|--|---|------------------------------------|---------------------------------|--|
| Commercial loans           | 49,184                                       | (47,588)                                      | 89,368                             | (33,614)                        | 57,350   |
| Consumer loans             | 17,418                                       | (175,307)                                     | 198,719                            | (22,187)                        | 18,643   |
| Residential mortgage loans | 111  | (667)   | 917                                | (268)                           | 93   |
| Total                      | 66,713                                       | (223,562)                                     | 289,004                            | (56,069)                        | 76,086   |

## (e.3) Charge-offs and recoveries

|  | 2015<br>MCh\$ | 2014<br>MCh\$ |
|--|---------------|---------------|
| Charge-offs Art. 31 No. 4 second subparagraph  | 11,908        | 13,815        |
| Condoning resulting in provisions released     | 794           | 1,001         |
| Recovery or renegotiation of written-off loans | 48,696        | 43,683        |

## (e.4) Application of Art. 31 No. 4 first &amp; third subsections

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|   | 2015<br>MCh\$ | 2014<br>MCh\$ |
|---|---------------|---------------|
| Charge-offs in accordance with first subsection |               |               |
| Condoning in accordance with third subsection   | 794           | 1,001         |

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

**18. Other Assets:**

## (a) Item detail:

As of December 31, 2015 and 2014, other assets are detailed as follows:

|  | 2015<br>MCh\$  | 2014<br>MCh\$  |
|--|----------------|----------------|
| <b>Assets held for leasing (*)</b>                                 | 117,332        | 87,100         |
| <b>Assets received or awarded as payment (**)</b>                  |                |                |
| Assets awarded in judicial sale                                    | 5,644          | 3,014          |
| Assets received in lieu of payment                                 | 785            | 934            |
| Provision for assets received in lieu of payment                   | (176)          | (207)          |
| Subtotal   | 6,253          | 3,741          |
| <b>Other Assets</b>  |                |                |
| Deposits by derivatives margin                                     | 226,213        | 143,379        |
| Documents intermediated (***)                                      | 30,729         | 23,049         |
| Investment properties  | 15,041         | 15,937         |
| Servipag available funds   | 13,922         | 14,621         |
| Other accounts and notes receivable                                | 11,797         | 16,124         |
| VAT receivable   | 10,143         | 9,731          |
| Recoverable income taxes   | 8,718          | 8,356          |
| Commissions receivable   | 7,558          | 4,931          |
| Prepaid expenses   | 6,915          | 6,240          |
| Rental guarantees  | 1,743          | 1,617          |
| Accounts receivable for sale of assets received in lieu of payment | 752            | 769            |
| Materials and supplies   | 643            | 607            |
| Recovered leased assets for sale                                   | 625            | 692            |
| Other  | 26,114         | 18,163         |
| Subtotal   | 360,913        | 264,216        |
| <b>Total</b>   | <b>484,498</b> | <b>355,057</b> |

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

(\*\*) Assets received in lieu of payment are assets received as payment of customers' past-due debts. The assets acquired must at no time exceed, in the aggregate, 20% of the Bank's effective equity. These assets represent 0.0227% (0.0287% in 2014) 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, Chapter B-5 No. 3, which indicate to recognize a provision for the difference between the initial value plus any additions and its realizable value when the former is greater.

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

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

**18. Other Assets, continued:**

(b) Movements in the provision for assets received in lieu of payment during the 2015 and 2014 periods are detailed as follows:

| Amortization                    | MCh\$ |
|---------------------------------|-------|
| Balance as of January 1, 2014   | 46    |
| Provisions used                 | (88)  |
| Provisions established          | 249   |
| Provisions released             |       |
| Balance as of December 31, 2014 | 207   |
| Provisions used                 | (181) |
| Provisions established          | 150   |
| Provisions released             |       |
| Balance as of December 31, 2015 | 176   |

**19. Current accounts and Other Demand Deposits:**

As of December 31, 2015 and 2014, current accounts and other demand deposits are detailed as follows:

|                                    | 2015<br>MCh\$ | 2014<br>MCh\$ |
|------------------------------------|---------------|---------------|
| Current accounts                   | 6,900,590     | 5,786,805     |
| Other demand deposits              | 892,485       | 680,791       |
| Other demand deposits and accounts | 533,973       | 466,777       |
| Total                              | 8,327,048     | 6,934,373     |

**20. Savings accounts and Time Deposits:**

As of December 31, 2015 and 2014, savings accounts and time deposits are detailed as follows:

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|                             | <b>2015</b>  | <b>2014</b>  |
|-----------------------------|--------------|--------------|
|                             | <b>MCh\$</b> | <b>MCh\$</b> |
| Time deposits               | 9,529,974    | 9,450,224    |
| Term savings accounts       | 205,171      | 188,311      |
| Other term balances payable | 172,547      | 82,711       |
| Total                       | 9,907,692    | 9,721,246    |

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

**21. Borrowings from Financial Institutions:**

(a) As of December 31, 2015 and 2014, borrowings from financial institutions are detailed as follows:

|   | 2015<br>MCh\$    | 2014<br>MCh\$    |
|---|------------------|------------------|
| <b>Domestic banks</b>                   |                  |                  |
| <b>Foreign banks</b>                    |                  |                  |
| <b>Foreign trade financing</b>          |                  |                  |
| Citibank N.A.                           | 283,803          | 141,633          |
| Canadian Imperial Bank Of Commerce      | 166,918          | 69,750           |
| Bank of America                         | 150,208          | 126,004          |
| The Bank of New York Mellon             | 149,617          | 57,581           |
| HSBC Bank                               | 121,027          | 155,135          |
| Wells Fargo Bank                        | 112,933          | 83,015           |
| Bank of Nova Scotia                     | 94,298           | 38,804           |
| Bank of Montreal                        | 92,096           | 139,548          |
| Toronto Dominion Bank                   | 63,788           | 45,489           |
| Standard Chartered Bank                 | 56,975           | 106,659          |
| Sumitomo Mitsui Banking                 | 35,421           |                  |
| ING Bank                                | 31,873           | 30,309           |
| Zuercher Kantonalbank                   | 22,011           | 6,088            |
| Commerzbank A.G.                        | 1,446            | 1,631            |
| Royal Bank of Scotland                  |                  | 10,924           |
| Mercantil Commercebank                  |                  | 6,070            |
| Deutsche Bank Trust Company             |                  | 48,037           |
| Others                                  | 840              | 1,526            |
| <b>Borrowings and other obligations</b> |                  |                  |
| Wells Fargo Bank                        | 106,463          |                  |
| Citibank N.A.                           | 37,571           | 12,389           |
| China Development Bank                  |                  | 15,165           |
| Others                                  | 2,333            | 2,950            |
| Subtotal                                | 1,529,621        | 1,098,707        |
| <b>Chilean Central Bank</b>             | 6                | 9                |
| <b>Total</b>                            | <b>1,529,627</b> | <b>1,098,716</b> |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, *continued*

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21. **Borrowings from Financial Institutions, continued:**

(b) Chilean Central Bank

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

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

|   | 2015<br>MCh\$ | 2014<br>MCh\$ |
|---|---------------|---------------|
| Borrowings and other obligations            |               |               |
| Credit lines for the renegotiation of loans | 6             | 9             |
| Total                                       | 6             | 9             |



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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

**22. Debt Issued:**

As of December 31, 2015 and 2014, debt issued is detailed as follows:

|                    | 2015<br>MCh\$ | 2014<br>MCh\$ |
|--------------------|---------------|---------------|
| Mortgage bonds     | 46,381        | 64,314        |
| Bonds              | 5,270,214     | 4,223,047     |
| Subordinated bonds | 785,613       | 770,595       |
| Total              | 6,102,208     | 5,057,956     |

During the period ended as of December 31, 2015, Banco de Chile issued bonds by an amount of MCh\$2,470,407, of which corresponds to Bonds and Commercial Papers by an amount of MCh\$1,342,224 and MCh\$1,128,183 respectively, according to the following details:

**Bonds**

| Serie      | Amount<br>MCh\$ | Terms<br>Years | Rate<br>%   | Currency | Issue<br>date | Maturity<br>date |
|------------|-----------------|----------------|-------------|----------|---------------|------------------|
| BCHIAI0213 | 17,132          | 6              | 3.40        | UF       | 02/17/2015    | 02/17/2021       |
| BCHIAM0413 | 40,425          | 8              | 3.60        | UF       | 02/20/2015    | 02/20/2023       |
| BCHIAB1211 | 80,282          | 15             | 3.50        | UF       | 27/02/2015    | 02/27/2030       |
| BCHIAM0413 | 4,881           | 8              | 3.60        | UF       | 03/13/2015    | 03/13/2023       |
| BCHIAM0413 | 5,972           | 8              | 3.60        | UF       | 03/19/2015    | 03/19/2023       |
| BCHIAM0413 | 11,225          | 8              | 3.60        | UF       | 04/06/2015    | 04/06/2023       |
| BCHIAM0413 | 2,673           | 8              | 3.60        | UF       | 04/07/2015    | 04/07/2023       |
| BCHIAZ0613 | 53,874          | 14             | 3.60        | UF       | 04/17/2015    | 04/17/2029       |
| BONO USD   |                 |                | LIBOR 3 M + |          |               |                  |
|            | 30,596          | 6              | 0.69        | USD      | 04/30/2015    | 04/30/2021       |
| BCHIAM0413 | 15,242          | 8              | 3.60        | UF       | 05/08/2015    | 05/08/2023       |
| BCHIAPO213 | 29,715          | 9              | 3.60        | UF       | 05/15/2015    | 05/15/2024       |
| BCHIAPO213 | 7,435           | 9              | 3.60        | UF       | 05/18/2015    | 05/18/2024       |
| BCHIAPO213 | 2,658           | 9              | 3.60        | UF       | 05/22/2015    | 05/22/2024       |
| BCHIAPO213 | 13,308          | 9              | 3.60        | UF       | 05/27/2015    | 05/27/2024       |
| BCHIAO0713 | 14,072          | 8              | 3.40        | UF       | 06/09/2015    | 06/09/2023       |
| BCHIAO0713 | 21,146          | 8              | 3.40        | UF       | 06/10/2015    | 06/10/2023       |
| BCHIAO0713 | 4,518           | 8              | 3.40        | UF       | 06/15/2015    | 06/15/2023       |
| BCHIAO0713 | 4,653           | 8              | 3.40        | UF       | 06/16/2015    | 06/16/2023       |

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|            |        |    |      |    |            |            |
|------------|--------|----|------|----|------------|------------|
| BCHIAO0713 | 10,639 | 8  | 3.40 | UF | 06/18/2015 | 06/18/2023 |
| BCHIAO0713 | 9,315  | 8  | 3.40 | UF | 06/23/2015 | 06/23/2023 |
| BCHIAW0213 | 80,003 | 13 | 3.60 | UF | 06/25/2015 | 06/25/2028 |
| BCHIAO0713 | 22,367 | 8  | 3.40 | UF | 07/03/2015 | 07/03/2023 |
| BCHIAO0713 | 3,692  | 8  | 3.40 | UF | 07/07/2015 | 07/07/2023 |
| BCHIAX0613 | 16,068 | 13 | 3.60 | UF | 07/08/2015 | 07/08/2023 |
| BCHIAX0613 | 37,494 | 13 | 3.60 | UF | 07/09/2015 | 09/09/2028 |
| BCHIAO0713 | 4,255  | 8  | 3.40 | UF | 07/10/2015 | 07/10/2023 |
| BCHIAO0713 | 2,681  | 8  | 3.40 | UF | 07/22/2015 | 07/22/2023 |
| BCHIAS0513 | 9,550  | 10 | 3.60 | UF | 07/28/2015 | 07/28/2025 |
| BCHIUY1211 | 80,744 | 14 | 3.50 | UF | 08/06/2015 | 08/06/2029 |
| BCHIAS0513 | 9,334  | 10 | 3.60 | UF | 08/13/2015 | 08/13/2025 |
| BCHIAK0613 | 81,154 | 7  | 3.40 | UF | 08/14/2015 | 08/14/2022 |
| BCHIAS0513 | 3,297  | 10 | 3.60 | UF | 08/18/2015 | 08/18/2025 |
| BCHIAS0513 | 6,046  | 10 | 3.60 | UF | 08/19/2015 | 08/19/2025 |
| BCHIOW1011 | 54,750 | 13 | 3.50 | UF | 08/24/2015 | 08/24/2028 |

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

## 22. Debt Issued, continued:

## Bonds, continued

| Serie                                | Amount<br>MCh\$  | Terms<br>Years | Rate<br>%   | Currency | Issue<br>date | Maturity<br>date |
|--------------------------------------|------------------|----------------|-------------|----------|---------------|------------------|
| BCHIUW1011                           | 55,117           | 13             | 3.50        | UF       | 08/31/2015    | 08/31/2028       |
| BCHIAN0513                           | 54,642           | 8              | 3.60        | UF       | 10/07/2015    | 10/07/2023       |
| BCHIAS0513                           | 4,127            | 10             | 3.60        | UF       | 10/14/2015    | 10/14/2025       |
| BCHIUX0212                           | 80,796           | 13             | 3.50        | UF       | 10/14/2015    | 10/14/2028       |
| BONO HKD                             | 53,957           | 10             | 3.05        | HKD      | 10/20/2015    | 10/20/2025       |
| BCHIAQ0213                           | 81,748           | 10             | 3.60        | UF       | 11/06/2015    | 11/06/2025       |
| BCHIAT0613                           | 82,318           | 11             | 3.50        | UF       | 11/06/2015    | 11/06/2026       |
| BCHIAR0613                           | 62,985           | 10             | 3.60        | UF       | 11/06/2015    | 11/06/2025       |
| BONO EUR                             | 35,880           | 10             | 1.66        | EUR      | 11/16/2015    | 11/16/2025       |
| BONO USD                             |                  |                | LIBOR 3 M + |          |               |                  |
|                                      | 35,411           | 5              | 1.15        | USD      | 12/16/2015    | 12/16/2020       |
| BCHIAS0513                           | 4,047            | 10             | 3.60        | UF       | 12/18/2015    | 12/18/2025       |
| <b>Total as of December 31, 2015</b> | <b>1,342,224</b> |                |             |          |               |                  |

## Commercial Papers

| Series           | Amount<br>MCh\$ | Rate<br>% | Currency | Issued date | Maturity date |
|------------------|-----------------|-----------|----------|-------------|---------------|
| MERRILL LYNCH    | 15,425          | 0.32      | USD      | 01/05/2015  | 04/06/2015    |
| GOLDMAN SACHS    | 15,380          | 0.33      | USD      | 01/07/2015  | 04/09/2015    |
| GOLDMAN SACHS    | 30,638          | 0.33      | USD      | 01/08/2015  | 04/08/2015    |
| WELLS FARGO BANK | 12,255          | 0.32      | USD      | 01/08/2015  | 04/08/2015    |
| WELLS FARGO BANK | 3,077           | 0.43      | USD      | 01/12/2015  | 07/13/2015    |
| MERRILL LYNCH    | 9,421           | 0.46      | USD      | 01/21/2015  | 07/21/2015    |
| MERRILL LYNCH    | 9,421           | 0.60      | USD      | 01/21/2015  | 10/16/2015    |
| JP.MORGAN CHASE  | 49,944          | 0.37      | USD      | 01/22/2015  | 04/22/2015    |
| WELLS FARGO BANK | 16,262          | 0.32      | USD      | 02/10/2015  | 05/11/2015    |
| WELLS FARGO BANK | 2,502           | 0.47      | USD      | 02/10/2015  | 08/10/2015    |
| JP.MORGAN CHASE  | 48,215          | 0.35      | USD      | 03/03/2015  | 06/02/2015    |
| WELLS FARGO BANK | 4,393           | 0.82      | USD      | 03/06/2015  | 03/04/2016    |
| MERRILL LYNCH    | 15,690          | 0.42      | USD      | 03/06/2015  | 08/06/2015    |
| JP.MORGAN CHASE  | 31,395          | 0.35      | USD      | 03/09/2015  | 06/08/2015    |
| WELLS FARGO BANK | 2,569           | 0.48      | USD      | 03/17/2015  | 09/14/2015    |
| MERRILL LYNCH    | 4,975           | 0.42      | USD      | 03/20/2015  | 08/06/2015    |

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|                  |        |      |     |            |            |
|------------------|--------|------|-----|------------|------------|
| MERRILL LYNCH    | 3,122  | 0.48 | USD | 03/23/2015 | 09/17/2015 |
| JP.MORGAN CHASE  | 31,951 | 0.38 | USD | 03/23/2015 | 06/22/2015 |
| WELLS FARGO BANK | 25,079 | 0.35 | USD | 03/30/2015 | 06/30/2015 |
| JP.MORGAN CHASE  | 37,467 | 0.48 | USD | 04/06/2015 | 10/02/2015 |
| JP.MORGAN CHASE  | 14,519 | 0.38 | USD | 04/06/2015 | 07/06/2015 |
| GOLDMAN SACHS    | 42,858 | 0.35 | USD | 04/08/2015 | 07/08/2015 |
| CITIBANK N.A.    | 15,506 | 0.35 | USD | 04/10/2015 | 07/06/2015 |
| JP.MORGAN CHASE  | 16,524 | 0.40 | USD | 04/17/2015 | 08/17/2015 |
| JP.MORGAN CHASE  | 49,536 | 0.40 | USD | 04/22/2015 | 08/03/2015 |
| WELLS FARGO BANK | 15,856 | 0.34 | USD | 05/11/2015 | 08/10/2015 |
| JP.MORGAN CHASE  | 48,721 | 0.40 | USD | 06/02/2015 | 09/02/2015 |
| JP.MORGAN CHASE  | 31,567 | 0.40 | USD | 06/08/2015 | 09/08/2015 |
| WELLS FARGO BANK | 3,796  | 0.52 | USD | 06/19/2015 | 12/16/2015 |
| JP.MORGAN CHASE  | 32,321 | 0.36 | USD | 06/22/2015 | 09/17/2015 |
| WELLS FARGO BANK | 2,620  | 0.27 | USD | 06/30/2015 | 09/17/2015 |
| WELLS FARGO BANK | 10,162 | 0.37 | USD | 06/30/2015 | 10/02/2015 |

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

## 22. Debt Issued, continued:

## Commercial Papers, continued

| Series                               | Amount<br>MCh\$  | Rate<br>% | Currency | Issued<br>date | Maturity<br>date |
|--------------------------------------|------------------|-----------|----------|----------------|------------------|
| WELLS FARGO BANK                     | 12,782           | 0.59      | USD      | 06/30/2015     | 01/05/2016       |
| JP.MORGAN CHASE                      | 15,222           | 0.39      | USD      | 07/06/2015     | 10/05/2015       |
| CITIBANK N.A.                        | 16,030           | 0.36      | USD      | 07/06/2015     | 10/05/2015       |
| GOLDMAN SACHS                        | 45,651           | 0.36      | USD      | 07/08/2015     | 10/08/2015       |
| MERRILL LYNCH                        | 10,419           | 0.72      | USD      | 07/21/2015     | 04/15/2016       |
| WELLS FARGO BANK                     | 3,390            | 0.54      | USD      | 08/04/2015     | 02/03/2016       |
| WELLS FARGO BANK                     | 33,904           | 0.31      | USD      | 08/04/2015     | 09/30/2015       |
| MERRILL LYNCH                        | 19,664           | 0.36      | USD      | 08/04/2015     | 11/04/2015       |
| MERRILL LYNCH                        | 22,323           | 0.36      | USD      | 08/06/2015     | 11/04/2015       |
| WELLS FARGO BANK                     | 11,549           | 0.93      | USD      | 08/06/2015     | 08/04/2016       |
| WELLS FARGO BANK                     | 6,773            | 0.36      | USD      | 08/07/2015     | 11/13/2015       |
| WELLS FARGO BANK                     | 6,740            | 0.93      | USD      | 08/10/2015     | 08/05/2016       |
| WELLS FARGO BANK                     | 13,634           | 0.45      | USD      | 08/11/2015     | 12/08/2015       |
| CITIBANK N.A.                        | 18,710           | 0.45      | USD      | 08/18/2015     | 11/16/2015       |
| JP.MORGAN CHASE                      | 69,151           | 0.51      | USD      | 09/02/2015     | 12/02/2015       |
| JP.MORGAN CHASE                      | 34,541           | 0.51      | USD      | 09/08/2015     | 12/08/2015       |
| JP.MORGAN CHASE                      | 42,393           | 0.50      | USD      | 10/02/2015     | /0105/2016       |
| CITIBANK N.A.                        | 17,092           | 0.50      | USD      | 10/05/2015     | 01/08/2016       |
| JP.MORGAN CHASE                      | 17,092           | 0.50      | USD      | 10/05/2015     | 01/08/2016       |
| MERRILL LYNCH                        | 10,224           | 0.78      | USD      | 10/14/2015     | 07/11/2016       |
| MERRILL LYNCH                        | 13,829           | 0.65      | USD      | 11/04/2015     | 05/04/2016       |
| MERRILL LYNCH                        | 26,100           | 0.45      | USD      | 11/04/2015     | 02/03/2016       |
| WELLS FARGO BANK                     | 3,554            | 0.82      | USD      | 12/15/2015     | 06/13/2016       |
| MERRILL LYNCH                        | 4,249            | 1.10      | USD      | 12/17/2015     | 12/13/2016       |
| <b>Total as of December 31, 2015</b> | <b>1,128,183</b> |           |          |                |                  |

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

**22. Debt Issued, continued:**

As of December 31, 2015 the Bank has no issued subordinated bonds.

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

**Bonds**

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

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

## 22. Debt Issued, continued:

## Commercial Papers

| Counterparty     | Amount<br>MCh\$ | Rate<br>% | Currency | Issued<br>date | Maturity<br>date |
|------------------|-----------------|-----------|----------|----------------|------------------|
| Citibank N.A.    | 10,888          | 0.30      | USD      | 01/21/2014     | 04/22/2014       |
| Goldman Sachs    | 27,220          | 0.30      | USD      | 01/21/2014     | 04/22/2014       |
| Merrill Lynch    | 10,888          | 0.30      | USD      | 01/21/2014     | 04/22/2014       |
| Citibank N.A.    | 2,712           | 0.30      | USD      | 01/22/2014     | 05/14/2014       |
| Wells Fargo Bank | 13,558          | 0.30      | USD      | 01/22/2014     | 05/14/2014       |
| Wells Fargo Bank | 27,117          | 0.30      | USD      | 01/22/2014     | 05/14/2014       |
| JP Morgan Chase  | 22,384          | 0.30      | USD      | 02/05/2014     | 05/06/2014       |
| Citibank N.A.    | 11,192          | 0.30      | USD      | 02/05/2014     | 05/06/2014       |
| Merrill Lynch    | 11,192          | 0.30      | USD      | 02/05/2014     | 05/06/2014       |
| Goldman Sachs    | 11,192          | 0.30      | USD      | 02/05/2014     | 05/06/2014       |
| Wells Fargo Bank | 3,910           | 0.50      | USD      | 03/06/2014     | 03/06/2015       |
| Wells Fargo Bank | 55,121          | 0.25      | USD      | 05/14/2014     | 08/12/2014       |
| Goldman Sachs    | 11,024          | 0.23      | USD      | 05/28/2014     | 09/02/2014       |
| Merrill Lynch    | 11,024          | 0.23      | USD      | 05/28/2014     | 09/02/2014       |
| Wells Fargo Bank | 27,453          | 0.27      | USD      | 05/29/2014     | 09/03/2014       |
| JP Morgan Chase  | 54,984          | 0.30      | USD      | 05/30/2014     | 09/03/2014       |
| Wells Fargo Bank | 21,994          | 0.38      | USD      | 05/30/2014     | 09/26/2014       |
| JP Morgan Chase  | 27,658          | 0.29      | USD      | 06/04/2014     | 09/10/2014       |
| Merrill Lynch    | 13,829          | 0.50      | USD      | 06/04/2014     | 03/06/2015       |
| JP Morgan Chase  | 27,710          | 0.31      | USD      | 06/10/2014     | 09/15/2014       |
| JP Morgan Chase  | 3,329           | 0.65      | USD      | 06/11/2014     | 06/10/2015       |
| Merrill Lynch    | 5,526           | 0.50      | USD      | 06/23/2014     | 03/20/2015       |
| Wells Fargo Bank | 11,067          | 0.30      | USD      | 07/08/2014     | 10/08/2014       |
| Goldman Sachs    | 27,669          | 0.30      | USD      | 07/08/2014     | 10/08/2014       |
| JP Morgan Chase  | 55,337          | 0.30      | USD      | 07/08/2014     | 09/26/2014       |
| JP Morgan Chase  | 33,263          | 0.52      | USD      | 07/11/2014     | 04/06/2015       |
| Wells Fargo Bank | 17,284          | 0.28      | USD      | 08/12/2014     | 11/12/2014       |
| Wells Fargo Bank | 15,556          | 0.64      | USD      | 08/12/2014     | 08/06/2015       |
| Wells Fargo Bank | 20,155          | 0.30      | USD      | 08/13/2014     | 12/11/2014       |
| JP Morgan Chase  | 58,860          | 0.31      | USD      | 09/03/2014     | 12/03/2014       |
| Wells Fargo Bank | 52,974          | 0.35      | USD      | 09/03/2014     | 01/12/2015       |
| JP Morgan Chase  | 29,529          | 0.31      | USD      | 09/10/2014     | 12/09/2014       |
| JP Morgan Chase  | 29,812          | 0.31      | USD      | 09/15/2014     | 12/15/2014       |
| JP Morgan Chase  | 59,860          | 0.31      | USD      | 09/26/2014     | 12/23/2014       |
| Wells Fargo Bank | 23,944          | 0.31      | USD      | 09/26/2014     | 12/29/2014       |
| Goldman Sachs    | 29,650          | 0.31      | USD      | 10/08/2014     | 01/09/2015       |
| Wells Fargo Bank | 11,860          | 0.31      | USD      | 10/08/2014     | 01/09/2015       |
| Wells Fargo Bank | 17,815          | 0.32      | USD      | 11/12/2014     | 02/10/2015       |
| JP Morgan Chase  | 47,664          | 0.35      | USD      | 12/03/2014     | 03/03/2015       |

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|                 |        |      |     |            |            |
|-----------------|--------|------|-----|------------|------------|
| JP Morgan Chase | 13,366 | 0.58 | USD | 12/03/2014 | 08/28/2015 |
| JP Morgan Chase | 30,690 | 0.35 | USD | 12/09/2014 | 03/09/2015 |



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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

## 22. Debt Issued, continued:

## Commercial Papers, continued

| Counterparty                      | Amount<br>MCh\$  | Rate<br>% | Currency | Issued<br>date | Maturity<br>date |
|-----------------------------------|------------------|-----------|----------|----------------|------------------|
| JP Morgan Chase                   | 35,928           | 0.35      | USD      | 12/15/2014     | 03/16/2015       |
| Wells Fargo Bank                  | 16,693           | 0.40      | USD      | 12/15/2014     | 04/13/2015       |
| Wells Fargo Bank                  | 15,177           | 0.58      | USD      | 12/29/2014     | 08/26/2016       |
| Wells Fargo Bank                  | 24,282           | 0.33      | USD      | 12/29/2014     | 03/30/2015       |
| <b>Total as of December, 2014</b> | <b>1,090,340</b> |           |          |                |                  |

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

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

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

**23. Other Financial Obligations:**

As of December 31, 2015 and 2014, other financial obligations are detailed as follows:

|                           | 2015<br>MCh\$ | 2014<br>MCh\$ |
|---------------------------|---------------|---------------|
| Other Chilean obligations | 132,136       | 141,729       |
| Public sector obligations | 40,945        | 44,844        |
| Other foreign obligations |               |               |
| Total                     | 173,081       | 186,573       |

**24. Provisions:**

(a) As of December 31, 2015 and 2014, provisions and accrued expenses are detailed as follows:

|  | 2015<br>MCh\$ | 2014<br>MCh\$ |
|--|---------------|---------------|
| Provision for minimum dividends                        | 324,469       | 324,588       |
| Provisions for Personnel benefits and payroll expenses | 74,791        | 81,515        |
| Provisions for contingent loan risks                   | 59,213        | 54,077        |
| Provisions for contingencies:                          |               |               |
| Additional loan provisions (*)                         | 161,177       | 130,256       |
| Country risk provisions                                | 4,260         | 2,959         |
| Other provisions for contingencies                     | 15,133        | 8,319         |
| Total  | 639,043       | 601,714       |

(\*) In 2015, the Bank established an amount of Ch\$30,921 million (Ch\$22,499 million in 2014) for additional provisions. See note 24(b).

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

## 24. Provisions, continued:

(b) The following table details the movements in provisions and accrued expenses during the 2015 and 2014 periods:

|                                  | Minimum<br>dividends<br>MCh\$ | Personnel<br>benefits and<br>payroll<br>MCh\$ | Contingent<br>loan Risks<br>MCh\$ | Additional<br>loan<br>provisions<br>MCh\$ | Country risk<br>provisions and<br>other<br>contingencies<br>MCh\$ | Total<br>MCh\$ |
|----------------------------------|-------------------------------|---|-----------------------------------|---|---|----------------|
| Balances as of January 1, 2014   | 324,582                       | 67,943  | 49,277                            | 107,757                                   | 2,339   | 551,898        |
| Provisions established           | 324,588                       | 60,383  | 4,800                             | 22,499                                    | 9,169   | 421,439        |
| Provisions used                  | (324,582)                     | (46,811)                                      |                                   |   | (230)   | (371,623)      |
| Provisions released              |                               |   |                                   |   |   |                |
| Balances as of December 31, 2014 | 324,588                       | 81,515  | 54,077                            | 130,256                                   | 11,278  | 601,714        |
| Provisions established           | 324,469                       | 60,208  | 5,136                             | 30,921                                    | 8,362   | 429,096        |
| Provisions used                  | (324,588)                     | (66,932)                                      |                                   |   | (247)   | (391,767)      |
| Provisions released              |                               |   |                                   |   |   |                |
| Balances as of December 31, 2015 | 324,469                       | 74,791  | 59,213                            | 161,177                                   | 19,393  | 639,043        |

(c) Provisions for personnel benefits and payroll:

|                                    | 2015<br>MCh\$ | 2014<br>MCh\$ |
|------------------------------------|---------------|---------------|
| Vacation accrual                   | 25,480        | 23,727        |
| Short-term personnel benefits      | 34,307        | 29,678        |
| Pension plan- defined benefit plan | 10,728        | 11,471        |
| Other benefits                     | 4,276         | 16,639        |
| Total                              | 74,791        | 81,515        |

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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:

|                                       | 2015<br>MCh\$ | 2014<br>MCh\$ |
|---------------------------------------|---------------|---------------|
| Opening defined benefit obligation    | 11,471        | 10,696        |
| Increase in provisions                | 838           | 1,020         |
| Benefit paid                          | (1,614)       | (644)         |
| Effect of change in actuarial factors | 33            | 399           |
| Total                                 | 10,728        | 11,471        |

(ii) Net benefits expenses:

|                                       | 2015<br>MCh\$ | 2014<br>MCh\$ |
|---------------------------------------|---------------|---------------|
| Current service cost                  | 384           | 580           |
| Interest cost of benefits obligations | 454           | 440           |
| Effect of change in actuarial factors | 33            | 399           |
| Net benefit expenses                  | 871           | 1,419         |

(iii) Assumptions used to determine pension obligations:

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

| December 31,<br>2015<br>% | December 31,<br>2014<br>% |
|---------------------------|---------------------------|
|---------------------------|---------------------------|

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|                        |       |       |
|------------------------|-------|-------|
| Discount rate          | 4.60  | 4.38  |
| Annual salary increase | 5.41  | 5.12  |
| Payment probability    | 99.99 | 99.99 |

The most recent actuarial valuation of the present value of the benefit plan obligation was carried out at December 31, 2015.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

**24. Provisions, continued:**

## (e) Movements in provisions for incentive plans:

|                           | 2015<br>MCh\$ | 2014<br>MCh\$ |
|---------------------------|---------------|---------------|
| Balances as of January 1, | 29,678        | 32,000        |
| Provisions established    | 35,253        | 26,971        |
| Provisions used           | (30,624)      | (29,293)      |
| Provisions release        |               |               |
| Total                     | 34,307        | 29,678        |

## (f) Movements in provisions for vacations:

|                           | 2015<br>MCh\$ | 2014<br>MCh\$ |
|---------------------------|---------------|---------------|
| Balances as of January 1, | 23,727        | 21,895        |
| Provisions established    | 6,672         | 6,268         |
| Provisions used           | (4,919)       | (4,436)       |
| Provisions release        |               |               |
| Total                     | 25,480        | 23,727        |

## (g) Employee share-based benefits provision:

As of December 31, 2015 and 2014, the Bank and its subsidiaries do not have a stock compensation plan.

## (h) Contingent loan provisions:

As of December 31, 2015 and 2014, the Bank and its subsidiaries maintain contingent loan provisions by an amount of Ch\$ 59,213 million (Ch\$54,077 million in 2014). See note No. 26 (d).



Table of ContentsNOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, *continued***25. Other Liabilities:**

As of December 31, 2015 and 2014, other liabilities are detailed as follows:

|                                | 2015<br>MCh\$  | 2014<br>MCh\$  |
|--------------------------------|----------------|----------------|
| Accounts and notes payable (*) | 121,419        | 121,388        |
| Unearned income                | 6,644          | 5,946          |
| Dividends payable              | 1,255          | 1,011          |
| <b>Other liabilities</b>       |                |                |
| Cobranding                     | 54,006         | 43,291         |
| Documents intermediated (**)   | 39,735         | 45,580         |
| VAT debit                      | 13,235         | 13,605         |
| Leasing deferred gains         | 6,040          | 6,003          |
| Pending transactions           | 767            | 1,391          |
| Insurance payments             | 634            | 284            |
| Others                         | 15,577         | 8,583          |
| <b>Total</b>                   | <b>259,312</b> | <b>247,082</b> |

(\*) Include 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 Statement of Financial Position, they entail 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:

|   | 2015<br>MCh\$ | 2014<br>MCh\$ |
|---|---------------|---------------|
| <b>Contingent loans</b>                             |               |               |
| Guarantees and surety bonds                         | 389,727       | 412,474       |
| Confirmed foreign letters of credit                 | 33,871        | 136,846       |
| Issued foreign letters of credit                    | 122,060       | 152,582       |
| Bank guarantees                                     | 2,058,813     | 1,576,763     |
| Immediately available credit lines                  | 7,224,242     | 6,084,098     |
| Other commitments                                   | 204,862       | 14,434        |
| <b>Transactions on behalf of third parties</b>      |               |               |
| Collections   | 217,479       | 305,384       |
| Third-party resources managed by the Bank:          |               |               |
| Financial assets managed on behalf of third parties | 18,563        | 13,153        |
| Other assets managed on behalf of third parties     |               |               |
| Financial assets acquired on its own behalf         | 151,375       | 67,834        |
| Other assets acquired on its own behalf             |               |               |
| <b>Fiduciary activities</b>                         |               |               |
| Securities held in safe custody in the Bank         | 8,248,416     | 7,488,897     |
| Securities held in safe custody in other entities   | 5,006,510     | 4,865,570     |
| Total   | 23,675,918    | 21,118,035    |

Above information only includes the most significant balances.



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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued**

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**26. Contingencies and Commitments, continued:**

(b) Lawsuits and legal proceedings:

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

At the date of issuance of these consolidated financial statements, there are actions filed against the Bank and its subsidiaries related with the ordinary course operations. As of December 31, 2015, the Bank has established provisions for this concept in the amount of MCh\$14,877 (MCh\$8,073 in 2014), recorded within Provisions in the statement of financial position.

Actions most significatives are the following:

- Collective action filed by the National Consumer Service (Servicio Nacional del Consumidor) in accordance with Law No. 19,496. This action seeks to challenge some clauses of the Person Products Unified Agreement (Contrato Unificado de Productos de Personas) regarding fees on credit lines for overdraft and validity of the tacit consent to changes in fees, charges and other conditions in consumer contracts.
- Collective action filed by the National Corporation of Consumers and Users of Chile (Corporación Nacional de Consumidores y Usuarios de Chile) that challenge some clauses of the Person Products Unified Agreement (Contrato Unificado de Productos de Personas) regarding fees on credit lines for overdraft and validity of the tacit consent to changes in fees, charges and other conditions in consumer contracts, along with the outsourcing of certain services related to our clients' current account data.

Collective action filed by the National Organization of Consumers and Users of Chile ( Organización de Consumidores y Usuarios de Chile ) that requests the Court to declare abusive and void certain provisions of the Person Products Unified Agreement regarding the use of self-service channels (internet, ATMs, telephone banking) and Credit Cards. Such provisions refer to the user's duty to act with diligence and care with respect to passwords as well as the responsibility they have in case of disclosure to third parties, and the use by such third parties of them..

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The following table presents estimated date of completion of the respective litigation:

|                     | As of December 31, 2015 |       |       |       |        |
|---------------------|-------------------------|-------|-------|-------|--------|
|                     | 2016                    | 2017  | 2018  | 2019  | Total  |
|                     | MCh\$                   | MCh\$ | MCh\$ | MCh\$ | MCh\$  |
| Legal contingencies | 14,488                  | 19    | 370   |       | 14,877 |

Table of Contents**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued****26. Contingencies and Commitments, continued:****(b.2) Contingencies for significant lawsuits:**

As of December 31, 2015 and 2014, it does not exist any significant demands in courts that they affect or could affect the current consolidated financial statements.

**(c) Guarantees granted:****i. In subsidiary Banchile Administradora General de Fondos S.A.:**

In compliance with article 12 of Law 20,712, Banchile Administradora General de Fondos S.A., has designated Banco de Chile as the representative of the beneficiaries of the guarantees it has established and in that character the Bank has issued bank guarantees totaling UF 2,603,000, maturing January 8, 2016 (UF 2,458,000 maturing January 9, 2015 in December 2014).

In addition there are other guarantees for a guaranteed return on certain mutual funds, totaling Ch\$35,861 million as of December 31, 2014. There are not mutual funds guaranteed as of December 31, 2015.

| <b>Fund</b>                          | <b>2015<br/>MCh\$</b> | <b>Guarantees<br/>Number</b> | <b>2014<br/>MCh\$</b> | <b>Guarantees<br/>Number</b> |
|--------------------------------------|-----------------------|------------------------------|-----------------------|------------------------------|
| Mutual Fund Deposito Plus VI         |                       | Guaranted                    | 5,429                 | 002506-8                     |
| Mutual Fund Twin Win Europa 103      |                       | Guaranted                    | 3,537                 | 006035-1                     |
| Mutual Fund Europa Accionario        |                       | Guaranted                    | 2,059                 | 006036-9                     |
| Mutual Fund Deposito Plus V          |                       | Guaranted                    | 9,976                 | 001107-7                     |
| Mutual Fund Small Cap USA            |                       | Guaranted                    | 5,197                 | 008212-5                     |
| Mutual Fund Global Stocks            |                       | Guaranted                    | 2,964                 | 007385-9                     |
| Mutual Fund Second Best Europa China |                       | Guaranted                    | 1,649                 | 007082-7                     |
| Mutual Fund Chile Bursátil           |                       | Guaranted                    | 5,050                 | 006034-3                     |
|                                      |                       | <b>Total</b>                 | <b>35,861</b>         |                              |

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In compliance to stablish by the Superintendence of Securities and Insurance in letter f) of Circular 1,894 of September 24, 2008, the entity has constituted guarantees, by management portfolio, in benefit of investor. Such guarantee corresponds to a bank guarantee for UF 175,000, with maturity on January 8, 2016.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

**26. Contingencies and Commitments, continued:**

(c) Guarantees granted, continued:

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

For the purposes of ensuring correct and complete compliance with all of its obligations as 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 Mapfre Seguros Generales S.A., that matures April 22, 2016, whereby the Securities Exchange of the Santiago Stock Exchange was appointed as the subsidiary's creditor representative.

| <b>Guarantees:</b>   | <b>2015<br/>MCh\$</b> | <b>2014<br/>MCh\$</b> |
|--|-----------------------|-----------------------|
| Shares to secure short-sale transactions in:   |                       |                       |
| Securities Exchange of the Santiago Stock Exchange   | 14,628                | 17,158                |
| Securities Exchange of the Electronic Stock Exchange of Chile                                  | 27,981                | 8,748                 |
| Fixed income securities to ensure system CCLV, Bolsa de Comercio de Santiago, Bolsa de Valores | 2,995                 | 2,996                 |
| Fixed income securities to ensure stock loan, Bolsa Eléctronica de Chile, Bolsa de Valores     | 80                    |                       |
| <b>Total</b>   | <b>45,684</b>         | <b>28,902</b>         |

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

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According to disposition of Chilean Central Bank, it was constituted a bank guarantee corresponding to UF 10,500, with purposes to comply with the contract SOMA (Contract for Service System Open Market Operations) of Chilean Central Bank. This bank guarantee is revaluated in UF to fixed term, not endorsable with maturity of July 18, 2016.

It was constituted a bank guarantee No. 356782-3 corresponds to UF 185,000, in benefits of investors with contracts of portfolio management. This bank guarantee is revaluated in UF to fixed term, not endorsable with maturity of January 8, 2016.

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



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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

## 26. Contingencies and Commitments, continued:

## (c) Guarantees granted, continued:

## iii. In subsidiary Banchile Corredores de Seguros Ltda.

According to established in article No. 58, letter D of D.F.L. 251, as of December 31, 2015, the entity maintains two insurance policies that protect it in the face of possible damages that it could affect it, due to infractions of the law, regulations and complementary rules that regulate insurance brokers, and specially when the non-compliance is from acts, mistakes or omissions of the brokers, its represents, agent or dependent that participate in the intermediation.

The policies contracted are the following:

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

## (d) Provisions for contingencies loans:

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

|                             | 2015<br>MCh\$ | 2014<br>MCh\$ |
|-----------------------------|---------------|---------------|
| Free credit lines available | 36,743        | 34,715        |
| Bank guarantees             | 18,474        | 15,372        |
| Guarantees and surety bonds | 3,314         | 3,009         |
| Letters of credit           | 393           | 639           |
| Other commitments           | 289           | 342           |
| Total                       | 59,213        | 54,077        |



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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, *continued*

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**26. Contingencies and Commitments, continued:**

(e) In the Eleventh Civil Court of Santiago, Banchile Corredores de Bolsa S.A. presented a reclamation against the Resolución Exenta No. 270 of October 30, 2014 of the Superintendency of Securities and Insurance ( SVS ), whereby mentioned Superintendency sanctioned to pay a fine to Banchile Corredores de Bolsa S.A. ( Banchile Corredores ) by an amount of UF 50,000 for the alleged infringement of Article 53 second paragraph of Law 18,045 ( Ley de Mercado de Valores ), for certain specific transactions related to Sociedad Química y Minera de Chile S.A. s shares (SQM-A). For which Banchile appropriated 25% of the amount of the fine. Pursuant to complaint seeks to rescind the fine. Such reclamation was accumulated to the trial No. rol 25,795-2014 of 22nd. Civil Court of Santiago, in which still has not started the term probative.

According to the current policies, the company has not established provisions because in this judicial process has not yet been ruled as also in consideration that legal advisors estimate that there are grounds for the judgment result is favorable for society.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

27. **Equity:**

## (a) Capital

## i. Authorized, subscribed and paid shares:

As of December 31, 2015, the paid-in capital of Banco de Chile is represented by 96,129,146,433 registered shares (94,665,367,544 in 2014), with no par value, fully paid and distributed.

| Corporate Name or Shareholders' name                               | As of December 31, 2015 |                     |
|--|-------------------------|---------------------|
|  | Number of Shares        | % of Equity Holding |
| Sociedad Administradora de la Obligación Subordinada SAOS S.A.     | 28,593,701,789          | 29.745%             |
| LQ Inversiones Financieras S.A.                                    | 25,008,633,509          | 26.016%             |
| Sociedad Matriz del Banco de Chile S.A.                            | 12,138,555,766          | 12.627%             |
| Banco de Chile on behalf others Chapter XIV Resolution 5412 and 43 | 3,600,350,244           | 3.745%              |
| Banchile Corredores de Bolsa S.A.                                  | 2,765,666,079           | 2.877%              |
| Banco Itaú Chile (on behalf foreign investors)                     | 2,671,582,247           | 2.779%              |
| Ever 1 BAE S. P. A.  | 2,146,401,050           | 2.233%              |
| Ever Chile SPA   | 2,146,400,935           | 2.233%              |
| J.P. Morgan Chase Bank   | 1,884,488,143           | 1.960%              |
| Banco Santander on behalf foreign investors                        | 1,537,372,070           | 1.599%              |
| Inversiones Aspen Ltda.  | 1,485,607,284           | 1.545%              |
| A.F.P. Capital S.A.  | 911,465,483             | 0.948%              |
| Metlife Chile ACQUISITION CO. S.A.                                 | 813,321,479             | 0.846%              |
| A.F.P. Cuprum S.A. for pension fund                                | 811,048,878             | 0.844%              |
| A.F.P. Habitat S.A.  | 765,474,440             | 0.796%              |
| A.F.P. Provida S.A. for pension fund                               | 725,391,056             | 0.755%              |
| Inversiones Avenida Borgoño Limitada                               | 544,835,405             | 0.567%              |
| Larraín Vial S.A. Corredora de Bolsa                               | 409,321,431             | 0.426%              |
| BCI Corredor de Bolsa S.A.   | 359,636,083             | 0.374%              |
| Santander S.A. Corredores de Bolsa                                 | 302,266,806             | 0.314%              |
| Inversiones CDP Limitada   |                         |                     |
| Subtotal   | 89,621,520,177          | 93.23%              |
| Others shareholders  | 6,507,626,256           | 6.77%               |
| Total  | 96,129,146,433          | 100.00%             |



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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

27. **Equity, continued:**

## (a) Capital, continued

## i. Authorized, subscribed and paid-in capital, continued:

| Corporate Name or Shareholders' name                                | As of December 31, 2014 |                     |
|---|-------------------------|---------------------|
|   | Number of Shares        | % of Equity Holding |
| Sociedad Administradora de la Obligación Subordinada SAOS S.A.      | 28,593,701,789          | 30.208%             |
| LQ Inversiones Financieras S.A.                                     | 24,332,365,224          | 25.706%             |
| Sociedad Matriz del Banco de Chile S.A.                             | 12,138,549,725          | 12.824%             |
| Banco de Chile por cuenta de terceros Cap. XIV Resolución 5412 y 43 | 3,402,522,640           | 3.595%              |
| Banco Itaú Chile (por cuenta de inversionistas extranjeros)         | 2,594,927,157           | 2.741%              |
| Banchile Corredores de Bolsa S.A.                                   | 2,579,581,607           | 2.725%              |
| J. P. Morgan Chase Bank   | 2,212,481,817           | 2.337%              |
| Ever 1 BAE S. P. A.   | 2,099,164,561           | 2.218%              |
| Ever Chile SPA  | 2,099,164,453           | 2.218%              |
| Banco Santander por cuenta de inversionistas extranjeros            | 1,525,938,119           | 1.612%              |
| Inversiones Aspen Ltda.   | 1,452,913,081           | 1.535%              |
| A F P Provida S.A. Para Fondo de Pensiones                          | 831,032,632             | 0.878%              |
| A F P Cuprum S.A. Para Fondo de Pensiones                           | 721,136,873             | 0.762%              |
| Inversiones Avenida Borgoño Limitada                                | 708,607,074             | 0.749%              |
| Administradora de Fondos de Pensiones Capital S.A.                  | 666,618,567             | 0.704%              |
| Larraín Vial S.A. Corredora de Bolsa                                | 666,414,671             | 0.704%              |
| A F P Habitat S.A. Para Fondo de Pensiones                          | 537,933,217             | 0.568%              |
| BCI Corredor de Bolsa S.A.  | 447,368,991             | 0.473%              |
| BTG Pactual Chile S. A. Corredores de Bolsa                         | 348,610,893             | 0.368%              |
| Santander S.A. Corredores de Bolsa                                  | 323,834,554             | 0.342%              |
| Subtotal  | 88,282,867,645          | 93.27%              |
| Others shareholders   | 6,372,499,899           | 6.73%               |
| Total   | 94,655,367,544          | 100.00%             |

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

27. **Equity, continued:**

(a) Capital, continued

(ii) Shares:

(ii.1) On July 23, 2015 and regarding the capitalization of 30% of the distributable net income obtained during the fiscal year ending the 31st of December, 2014, through the issuance of fully paid-in shares, agreed in the Extraordinary Shareholders Meeting held on the 26th of March, 2015, where it was agreed to increase the Bank's capital in the amount of \$96,252,499,241 through the issuance of 1,473,778,889 fully paid-in shares, of no par value, payable under the distributable net income for the year 2014 that was not distributed as dividends as agreed at the Ordinary Shareholders Meeting held on the same day.

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

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

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

|  | <b>Total Ordinary<br/>Shares</b> |
|--|----------------------------------|
| Total shares as of December 31, 2013   | 93,175,043,991                   |
| Fully paid and subscribed shares       | 1,480,323,553                    |
| Total shares as of December 31, 2014   | 94,665,367,544                   |
| Capitalization of retained earnings(*) | 1,473,778,889                    |
| Total Shares as of December 31, 2015   | 96,129,146,433                   |

(\*) See note No. 5 (1) (i)



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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued**

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**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. Provisional article, was approved in an extraordinary shareholders meeting held on March 25, 2010 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 S.A., has been fully paid. 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, determined to resolve in favor regarding the proposal.

The amount distributable income for the period 2015 was by Ch\$463,528 million (Ch\$463,698 million in 2014).

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

(c) **Approval and payment of dividends:**

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

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

(d) **Provision for minimum dividends:**

The Board of Directors established a minimum dividend, where the Bank has to record a provision of 70% of net income. Accordingly, the Bank recorded a liability under the line item Provisions for an amount of MCh\$324,469 (MCh\$324,588 in 2014) 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 basic and diluted earnings per share as of December 31, 2015 and 2014 are shown in the following table, also shows the income and share data used in the calculation of EPS:

|   | 2015           | 2014           |
|---|----------------|----------------|
| <b>Basic earnings per share:</b>  |                |                |
| Net profits attributable to ordinary equity holders of the bank (in millions) | 558,995        | 591,080        |
| Weighted average number of ordinary shares                                    | 96,129,146,433 | 94,655,367,544 |
| Dividend per shares (in Chilean pesos) (*)                                    | 5.82           | 6.24           |
| <b>Diluted earnings per share:</b>  |                |                |
| Net profits attributable to ordinary equity holders of the bank (in millions) | 558,995        | 591,080        |
| Weighted average number of ordinary shares                                    | 96,129,146,433 | 94,655,367,544 |
| Assumed conversion of convertible debt  |                |                |
| Adjusted number of shares   | 96,129,146,433 | 94,655,367,544 |
| Diluted earnings per share (in Chilean pesos) (*)                             | 5.82           | 6.24           |

(\*) As of December 31, 2014 this calculation considers the effect of fully paid in shares issued during period 2015.

As of December 31, 2015 and 2014, 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**

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**27. Equity, continued:**

(f) Other comprehensive income:

This category includes the following items:

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 2015 it was made a credit to equity for an amount of Ch\$2 million (credit to equity for Ch\$80 millions in 2014).

The fair market value adjustment for available-for-sale instruments is generated by fluctuations in the fair value of that portfolio, with a charge or credit to equity, net of deferred taxes. During the period of 2015 it was made a net credit to equity for an amount of Ch\$5,874 million (net credit to equity for Ch\$4,590 millions in 2014).

Cash flow hedge adjustment it consists in the portion of income of hedge instruments registered in equity produced in a cash flow hedge. During the period of 2015 it was made a credit to equity for an amount of Ch\$7,728 million (credit to equity for Ch\$23,507 millions for the period 2014).

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

**28. Interest Revenue and Expenses:**

(a) On the financial statement closing date, the composition of income from interest and adjustments, not including income from hedge accounting, is as follows:

|                                | 2015              |                     |                             | 2014           |                   |                     |                             |                |
|--------------------------------|-------------------|---------------------|-----------------------------|----------------|-------------------|---------------------|-----------------------------|----------------|
|                                | Interest<br>MCh\$ | Adjustment<br>MCh\$ | Prepayment<br>fees<br>MCh\$ | Total<br>MCh\$ | Interest<br>MCh\$ | Adjustment<br>MCh\$ | Prepayment<br>fees<br>MCh\$ | Total<br>MCh\$ |
| Commercial loans               | 659,787           | 188,240             | 3,471                       | 851,498        | 695,377           | 260,582             | 4,682                       | 960,641        |
| Consumer loans                 | 560,590           | 3,327               | 9,389                       | 573,306        | 560,540           | 4,229               | 9,133                       | 573,902        |
| Residential<br>mortgage loans  | 233,887           | 230,935             | 4,811                       | 469,633        | 216,549           | 276,363             | 4,346                       | 497,258        |
| Financial<br>investment        | 46,376            | 16,055              |                             | 62,431         | 55,979            | 28,371              |                             | 84,350         |
| Repurchase<br>agreements       | 1,367             |                     |                             | 1,367          | 1,355             |                     |                             | 1,355          |
| Loans and<br>advances to banks | 28,267            |                     |                             | 28,267         | 18,938            |                     |                             | 18,938         |
| Other interest<br>revenue      | 719               | 2,701               |                             | 3,420          | 497               | 3,401               |                             | 3,898          |
| Total                          | 1,530,993         | 441,258             | 17,671                      | 1,989,922      | 1,549,235         | 572,946             | 18,161                      | 2,140,342      |

The amount of interest revenue recognized on a received basis for impaired portfolio in 2015 by Ch\$10,126 million (Ch\$9,013 million in 2014).

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

**28. Interest Revenue and Expenses, continued:**

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

|                            | Interest<br>MCh\$ | 2015<br>Adjustment<br>MCh\$ | Total<br>MCh\$ | Interest<br>MCh\$ | 2014<br>Adjustment<br>MCh\$ | Total<br>MCh\$ |
|----------------------------|-------------------|-----------------------------|----------------|-------------------|-----------------------------|----------------|
| Commercial loans           | 8,185             | 3,097                       | 11,282         | 9,854             | 2,403                       | 12,257         |
| Residential mortgage loans | 2,187             | 2,208                       | 4,395          | 1,609             | 1,593                       | 3,202          |
| Consumer loans             | 248               | 8                           | 256            | 184               |                             | 184            |
| Total                      | 10,620            | 5,313                       | 15,933         | 11,647            | 3,996                       | 15,643         |

(c) As of each year end, interest and adjustment expenses (not including hedge gain) are detailed as follows:

|  | Interest<br>MCh\$ | 2015<br>Adjustment<br>MCh\$ | Total<br>MCh\$ | Interest<br>MCh\$ | 2014<br>Adjustment<br>MCh\$ | Total<br>MCh\$ |
|--|-------------------|-----------------------------|----------------|-------------------|-----------------------------|----------------|
| Savings accounts and time deposits     | 274,920           | 67,035                      | 341,955        | 330,821           | 104,061                     | 434,882        |
| Debt issued                            | 169,053           | 160,058                     | 329,111        | 156,422           | 187,904                     | 344,326        |
| Other financial obligations            | 1,742             | 507                         | 2,249          | 1,737             | 2,136                       | 2,692          |
| Repurchase agreements                  | 6,948             | 268                         | 7,216          | 9,479             | 102                         | 9,581          |
| Borrowings from financial institutions | 10,171            |                             | 10,171         | 7,166             |                             | 7,166          |
| Demand deposits                        | 680               | 7,978                       | 8,658          | 669               | 7,974                       | 9,948          |
| Other interest expenses                |                   | 1,065                       | 1,065          |                   | 1,143                       | 1,082          |
| Total                                  | 463,514           | 236,911                     | 700,425        | 506,294           | 303,320                     | 809,614        |

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

**28. Interest Revenue and Expenses, continued:**

(d) As of December 31, 2015 and 2014, the Bank uses cross currency swap and interest rate swaps to hedge its position on the fair value of corporate bonds and commercial loans, and cross currency swaps to hedge its position on changes in cash flows from obligations with foreign banks and bonds issued in foreign currency.

|   | 2015                      |                   |                | 2014                      |                   |                |
|---|---------------------------|-------------------|----------------|---------------------------|-------------------|----------------|
|   | Income<br>(loss)<br>MCh\$ | Expenses<br>MCh\$ | Total<br>MCh\$ | Income<br>(loss)<br>MCh\$ | Expenses<br>MCh\$ | Total<br>MCh\$ |
| Gain from accounting hedges on fair value | 7,241                     |                   | 7,241          | 5,410                     |                   | 5,410          |
| Loss from accounting hedges on fair value | (6,044)                   |                   | (6,044)        | (6,706)                   |                   | (6,706)        |
| Gain from accounting hedges on cash flow  | 171,044                   | 212,031           | 383,075        | 79,007                    | 96,040            | 175,047        |
| Loss from accounting hedges on cash flow  | (256,121)                 | (191,775)         | (447,896)      | (177,968)                 | (75,214)          | (253,182)      |
| Net gain on hedged items                  | (6,740)                   |                   | (6,740)        | (6,239)                   |                   | (6,239)        |
| Total                                     | (90,620)                  | 20,256            | (70,364)       | (106,496)                 | 20,826            | (85,670)       |

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

|  | 2015<br>MCh\$ | 2014<br>MCh\$ |
|--|---------------|---------------|
| Interest revenue                         | 1,989,922     | 2,140,342     |
| Interest expenses                        | (700,425)     | (809,614)     |
| Subtotal                                 | 1,289,497     | 1,330,728     |
| Income accounting hedges (net)           | (70,364)      | (85,670)      |
| Total interest revenue and expenses, net | 1,219,133     | 1,245,058     |



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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

**29. Income and Expenses from Fees and Commissions:**

The income and expenses for fees and commissions shown in the Consolidated Statements of Comprehensive Income refer to the following items:

|   | 2015<br>MCh\$ | 2014<br>MCh\$ |
|---|---------------|---------------|
| <b>Income from fees and commission</b>    |               |               |
| Card services                             | 129,962       | 110,984       |
| Investments in mutual funds and other     | 76,843        | 65,199        |
| Collections and payments                  | 52,657        | 49,374        |
| Portfolio management                      | 39,276        | 37,719        |
| Fees for insurance transactions           | 23,258        | 19,674        |
| Use of distribution channel               | 20,679        | 19,931        |
| Guarantees and letters of credit          | 20,122        | 19,389        |
| Trading and securities management         | 16,438        | 15,527        |
| Use Banchile's brand                      | 13,661        | 13,152        |
| Lines of credit and overdrafts            | 13,400        | 20,844        |
| Financial advisory services               | 10,871        | 6,081         |
| Other fees earned                         | 18,909        | 9,578         |
| Total income from fees and commissions    | 436,076       | 387,452       |
| <b>Expenses from fees and commissions</b> |               |               |
| Credit card transactions                  | (100,231)     | (88,480)      |
| Fees for interbank transactions           | (14,322)      | (11,779)      |
| Fees for collections and payments         | (6,568)       | (6,423)       |
| Sale of mutual fund units                 | (3,951)       | (3,379)       |
| Fees for securities transactions          | (3,139)       | (2,851)       |
| Sales force fees                          | (1,343)       | (1,885)       |
| Other fees                                | (543)         | (467)         |
| Total expenses from fees and commissions  | (130,097)     | (115,264)     |

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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:

|  | 2015<br>MCh\$ | 2014<br>MCh\$ |
|--|---------------|---------------|
| Financial assets held-for-trading      | 18,659        | 27,873        |
| Sale of available-for-sale instruments | 8,861         | 18,102        |
| Sale of loan portfolios                | 4,130         | 993           |
| Derivative instruments                 | 3,202         | (17,453)      |
| Net loss on other transactions         | 1,687         | (56)          |
| Total                                  | 36,539        | 29,459        |

**31. Foreign Exchange Transactions, net:**

Net foreign exchange transactions are detailed as follows:

|  | 2015<br>MCh\$ | 2014<br>MCh\$ |
|--|---------------|---------------|
| (Loss) gain from accounting hedges         | 213,376       | 68,476        |
| (Loss) gain on translation difference, net | 21,410        | 20,493        |
| Indexed foreign currency                   | (177,468)     | (18,744)      |
| Total                                      | 57,318        | 70,225        |

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

**32. Provisions for Loan Losses:**

The movement of the results during 2015 and 2014, by concept of provisions, is summarized as follows:

|   | Loans and advances to banks |               | Commercial loans |               | Loans to customers Mortgage loans |               | Consumer loans |               | Subtotal      |               | Contingent loans |               | Total         |               |
|---|-----------------------------|---------------|------------------|---------------|-----------------------------------|---------------|----------------|---------------|---------------|---------------|------------------|---------------|---------------|---------------|
|   | 2015<br>MCh\$               | 2014<br>MCh\$ | 2015<br>MCh\$    | 2014<br>MCh\$ | 2015<br>MCh\$                     | 2014<br>MCh\$ | 2015<br>MCh\$  | 2014<br>MCh\$ | 2015<br>MCh\$ | 2014<br>MCh\$ | 2015<br>MCh\$    | 2014<br>MCh\$ | 2015<br>MCh\$ | 2014<br>MCh\$ |
| Provisions established:                           |                             |               |                  |               |                                   |               |                |               |               |               |                  |               |               |               |
| Individual provisions                             |                             |               | (61,286)         | (51,726)      |                                   |               |                |               | (61,286)      | (51,726)      | (3,723)          | (1,882)       | (65,009)      | (53,608)      |
| Group provisions                                  |                             |               | (40,094)         | (46,061)      | (13,484)                          | (8,497)       | (205,204)      | (197,195)     | (258,782)     | (251,753)     | (1,413)          | (2,918)       | (260,195)     | (254,671)     |
| Provisions established, net                       |                             |               | (101,380)        | (97,787)      | (13,484)                          | (8,497)       | (205,204)      | (197,195)     | (320,068)     | (303,479)     | (5,136)          | (4,800)       | (325,204)     | (308,279)     |
| Provisions released:                              |                             |               |                  |               |                                   |               |                |               |               |               |                  |               |               |               |
| Individual provisions                             | 114                         | 476           |                  |               |                                   |               |                |               |               |               |                  |               | 114           | 476           |
| Group provisions                                  |                             |               |                  |               |                                   |               |                |               |               |               |                  |               |               |               |
| Provisions released, net                          | 114                         | 476           |                  |               |                                   |               |                |               |               |               |                  |               | 114           | 476           |
| <b>Provision, net</b>                             | 114                         | 476           | (101,380)        | (97,787)      | (13,484)                          | (8,497)       | (205,204)      | (197,195)     | (320,068)     | (303,479)     | (5,136)          | (4,800)       | (325,090)     | (307,803)     |
| <b>Additional provision</b>                       |                             |               | (30,921)         | (22,499)      |                                   |               |                |               | (30,921)      | (22,499)      |                  |               | (30,921)      | (22,499)      |
| <b>Recovery of written-off assets</b>             |                             |               | 18,011           | 14,272        | 1,895                             | 2,152         | 33,043         | 29,885        | 52,949        | 46,309        |                  |               | 52,949        | 46,309        |
| <b>Provisions, net allowances for credit risk</b> | 114                         | 476           | (114,290)        | (106,014)     | (11,589)                          | (6,345)       | (172,161)      | (167,310)     | (298,040)     | (279,669)     | (5,136)          | (4,800)       | (303,062)     | (283,993)     |

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According to the Administration, the provisions constituted by credit risk, covers probable losses that could arise from the non-recovery of assets, according the revised information for the bank.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

**33. Personnel Expenses:**

Personnel expenses in 2015 and 2014 are detailed as follows:

|                             | 2015<br>MCh\$ | 2014<br>MCh\$ |
|-----------------------------|---------------|---------------|
| Remuneration                | 216,337       | 201,411       |
| Bonuses                     | 44,245        | 75,020        |
| Variables compensations     | 36,855        | 29,366        |
| Lunch and health benefits   | 25,339        | 24,263        |
| Profit-sharing plans        | 22,703        | 22,920        |
| Staff severance indemnities | 13,386        | 11,895        |
| Training expenses           | 2,546         | 2,639         |
| Other personnel expenses    | 19,977        | 16,998        |
| Total                       | 381,388       | 384,512       |

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

**34. Administrative Expenses:**

As of December 31, 2015 and 2014, administrative expenses are detailed as follows:

|  | 2015<br>MCh\$ | 2014<br>MCh\$ |
|--|---------------|---------------|
| <b>General administrative expenses</b>             |               |               |
| Information Technology and communications          | 60,902        | 55,985        |
| Maintenance and repair of property and equipment   | 32,816        | 30,368        |
| Office rental                                      | 24,466        | 22,705        |
| Securities and valuables transport services        | 11,966        | 10,504        |
| External advisory services                         | 9,427         | 8,149         |
| Office supplies                                    | 7,222         | 8,350         |
| Rent ATM area                                      | 6,518         | 6,883         |
| PO box, mail and postage                           | 5,741         | 4,844         |
| Lighting, heating and other utilities              | 5,241         | 4,416         |
| Legal and notary                                   | 4,718         | 4,239         |
| Representation and transferring of personnel       | 4,434         | 4,493         |
| Insurance premiums                                 | 4,147         | 3,339         |
| External services of financial information         | 2,956         | 2,368         |
| External services of file custody                  | 2,873         | 2,795         |
| Donations  | 2,170         | 2,358         |
| Other general administrative expenses              | 8,700         | 5,956         |
| Subtotal   | 194,297       | 177,752       |
| <b>Outsources services</b>                         |               |               |
| Credit pre-evaluation services                     | 20,683        | 21,916        |
| Data processing                                    | 10,566        | 8,669         |
| Expenditure on external technological developments | 8,050         | 8,073         |
| Certification and testing technology               | 5,141         | 5,476         |
| Other  | 3,492         | 3,087         |
| Subtotal   | 47,932        | 47,221        |
| <b>Board expenses</b>                              |               |               |
| Board remunerations                                | 2,296         | 2,235         |
| Other board expenses                               | 427           | 527           |
| Subtotal   | 2,723         | 2,762         |
| <b>Marketing expenses</b>                          |               |               |
| Advertising  | 32,509        | 29,917        |
| Subtotal   | 32,509        | 29,917        |
| <b>Taxes, payroll taxes and contributions</b>      |               |               |
| Contribution to the Superintendency of Banks       | 8,084         | 7,609         |
| Real estate contributions                          | 2,627         | 2,413         |
| Patents  | 1,300         | 1,255         |

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|             |         |         |
|-------------|---------|---------|
| Other taxes | 502     | 434     |
| Subtotal    | 12,513  | 11,711  |
| Total       | 289,974 | 269,363 |

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

**35. Depreciation, Amortization and Impairment:**

(a) Amounts charged to income for depreciation and amortization during the 2015 and 2014 periods are detailed as follows:

|   | 2015<br>MCh\$ | 2014<br>MCh\$ |
|---|---------------|---------------|
| <b>Depreciation and amortization</b>                  |               |               |
| Depreciation of property and equipment (Note No. 16b) | 21,206        | 22,149        |
| Amortization of intangibles assets (Note No. 15b)     | 8,331         | 8,352         |
| Total   | 29,537        | 30,501        |

(b) As of December 31, 2015 and 2014, the impairment loss is detailed as follows:

|   | 2015<br>MCh\$ | 2014<br>MCh\$ |
|---|---------------|---------------|
| <b>Impairment loss</b>                                  |               |               |
| Impairment loss on investment instruments               |               |               |
| Impairment loss on property and equipment (Note No.16b) | 204           | 1,965         |
| Impairment loss on intangibles assets (Note No.15b)     | 59            | 120           |
| Total   | 263           | 2,085         |



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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

**36. Other Operating Income:**

During 2015 and 2014, the Bank and its subsidiaries present the following under other operating income:

|  | 2015<br>MCh\$ | 2014<br>MCh\$ |
|--|---------------|---------------|
| <b>Income for assets received in lieu of payment</b>   |               |               |
| Income from sale of assets received in lieu of payment | 3,470         | 3,484         |
| Other income   | 15            | 11            |
| Subtotal   | 3,485         | 3,495         |
| <b>Release of provisions for contingencies</b>         |               |               |
| Country risk provisions                                |               |               |
| Other provisions for contingencies                     | 280           |               |
| Subtotal   | 280           |               |
| <b>Other income</b>                                    |               |               |
| Rental income  | 8,537         | 8,083         |
| Expense recovery                                       | 3,814         | 2,525         |
| Recovery from external branches                        | 2,980         | 2,525         |
| Credit card income                                     | 1,987         | 2,694         |
| Monthly prepaid taxes revaluation                      | 1,632         | 1,910         |
| Income from differences sale leased assets             | 1,520         | 2,313         |
| Sale of recoveries charge-off leased assets            | 465           | 52            |
| Fiduciary and trustee commissions                      | 210           | 194           |
| Gain on sale of property and equipment                 | 208           | 156           |
| Release of provisions                                  |               | 2,318         |
| International Fiduciary operating expenses recovery    |               | 1,263         |
| Others   | 2,268         | 1,849         |
| Subtotal   | 23,621        | 25,977        |
| Total  | 27,386        | 29,472        |

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

**37. Other Operating Expenses:**

During 2015 and 2014, the Bank and its subsidiaries incurred the following other operating expenses:

|   | 2015<br>MCh\$ | 2014<br>MCh\$ |
|---|---------------|---------------|
| <b>Provisions and expenses for assets received in lieu of payment</b> |               |               |
| Charge-off assets received in lieu of payment                         | 1,302         | 1,622         |
| Expenses to maintain assets received in lieu of payment               | 483           | 487           |
| Provisions for assets received in lieu of payment                     | 319           | 260           |
| Subtotal  | 2,104         | 2,369         |
| <b>Provisions for contingencies</b>                                   |               |               |
| Country risk provisions   | 1,301         | 1,189         |
| Other provisions for contingencies                                    | 6,360         | 7,750         |
| Subtotal  | 7,661         | 8,939         |
| <b>Other expenses</b>   |               |               |
| Operating write-offs  | 4,844         | 5,076         |
| Card administration   | 3,373         | 949           |
| Provisions and write-off other assets                                 | 2,361         | 5,256         |
| Operational expenses and write-offs for leasing                       | 1,096         | 1,689         |
| Provision for recovery of leased assets                               | 692           | 430           |
| Civil judgments   | 289           | 286           |
| Contributions to government organizations                             | 234           | 227           |
| Mortgage life insurance   | 198           | 360           |
| Losses on sale of property and equipment                              | 4             | 1             |
| Others  | 2,220         | 2,619         |
| Subtotal  | 15,311        | 16,893        |
| <b>Total</b>  | <b>25,076</b> | <b>28,201</b> |

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued**

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**38. Related Party Transactions:**

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

Corporations Art, 147, states that a public corporation can only enter into transactions with related parties when the objective is to contribute to the company's interests, 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:

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

|                                       | Production Companies (*) |                | Investment Companies (**) |               | Individuals (***) |               | Total          |                |
|---------------------------------------|--------------------------|----------------|---------------------------|---------------|-------------------|---------------|----------------|----------------|
|                                       | 2015<br>MCh\$            | 2014<br>MCh\$  | 2015<br>MCh\$             | 2014<br>MCh\$ | 2015<br>MCh\$     | 2014<br>MCh\$ | 2015<br>MCh\$  | 2014<br>MCh\$  |
| <b>Loans and accounts receivable:</b> |                          |                |                           |               |                   |               |                |                |
| Commercial loans                      | 289,803                  | 287,943        | 40,916                    | 36,383        | 7,570             | 1,878         | 338,289        | 326,204        |
| Residential mortgage loans            |                          |                |                           |               | 27,678            | 19,970        | 27,678         | 19,970         |
| Consumer loans                        |                          |                |                           |               | 5,682             | 4,111         | 5,682          | 4,111          |
| Gross loans                           | 289,803                  | 287,943        | 40,916                    | 36,383        | 40,930            | 25,959        | 371,649        | 350,285        |
| Provision for loan losses             | (921)                    | (790)          | (79)                      | (132)         | (248)             | (68)          | (1,248)        | (990)          |
| <b>Net loans</b>                      | <b>288,882</b>           | <b>287,153</b> | <b>40,837</b>             | <b>36,251</b> | <b>40,682</b>     | <b>25,891</b> | <b>370,401</b> | <b>349,295</b> |
| <b>Off balance sheet accounts</b>     |                          |                |                           |               |                   |               |                |                |
| Guarantees                            | 11,501                   | 3,238          | 46                        | 40            |                   |               | 11,547         | 3,278          |
| Letters of credits                    | 487                      | 1,344          |                           |               |                   |               | 487            | 1,344          |
| Banks guarantees                      | 63,247                   | 42,195         | 2,473                     | 387           |                   |               | 65,720         | 42,582         |
| Immediately available credit lines    | 60,002                   | 52,900         | 24,470                    | 24,686        | 15,319            | 10,997        | 99,791         | 88,583         |
| Total off balance sheet account       | 135,237                  | 99,677         | 26,989                    | 25,113        | 15,319            | 10,997        | 177,545        | 135,787        |
| Provision for contingencies loans     | (117)                    | (89)           | (1)                       |               |                   |               | (118)          | (89)           |
| <b>Off balance sheet account, net</b> | <b>135,120</b>           | <b>99,588</b>  | <b>26,988</b>             | <b>25,113</b> | <b>15,319</b>     | <b>10,997</b> | <b>177,427</b> | <b>135,698</b> |
| <b>Amount covered by Collateral</b>   |                          |                |                           |               |                   |               |                |                |
| Mortgage Warrant                      | 88,140                   | 62,291         | 7,619                     | 7,688         | 39,657            | 28,646        | 135,416        | 98,625         |
| Pledge                                |                          |                |                           |               | 3                 | 3             | 3              | 3              |
| Other (****)                          | 84,913                   | 32,188         | 11,873                    | 9,005         | 1,704             | 2,330         | 98,490         | 43,523         |

|                                   |                |               |               |               |               |               |                |                |
|-----------------------------------|----------------|---------------|---------------|---------------|---------------|---------------|----------------|----------------|
| <b>Total collateral</b>           | <b>173,053</b> | <b>94,479</b> | <b>19,492</b> | <b>16,693</b> | <b>41,364</b> | <b>30,979</b> | <b>233,909</b> | <b>142,151</b> |
| <b>Acquired Instruments</b>       |                |               |               |               |               |               |                |                |
| For trading purposes              | 7,454          |               |               |               |               |               | 7,454          |                |
| For investment purposes           |                |               |               | 6,015         |               |               |                | 6,015          |
| <b>Total acquired instruments</b> | <b>7,454</b>   |               |               | <b>6,015</b>  |               |               | <b>7,454</b>   | <b>6,015</b>   |

(\*) 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.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

**38. Related Party Transactions, continued:**

## (b) Other assets and liabilities with related parties:

|  | 2015<br>MCh\$  | 2014<br>MCh\$  |
|--|----------------|----------------|
| <b>Assets</b>                          |                |                |
| Cash and due from banks                | 10,497         | 10,478         |
| Derivative instruments                 | 112,370        | 85,226         |
| Other assets                           | 18,378         | 17,386         |
| <b>Total</b>                           | <b>141,245</b> | <b>113,090</b> |
| <b>Liabilities</b>                     |                |                |
| Demand deposits                        | 133,964        | 220,603        |
| Savings accounts and time deposits     | 300,868        | 423,012        |
| Derivative instruments                 | 101,433        | 123,569        |
| Borrowings from financial institutions | 321,374        | 154,022        |
| Other liabilities                      | 24,709         | 26,205         |
| <b>Total</b>                           | <b>882,348</b> | <b>947,411</b> |

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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  | 2015            |                  | 2014            |                  |
|---------------------------------------|-----------------|------------------|-----------------|------------------|
|                                       | Income<br>MCh\$ | Expense<br>MCh\$ | Income<br>MCh\$ | Expense<br>MCh\$ |
| Interest and revenue expenses         | 23,830          | 14,166           | 23,873          | 18,631           |
| Fees and commission income            | 54,094          | 45,291           | 56,154          | 40,879           |
| Financial operating                   | 276,154         | 224,328          | 130,606         | 144,403          |
| Release and Provision for credit risk |                 | 230              | 141             |                  |
| Operating expenses                    |                 | 115,231          |                 | 100,070          |
| Other income and expenses             | 486             | 29               | 631             | 83               |
| <b>Total</b>                          | <b>354,564</b>  | <b>399,275</b>   | <b>211,405</b>  | <b>304,066</b>   |

(\*) This detail does not constitute an Income Statement 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:

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

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

## (e) Payments to key management personnel:

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|                                | <b>2015<br/>MCh\$</b> | <b>2014<br/>MCh\$</b> |
|--------------------------------|-----------------------|-----------------------|
| Remunerations                  | 3,798                 | 3,752                 |
| Short-term benefits            | 3,721                 | 4,123                 |
| Contract termination indemnity |                       | 1,251                 |
| Stock-based benefits           |                       |                       |
| Total                          | 7,519                 | 9,126                 |



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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

**38. Related Party Transactions, continued:**

## (e) Payments to key management personnel, continued:

Composition of key personnel:

| Position             | N° of executives |      |
|----------------------|------------------|------|
|                      | 2015             | 2014 |
| CEO                  | 1                | 1    |
| CEOs of subsidiaries | 7                | 7    |
| Division Managers    | 12               | 11   |
| Total                | 20               | 19   |

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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         |               |
|---------------------------|---------------|---------------|-----------------------------------|---------------|---|---------------|---------------|---------------|---------------|---------------|
|                           | 2015<br>MCh\$ | 2014<br>MCh\$ | 2015<br>MCh\$                     | 2014<br>MCh\$ | 2015<br>MCh\$   | 2014<br>MCh\$ | 2015<br>MCh\$ | 2014<br>MCh\$ | 2015<br>MCh\$ | 2014<br>MCh\$ |
| Pablo Granifo Lavín       | 397(*)        | 383(*)        | 50                                | 52            | 363   | 365           |               |               | 810           | 800           |
| Andrónico Luksic Craig    | 162           | 155           | 12                                | 10            |   |               |               |               | 174           | 165           |
| Jorge Awad Mehech         | 54            | 52            | 25                                | 24            | 102   | 130           |               |               | 181           | 206           |
| Gonzalo Menéndez Duque    | 54            | 52            | 21                                | 23            | 114   | 115           | 27            | 26            | 216           | 216           |
| Jaime Estévez Valencia    | 54            | 52            | 26                                | 26            | 128   | 106           |               |               | 208           | 184           |
| Rodrigo Manubens Moltedo  | 54            | 52            | 26                                | 24            | 56  | 51            |               |               | 136           | 127           |
| Jorge Ergas Heymann       | 54            | 52            | 18                                | 19            | 47  | 60            |               |               | 119           | 131           |
| Francisco Pérez Mackenna  | 54            | 52            | 21                                | 22            | 70  | 55            |               |               | 145           | 129           |
| Thomas Fürst Freiwirth    | 54            | 52            | 20                                | 19            | 41  | 40            |               |               | 115           | 111           |
| Jean-Paul Luksic Fontbona | 54            | 52            | 11                                | 9             |   |               |               |               | 65            | 61            |
| Others                    |               |               |                                   |               | 153   | 147           |               |               | 153           | 147           |
| Total                     | 991           | 954           | 230                               | 228           | 1,074   | 1,069         | 27            | 26            | 2,322         | 2,277         |

(1) Includes fees paid to members of the Advisory Committee of Banchile Corredores de Seguros Ltda, of MCh\$17 (MCh\$16 in 2014).

(\*) Includes a provision of MCh\$235 (MCh\$226 in 2014) for an incentive subject to achieving the Bank's forecasted earnings.

Fees paid for advisory services to the Board of Directors amount to MCh\$271 (MCh\$259 in 2014).

Travel and other related expenses amount to MCh\$130 (MCh\$226 in 2014).



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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued**

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

- (ii) Quoted prices in active markets.

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

- (iii) Valuation techniques

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

Due to the fact that fair value models 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, 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**

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**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, valued at midpoint. For example, long positions in an asset will be impacted in order to reflect the fact that in selling that position will be quoted at bid instead at midpoint. For the bid/offer spread adjustment, market quotes or indicative prices for each position, instrument, currency and term are used. Bid, mid and offer market quotes are considered.

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

(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**

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

For 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, in the case of mutual funds and equity, is used the current price multiplied by the quantity of instruments to calculate the fair value.



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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, *continued*

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

(a) Fair value hierarchy, continued

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

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

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

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

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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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

(a) Fair value hierarchy, continued

Valorization Techniques and Inputs:

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

(a) Fair value hierarchy, continued

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

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

Valuation Techniques and Inputs:

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



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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         |               |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|  | 2015<br>MCh\$ | 2014<br>MCh\$ | 2015<br>MCh\$ | 2014<br>MCh\$ | 2015<br>MCh\$ | 2014<br>MCh\$ | 2015<br>MCh\$ | 2014<br>MCh\$ |
| <b>Financial Assets</b>                      |               |               |               |               |               |               |               |               |
| Financial assets held-for-trading            |               |               |               |               |               |               |               |               |
| From the Chilean Government and Central Bank | 122,920       | 80,374        | 126,996       | 8,496         |               |               | 249,916       | 88,870        |
| Other instruments issued in Chile            | 10,420        | 364           | 565,210       | 202,823       | 18,028        | 1,401         | 593,658       | 204,588       |
| Instruments issued abroad                    |               |               |               |               |               |               |               |               |
| Mutual fund investments                      | 23,080        | 255,013       |               |               |               |               | 23,080        | 255,013       |
| Subtotal                                     | 156,420       | 335,751       | 692,206       | 211,319       | 18,028        | 1,401         | 866,654       | 548,471       |
| Derivative contracts for trading purposes    |               |               |               |               |               |               |               |               |
| Forwards                                     |               |               | 180,616       | 140,676       |               |               | 180,616       | 140,676       |
| Swaps  |               |               | 739,777       | 609,843       |               |               | 739,777       | 609,843       |
| Call Options                                 |               |               | 1,878         | 2,583         |               |               | 1,878         | 2,583         |
| Put Options                                  |               |               | 680           | 287           |               |               | 680           | 287           |
| Futures                                      |               |               |               |               |               |               |               |               |
| Subtotal                                     |               |               | 922,951       | 753,389       |               |               | 922,951       | 753,389       |
| Hedge accounting derivative contracts        |               |               |               |               |               |               |               |               |
| Swaps  |               |               | 279           | 101           |               |               | 279           | 101           |
| Cash flow hedge (Swap)                       |               |               | 203,892       | 78,703        |               |               | 203,892       | 78,703        |
| Subtotal                                     |               |               | 204,171       | 78,804        |               |               | 204,171       | 78,804        |
| Financial assets available-for-sale (1)      |               |               |               |               |               |               |               |               |
| From the Chilean Government and Central Bank | 15,321        | 86,066        | 71,187        | 253,258       |               |               | 86,508        | 339,324       |
| Other instruments issued in Chile            |               |               | 735,724       | 1,017,962     | 96,125        | 179,378       | 831,849       | 1,197,340     |
| Instruments issued abroad                    | 81,644        | 58,376        |               | 3,211         |               | 1,938         | 81,644        | 63,525        |
| Subtotal                                     | 96,965        | 144,442       | 806,911       | 1,274,431     | 96,125        | 181,316       | 1,000,001     | 1,600,189     |
| Total  | 253,385       | 480,193       | 2,626,239     | 2,317,943     | 114,153       | 182,717       | 2,993,777     | 2,980,853     |

**Financial Liabilities**

Derivative contracts for trading purposes



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|                            |           |         |           |         |
|----------------------------|-----------|---------|-----------|---------|
| Forwards                   | 207,961   | 128,117 | 207,961   | 128,117 |
| Swaps                      | 897,513   | 691,524 | 897,513   | 691,524 |
| Call Options               | 3,689     | 2,249   | 3,689     | 2,249   |
| Put Options                | 549       | 362     | 549       | 362     |
| Futures                    |           |         |           |         |
| Subtotal                   | 1,109,712 | 822,252 | 1,109,712 | 822,252 |
| Hedge derivative contracts |           |         |           |         |
| Fair value hedge (Swap)    | 14,549    | 19,904  | 14,549    | 19,904  |
| Cash flow hedge (Swap)     | 3,666     | 17,596  | 3,666     | 17,596  |
| Subtotal                   | 18,215    | 37,500  | 18,215    | 37,500  |
| Total                      | 1,127,927 | 859,752 | 1,127,927 | 859,752 |

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(1) As of December 31, 2015, 91% of instruments of level 3 have denomination Investment Grade , meaning are assets with a classification BBB- or higher. Also, 100% of total of these financial instruments correspond to domestic issuers.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

## (c) Level 3 reconciliation

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

|                                      | Balance as<br>of January<br>1, 2015<br>MCh\$ | Gain (Loss)<br>Recognized<br>in Income<br>MCh\$ | Gain (Loss)<br>Recognized<br>in Equity<br>MCh\$ | As of December 31, 2015 |                | Transfer<br>since Level 1<br>and 2<br>MCh\$ | Transfer<br>to Level 1<br>and 2<br>MCh\$ | Balance as of<br>December 31,<br>2015<br>MCh\$ |
|--------------------------------------|--|---|---|-------------------------|----------------|---|--|--|
|                                      |  |   |   | Purchases<br>MCh\$      | Sales<br>MCh\$ |   |  |  |
| <b>Financial Assets</b>              |  |   |   |                         |                |   |  |  |
| Financial assets<br>held-for-trading |  |   |   |                         |                |   |  |  |
| Other instruments<br>issued in Chile | 1,401  | (26)  |   | 18,055                  | (51)           |   | (1,351)                                  | 18,028   |
| Subtotal                             | 1,401  | (26)  |   | 18,055                  | (51)           |   | (1,351)                                  | 18,028   |
| Available for Sale<br>Instruments    |  |   |   |                         |                |   |  |  |
| Other instruments<br>issued in Chile | 179,378                                      | 11,230  | (775)   | 213                     | (101,213)      | 13,336                                      | (6,044)                                  | 96,125   |
| Instruments issued<br>abroad         | 1,938  | 103   | 56  |                         | (2,097)        |   |  |  |
| Subtotal                             | 181,316                                      | 11,333  | (719)   | 213                     | (103,310)      | 13,336                                      | (6,044)                                  | 96,125   |
| Total                                | 182,717                                      | 11,307  | (719)   | 18,268                  | (103,361)      | 13,336                                      | (7,395)                                  | 114,153  |

|                                      | Balance as<br>of January<br>1, 2014<br>MCh\$ | Gain (Loss)<br>Recognized<br>in Income<br>MCh\$ | Gain (Loss)<br>Recognized<br>in Equity<br>MCh\$ | As of December 31, 2014 |                | Transfer<br>since Level 1<br>and 2<br>MCh\$ | Transfer<br>to Level 1<br>and 2<br>MCh\$ | Balance as of<br>December 31,<br>2014<br>MCh\$ |
|--------------------------------------|--|---|---|-------------------------|----------------|---|--|--|
|                                      |  |   |   | Purchases<br>MCh\$      | Sales<br>MCh\$ |   |  |  |
| <b>Financial Assets</b>              |  |   |   |                         |                |   |  |  |
| Financial assets<br>held-for-trading |  |   |   |                         |                |   |  |  |
| Other instruments<br>issued in Chile | 2,439  | (1,087)   |   | 49                      |                |   |  | 1,401  |
| Subtotal                             | 2,439  | (1,087)   |   | 49                      |                |   |  | 1,401  |
| Available for Sale<br>Instruments    |  |   |   |                         |                |   |  |  |
| Other instruments<br>issued in Chile | 76,975                                       | 6,230   | 784   | 82,909                  | (18,483)       | 30,963                                      |  | 179,378  |
|                                      | 1,679  | 270   | (11)  |                         |                |   |  | 1,938  |

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Instruments issued

abroad

|          |        |       |     |        |          |        |         |
|----------|--------|-------|-----|--------|----------|--------|---------|
| Subtotal | 78,654 | 6,500 | 773 | 82,909 | (18,483) | 30,963 | 181,316 |
| Total    | 81,093 | 5,413 | 773 | 82,958 | (18,483) | 30,963 | 182,717 |

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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 December 31, 2015 |  | As of December 31, 2014 |  |
|--|-------------------------|--|-------------------------|--|
|  | Level 3<br>MCh\$        | Sensitivity to changes<br>in key assumptions of<br>models<br>MCh\$ | Level 3<br>MCh\$        | Sensitivity to changes<br>in key assumptions of<br>models<br>MCh\$ |
| <b>Financial Assets</b>                |                         |  |                         |  |
| Financial assets<br>held-for-trading   |                         |  |                         |  |
| Other instruments issued in<br>Chile   | 18,028                  | (445)  | 1,401                   | (150)  |
| Total                                  | 18,028                  | (445)  | 1,401                   | (150)  |
| Financial assets<br>available-for-Sale |                         |  |                         |  |
| Other instruments issued in<br>Chile   | 96,125                  | (1,969)  | 179,378                 | (3,542)  |
| Instruments issued abroad              |                         |  | 1,938                   | (67)   |
| Total                                  | 96,125                  | (1,969)  | 181,316                 | (3,609)  |
| Total                                  | 114,153                 | (2,414)  | 182,717                 | (3,759)  |

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

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

**39. Fair Value of Financial Assets and Liabilities, continued:****(e) Other assets and liabilities:**

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

|   | Book Value    |               | Fair Value    |               |
|---|---------------|---------------|---------------|---------------|
|   | 2015<br>MCh\$ | 2014<br>MCh\$ | 2015<br>MCh\$ | 2014<br>MCh\$ |
| <b>Assets</b>   |               |               |               |               |
| Cash and due from banks                                       | 1,361,222     | 915,133       | 1,361,222     | 915,133       |
| Transactions in the course of collection                      | 526,046       | 400,081       | 526,046       | 400,081       |
| Receivables from repurchase agreements and security borrowing | 46,164        | 27,661        | 46,164        | 27,661        |
| Subtotal  | 1,933,432     | 1,342,875     | 1,933,432     | 1,342,875     |
| Loans and advances to banks                                   |               |               |               |               |
| Domestic banks  | 45,186        | 169,953       | 45,186        | 169,953       |
| Central bank  | 1,000,433     | 551,108       | 1,000,433     | 551,108       |
| Foreign banks   | 349,576       | 434,304       | 349,576       | 434,304       |
| Subtotal  | 1,395,195     | 1,155,365     | 1,395,195     | 1,155,365     |
| Loans to customers, net                                       |               |               |               |               |
| Commercial loans  | 14,046,119    | 12,790,468    | 13,859,949    | 12,707,255    |
| Residential mortgage loans                                    | 6,370,034     | 5,394,602     | 6,625,557     | 5,657,988     |
| Consumer loans  | 3,540,122     | 3,162,963     | 3,525,034     | 3,170,640     |
| Subtotal  | 23,956,275    | 21,348,033    | 24,010,540    | 21,535,883    |
| Total   | 27,284,902    | 23,846,273    | 27,339,167    | 24,034,123    |
| <b>Liabilities</b>  |               |               |               |               |
| Current accounts and other demand deposits                    | 8,327,048     | 6,934,373     | 8,327,048     | 6,934,373     |
| Transactions in the course of payment                         | 241,842       | 96,945        | 241,842       | 96,945        |
| Payables from repurchase agreements and security lending      | 184,131       | 249,482       | 184,131       | 249,482       |
| Savings accounts and time deposits                            | 9,907,692     | 9,721,246     | 9,902,468     | 9,719,397     |
| Borrowings from financial institutions                        | 1,529,627     | 1,098,716     | 1,522,667     | 1,094,468     |
| Other financial obligations                                   | 173,081       | 186,573       | 173,081       | 186,573       |
| Subtotal  | 20,363,421    | 18,287,335    | 20,351,237    | 18,281,238    |
| Debt Issued   |               |               |               |               |
| Letters of credit for residential purposes                    | 39,568        | 52,730        | 41,849        | 55,482        |
| Letters of credit for general purposes                        | 6,813         | 11,584        | 7,206         | 12,189        |
| Bonds   | 5,270,214     | 4,223,047     | 5,302,742     | 4,283,006     |

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|                   |            |            |            |            |
|-------------------|------------|------------|------------|------------|
| Subordinate bonds | 785,613    | 770,595    | 788,883    | 782,529    |
| Subtotal          | 6,102,208  | 5,057,956  | 6,140,680  | 5,133,206  |
| Total             | 26,465,629 | 23,345,291 | 26,491,917 | 23,414,444 |

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued**

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

(e) Other assets and liabilities, continued:

Other financial assets and liabilities not measured at fair value, but for which a fair value is estimated even when not managed based on this value, include assets and liabilities such as loans, deposits and other time deposits, debt issued and other financial assets and liabilities with different maturities and characteristics. The fair values of these assets and liabilities are calculated using the model of discounted cash flow (DCF) and the use of various sources of data such as yield curves, credit risk spreads, etc. Additionally, because some of these assets and liabilities are not traded in the market, it requires analysis and periodic reviews to determine the suitability of inputs and fair values determined.

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

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

(f) Levels of other assets and liabilities:

|   | Level 1                      |                              | Level 2                      |                              | Level 3                      |                              | Total                        |                              |
|---|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
|   | Estimated Fair Value<br>2015 | Estimated Fair Value<br>2014 | Estimated Fair Value<br>2015 | Estimated Fair Value<br>2014 | Estimated Fair Value<br>2015 | Estimated Fair Value<br>2014 | Estimated Fair Value<br>2015 | Estimated Fair Value<br>2014 |
|   | MCh\$                        | MCh\$                        | MCh\$                        | MCh\$                        | MCh\$                        | MCh\$                        | MCh\$                        | MCh\$                        |
| <b>Assets</b>   |                              |                              |                              |                              |                              |                              |                              |                              |
| Cash and due from banks                                       | 1,361,222                    | 915,133                      |                              |                              |                              |                              | 1,361,222                    | 915,133                      |
| Transactions in the course of collection                      | 526,046                      | 400,081                      |                              |                              |                              |                              | 526,046                      | 400,081                      |
| Receivables from repurchase agreements and security borrowing | 46,164                       | 27,661                       |                              |                              |                              |                              | 46,164                       | 27,661                       |
| Subtotal  | 1,933,432                    | 1,342,875                    |                              |                              |                              |                              | 1,933,432                    | 1,342,875                    |
| Loans and advances to banks                                   |                              |                              |                              |                              |                              |                              |                              |                              |
| Domestic banks  | 45,186                       | 169,953                      |                              |                              |                              |                              | 45,186                       | 169,953                      |
| Central bank  | 1,000,433                    | 551,108                      |                              |                              |                              |                              | 1,000,433                    | 551,108                      |
| Foreign banks   | 349,576                      | 434,304                      |                              |                              |                              |                              | 349,576                      | 434,304                      |
| Subtotal  | 1,395,195                    | 1,155,365                    |                              |                              |                              |                              | 1,395,195                    | 1,155,365                    |
| Loans to customers, net                                       |                              |                              |                              |                              |                              |                              |                              |                              |
| Commercial loans  |                              |                              |                              |                              | 13,859,949                   | 12,707,255                   | 13,859,949                   | 12,707,255                   |
| Residential mortgage loans                                    |                              |                              |                              |                              | 6,625,557                    | 5,657,988                    | 6,625,557                    | 5,657,988                    |
| Consumer loans  |                              |                              |                              |                              | 3,525,034                    | 3,170,640                    | 3,525,034                    | 3,170,640                    |
| Subtotal  |                              |                              |                              |                              | 24,010,540                   | 21,535,883                   | 24,010,540                   | 21,535,883                   |
| Total   | 3,328,627                    | 2,498,240                    |                              |                              | 24,010,540                   | 21,535,883                   | 27,339,167                   | 24,034,123                   |
| <b>Liabilities</b>  |                              |                              |                              |                              |                              |                              |                              |                              |
| Current accounts and other demand deposits                    | 8,327,048                    | 6,934,373                    |                              |                              |                              |                              | 8,327,048                    | 6,934,373                    |
| Transactions in the course of payment                         | 241,842                      | 96,945                       |                              |                              |                              |                              | 241,842                      | 96,945                       |
| Payables from repurchase agreements and security lending      | 184,131                      | 249,482                      |                              |                              |                              |                              | 184,131                      | 249,482                      |
| Savings accounts and time deposits                            |                              |                              |                              |                              | 9,902,468                    | 9,719,397                    | 9,902,468                    | 9,719,397                    |



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|  |           |           |            |            |            |            |
|--|-----------|-----------|------------|------------|------------|------------|
| Borrowings from financial institutions     |           |           | 1,522,667  | 1,094,468  | 1,522,667  | 1,094,468  |
| Other financial obligations                | 173,081   | 186,573   |            |            | 173,081    | 186,573    |
| Subtotal                                   | 8,926,102 | 7,467,373 | 11,425,135 | 10,813,865 | 20,351,237 | 18,281,238 |
| Debt Issued                                |           |           |            |            |            |            |
| Letters of credit for residential purposes |           |           | 41,849     | 55,482     | 41,849     | 55,482     |
| Letters of credit for general purposes     |           |           | 7,206      | 12,189     | 7,206      | 12,189     |
| Bonds                                      |           |           | 5,302,742  | 4,283,006  | 5,302,742  | 4,283,006  |
| Subordinate bonds                          |           |           |            | 788,883    | 782,529    | 788,883    |
| Subtotal                                   |           |           | 5,351,797  | 4,350,677  | 788,883    | 782,529    |
| Total                                      | 8,926,102 | 7,467,373 | 5,351,797  | 4,350,677  | 12,214,018 | 11,596,394 |
|  |           |           |            |            | 26,491,917 | 23,414,444 |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, *continued*

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

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

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

- Short-term assets and liabilities: For assets and liabilities maturing short-term (less than three months) it is assumed that the book values approximate their fair value. This assumption is applied to the following assets and liabilities:

- |  |  |
|--|--|
| • Cash and due from banks  | • Current accounts and other demand deposits                   |
| • Transactions in the course of collection                                 | • Transactions in the course of payments                       |
| • Cash collateral on securities borrowed and reverse repurchase agreements | • Cash collateral on securities lent and repurchase agreements |
| • Loans and advance to banks   | • Other financial obligations                                  |

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

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

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

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

(g) Offsetting of financial assets and liabilities:

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

Below are detail contracts susceptible to offset:

|  | Fair Value    |               | Negative Fair Value<br>of contracts with<br>right to offset |               | Positive Fair Value<br>of contracts with<br>right to offset |               | Financial Collateral |               | Net Fair Value |               |
|--|---------------|---------------|---|---------------|---|---------------|----------------------|---------------|----------------|---------------|
|  | 2015<br>MCh\$ | 2014<br>MCh\$ | 2015<br>MCh\$   | 2014<br>MCh\$ | 2015<br>MCh\$   | 2014<br>MCh\$ | 2015<br>MCh\$        | 2014<br>MCh\$ | 2015<br>MCh\$  | 2014<br>MCh\$ |
| Derivative financial<br>assets as of<br>December 31      | 1,127,122     | 832,193       | (258,213)   | (169,573)     | (244,064)   | (267,053)     | (148,023)            | (49,804)      | 476,822        | 345,763       |
| Derivative financial<br>liabilities as of<br>December 31 | 1,127,927     | 859,752       | (258,213)   | (169,573)     | (244,064)   | (267,053)     | (190,563)            | (124,418)     | 435,087        | 298,708       |

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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 December 31, 2015 and 2014, respectively. Trading and available for sale instruments are included at their fair value:

|   | 2015                   |  |   |   |  |                       | Total             |
|---|------------------------|--|---|---|--|-----------------------|-------------------|
|   | Up to 1 month<br>MCh\$ | Over 1 month<br>and up to 3<br>months<br>MCh\$ | Over 3 month<br>and up to 12<br>months<br>MCh\$ | Over 1 year and<br>up to 3 years<br>MCh\$ | Over 3 year<br>and up to 5<br>years<br>MCh\$ | Over 5 years<br>MCh\$ | MCh\$             |
| <b>Assets</b>   |                        |  |   |   |  |                       |                   |
| Cash and due from banks                                       | 1,361,222              |  |   |   |  |                       | 1,361,222         |
| Transactions in the course of collection                      | 526,046                |  |   |   |  |                       | 526,046           |
| Financial Assets held-for-trading                             | 866,654                |  |   |   |  |                       | 866,654           |
| Receivables from repurchase agreements and security borrowing | 35,909                 | 8,704  | 1,551   |   |  |                       | 46,164            |
| Derivative instruments  | 74,809                 | 75,895   | 160,886   | 323,580                                   | 171,498                                      | 320,454               | 1,127,122         |
| Loans and advances to banks (*)                               | 1,063,248              | 78,056   | 224,943   | 29,650                                    |  |                       | 1,395,897         |
| Loans to customers (*)  | 2,670,006              | 2,935,330                                      | 4,586,126                                       | 4,873,871                                 | 2,843,390                                    | 6,649,318             | 24,558,041        |
| Financial assets available-for-sale                           | 124,174                | 73,409   | 343,350   | 76,834                                    | 121,680                                      | 260,554               | 1,000,001         |
| Financial assets held-to-maturity                             |                        |  |   |   |  |                       |                   |
| <b>Total assets</b>   | <b>6,722,068</b>       | <b>3,171,394</b>                               | <b>5,316,856</b>                                | <b>5,303,935</b>                          | <b>3,136,568</b>                             | <b>7,230,326</b>      | <b>30,881,147</b> |

|                         | 2014                   |  |   |   |  |                       | Total   |
|-------------------------|------------------------|--|---|---|--|-----------------------|---------|
|                         | Up to 1 month<br>MCh\$ | Over 1 month<br>and up to 3<br>months<br>MCh\$ | Over 3 month<br>and up to 12<br>months<br>MCh\$ | Over 1 year and<br>up to 3 years<br>MCh\$ | Over 3 year<br>and up to 5<br>years<br>MCh\$ | Over 5 years<br>MCh\$ | MCh\$   |
| <b>Assets</b>           |                        |  |   |   |  |                       |         |
| Cash and due from banks | 915,133                |  |   |   |  |                       | 915,133 |
|                         | 400,081                |  |   |   |  |                       | 400,081 |

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|   |           |           |           |           |           |           |            |
|---|-----------|-----------|-----------|-----------|-----------|-----------|------------|
| Transactions in the course of collection                      |           |           |           |           |           |           |            |
| Financial Assets held-for-trading                             | 548,471   |           |           |           |           |           | 548,471    |
| Receivables from repurchase agreements and security borrowing | 11,863    | 6,291     | 9,507     |           |           |           | 27,661     |
| Derivative instruments  | 68,070    | 55,799    | 166,519   | 176,235   | 153,461   | 212,109   | 832,193    |
| Loans and advances to banks (*)                               | 809,565   | 79,583    | 248,840   | 18,193    |           |           | 1,156,181  |
| Loans to customers (*)  | 2,662,866 | 2,576,105 | 3,800,448 | 4,831,285 | 2,328,610 | 5,677,334 | 21,876,648 |
| Financial assets available-for-sale                           | 211,690   | 163,824   | 472,944   | 82,763    | 123,317   | 545,651   | 1,600,189  |
| Financial assets held-to-maturity                             |           |           |           |           |           |           |            |
| Total assets  | 5,627,739 | 2,881,602 | 4,698,258 | 5,108,476 | 2,605,388 | 6,435,094 | 27,356,557 |

(\*) These balances are presented without of the respective provision, which amount to MCh\$601,766 (MCh\$528,615 in 2014) for loans to customers; and MCh\$702 (MCh\$816 in 2014) for borrowings from financial institutions.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

## 40. Maturity of Assets and Liabilities, continued:

|  | 2015                   |  |   |   |  |                       | Total<br>MCh\$ |
|--|------------------------|--|---|---|--|-----------------------|----------------|
|  | Up to 1 month<br>MCh\$ | Over 1 month<br>and up to 3<br>months<br>MCh\$ | Over 3 month<br>and up to 12<br>months<br>MCh\$ | Over 1 year and<br>up to 3 years<br>MCh\$ | Over 3 year<br>and up to 5<br>years<br>MCh\$ | Over 5 years<br>MCh\$ |                |
| <b>Liabilities</b>                                       |                        |  |   |   |  |                       |                |
| Current accounts and other demand deposits               | 8,327,048              |  |   |   |  |                       | 8,327,048      |
| Transactions in the course of payment                    | 241,842                |  |   |   |  |                       | 241,842        |
| Payables from repurchase agreements and security lending | 170,451                | 13,680   |   |   |  |                       | 184,131        |
| Savings accounts and time deposits (**)                  | 4,575,625              | 1,687,604                                      | 2,975,070                                       | 463,454                                   | 557  | 211                   | 9,702,521      |
| Derivative instruments                                   | 84,043                 | 97,292   | 193,171   | 289,987                                   | 135,760                                      | 327,674               | 1,127,927      |
| Borrowings from financial institutions                   | 340,856                | 126,034  | 905,878   | 156,859                                   |  |                       | 1,529,627      |
| Debt issued:   |                        |  |   |   |  |                       |                |
| Mortgage bonds   | 3,226                  | 3,220  | 8,157   | 15,035                                    | 9,452  | 7,291                 | 46,381         |
| Bonds  | 370,502                | 141,996  | 254,426   | 791,009                                   | 1,008,830                                    | 2,703,451             | 5,270,214      |
| Subordinate bonds  | 2,564                  | 1,756  | 181,592   | 52,627                                    | 46,038                                       | 501,036               | 785,613        |
| Other financial obligations                              | 132,762                | 2,108  | 9,982   | 19,237                                    | 7,928  | 1,064                 | 173,081        |
| Total liabilities  | 14,248,919             | 2,073,690                                      | 4,528,276                                       | 1,788,208                                 | 1,208,565                                    | 3,540,727             | 27,388,385     |

|  | 2014                   |  |   |   |  |                       | Total<br>MCh\$ |
|--|------------------------|--|---|---|--|-----------------------|----------------|
|  | Up to 1 month<br>MCh\$ | Over 1 month<br>and up to 3<br>months<br>MCh\$ | Over 3 month<br>and up to 12<br>months<br>MCh\$ | Over 1 year and<br>up to 3 years<br>MCh\$ | Over 3 year<br>and up to 5<br>years<br>MCh\$ | Over 5 years<br>MCh\$ |                |
| <b>Liabilities</b>                                       |                        |  |   |   |  |                       |                |
| Current accounts and other demand deposits               | 6,934,373              |  |   |   |  |                       | 6,934,373      |
| Transactions in the course of payment                    | 96,945                 |  |   |   |  |                       | 96,945         |
| Payables from repurchase agreements and security lending | 249,323                | 159  |   |   |  |                       | 249,482        |
| Savings accounts and time deposits (**)                  | 4,854,400              | 1,969,861                                      | 2,559,793                                       | 148,527                                   | 166  | 188                   | 9,532,935      |
| Derivative instruments                                   | 37,952                 | 47,779   | 166,064   | 208,200                                   | 147,078                                      | 252,679               | 859,752        |
| Borrowings from financial institutions                   | 61,022                 | 159,372  | 678,067   | 200,255                                   |  |                       | 1,098,716      |
| Debt issued:   |                        |  |   |   |  |                       |                |

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|                             |            |           |           |           |           |           |            |
|-----------------------------|------------|-----------|-----------|-----------|-----------|-----------|------------|
| Mortgage bonds              | 4,035      | 4,109     | 10,143    | 20,487    | 12,407    | 13,133    | 64,314     |
| Bonds                       | 239,132    | 294,460   | 353,568   | 475,427   | 973,509   | 1,886,951 | 4,223,047  |
| Subordinate bonds           | 2,050      | 2,786     | 36,463    | 178,298   | 50,345    | 500,653   | 770,595    |
| Other financial obligations | 142,093    | 792       | 3,879     | 7,996     | 14,350    | 17,463    | 186,573    |
| Total liabilities           | 12,621,325 | 2,479,318 | 3,807,977 | 1,239,190 | 1,197,855 | 2,671,067 | 24,016,732 |



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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued**

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(\*\*) Excluding term saving accounts, which amount to MCh\$205,171 (MCh\$188,311 in 2014),

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued**

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**41. Risk Management:**

**(1) Introduction:**

The Bank's risk management is based on specialization, knowledge of the business and the experience of its teams, with professionals specifically dedicated to each different type of risks. Our policy is to maintain an integrated, forward looking approach to risk management, taking into account the current and forecasted economic environment and the risk/return ratio of all products for both the Bank and its subsidiaries.

Our credit policies and processes acknowledge the particularities of each market and segment, thus affording specialized treatment to each one of them. The integrated information prepared for risk analysis is key to developing our strategic plan, this objectives include: determining the desired risk level for each business line; aligning all strategies with the established risk level; communicating desired risk levels to Bank's commercial areas; developing models, processes and tools for evaluating, measuring and controlling risk throughout the different business lines and areas; informing the board of directors about risks and their evolution; proposing action plans to address important deviations in risk indicators and enforcing compliance of applicable standards and regulations.

**(a) Risk Management Structure**

Credit, Market and Operational Risk Management are at the all levels of the Organization, with a structure that recognizes the relevance of the different risk areas that exist.

Current levels are:

**(i) Board of Directors**

The Board is responsible for the establishment and monitoring of the Bank's risk management structure. Due to the above, it is permanently informed regarding the evolution of the different risk areas, participating through its Finance and Financial Risk Committees, Credit Committees, Portfolio Risk Committee and Senior Operational Risk Committee, which check the status of credit, market and operating risks. In addition, it actively participates in each of them, informed of the status of the portfolio and participating in the strategic definitions that impact

the quality of the portfolio.

Risk management policies are established in order to identify and analyze the risks faced by the Bank, to set adequate limits and controls and monitor risks and compliance with limits. The policies and risk management systems are regularly reviewed in order for them to reflect changes in market conditions and the Bank's activities. It, through its standards and management procedures intends to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued**

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**41. Risk Management, continued:**

**(1) Introduction, continued:**

**(a) Risk Management Structure, continued**

**(ii) Finance, International and Financial Risk Committee**

This committee reviews financial positions, market and liquidity risk, that the Banks maintained the last 30 days. It is responsible by the control of the limits and alerts both, internal and regulatory. The knowledge of the current state of the market risks allow to forecast potential future loss, with an important confidence level, in the case of adverse transactions in the main market variables or liquidity or a tight liquidity (either liquidity of trading in financial instruments as funding liquidity).

Additionally, the Committee reviews the estimated financial results that generate these positions separately, in order to measure the risk-return businesses involved in handling financial positions of the Treasury, the evolution of the use of capital, and the estimated credit risk and market that the Bank will face in the future. The Committee also discussed the international financial exposure and liabilities major credit exposures generated by derivatives transactions.

Committee is responsible for the design of policies and procedures related to the establishment of limits and alerts financial positions, as well as measurement, control and reporting of the same. Subsequently, policies and procedures are subject to approval by the Bank Board.

The Finance, International and Financial Risk Committee comprises the Chairman, four Directors, the General Manager, the Manager of Corporate Risk Division, the Manager of the Corporate and Investment Banking Division, the Manager of Financial Control Division, the Manager of Treasury Division and the Manager of Financial Risk Area.

The Committee meets in regular session once a month and may be cited extraordinary request of the President, two Directors or the General Manager.



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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued**

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**41. Risk Management, continued:**

**(1) Introduction, continued:**

**(iii) Credit Committees**

The credit approval process is done mainly through various credit committees, which are composed of qualified professionals and with the necessary attributions to take decisions required.

These committees have different periodicities and are based on the amounts approved and commercial segments. Each committee is responsible for defining the terms and conditions under which the Bank accepts counterparty risks and the Corporate Risk Division participates in them as independent and autonomous trade areas.

The highest court approval, within the structure of the Bank's risk management is the Credit Committee of the Board, which reviews weekly all operations exceeding UF 750,000. The committee is composed of the General Manager, Corporate Risk Division Manager, and at least three directors. The attendance of Directors is not limited to the number of Directors required, so all board members can participate in the Credit Committee.

**(iv) Portfolio Risk Committee:**

The main function is the evolution of the composition of the loan portfolio of the Bank, from a global perspective, reviewing indicators of default, past due loans, deterioration and major exhibitions by economic groups, debtors and sectoral concentration in the framework of the Policy Limits sector. The Board approves and proposes strategies differentiated risk management, including credit policies, assessment methodologies portfolio, calculation of provisions to cover expected losses, as well as methodologies for determining additional provisions. It is also responsible for knowing the analysis of adequacy of provisions, authorize extraordinary write-offs of loans where are exhausted instances of recovery, control the management of liquidation of foreclosed assets and review the guidelines and methodological advances in the development of models credit risk assessed on the Technical Committee for the Supervision of Internal Models.

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The Portfolio Risk Committee meets monthly and is composed of the Chairman, two Directors, the General Manager, Corporate Risk Manager, Commercial Manager, the Chief of Intelligence Information Area. Also participate as permanent guests Individual Risk Manager, Manager of the Area of Architecture and the CFO. The Committee may be summoned in an extraordinary way at the request of the Chairman, two Directors or the General Manager.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued**

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**41. Risk Management, continued:**

**(1) Introduction, continued:**

**(a) Risk Management Structure, continued:**

**(v) Operational Risk Committee:**

The Operational Risk Committee, is responsible for defining and prioritizing the main strategies to mitigate operational risk events and thus also ensure the implementation of the management model, set tolerance levels and risk aversion enforce Programs, related policies and Privacy and Information Security, Business Continuity and Operational Risk of Banco de Chile.

The mission of Operational Risk Committee is to identify, prioritize and set strategies to mitigate key operational risk events, ensure the implementation of the management model, establish tolerances risk, ensure compliance programs, policies and procedures relating to Privacy and Information Security, Business Continuity and Operational Risk Banco de Chile.

The Operational Risk Committee is composed of the General Manager, two Directors Manager Corporate Risk Division, Manager of Financial Control Division, Manager of Operations and Technology Division and Manager of Operational Risk and Technology. Also, with voice rights Controller Division Manager, Manager Clients Area, Manager Office Division and Manager Safety and Risk Prevention Area and Division Manager of Process and Standards.

The committee meets monthly, although it may be cited extraordinarily at the request of the President or two of its members.

**(vi) Senior Operational Risk Committee**

The Senior Operational Risk Committee, has among its functions: to know the level of exposure to operational risk of the Corporation Banco de Chile, analyze the effectiveness of the strategies adopted to mitigate operational risk events, approve strategies and policies prior the Board,



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actions and efforts to promote proper management and mitigation of operational risk, inform the Board of these materials, ensure regulatory compliance and enforcement policy so as to ensure the solvency of the Corporation in the long term by avoiding risk factors that could jeopardize the continuity of the Corporation.

The Senior Operational Risk Committee is composed of Chairman, a Director, General Manager, Manager Corporate Risk Division, Operations and Technology Division Manager, Manager Operational Risk and Technology and Division Manager of Process and Standards.

The committee meets monthly, although it may be cited in an extraordinary way at the request of the President or two of its members.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued**

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**41. Risk Management, continued:**

**(1) Introduction, continued:**

(vii) Corporate Risk Division

Banco de Chile has a team with a vast experience and knowledge in each matter related to risks associated with credit, market, operational and technology, which ensures comprehensive and consolidated management of the same, including the Bank and its subsidiaries, identifying and evaluating the risks generated in customers, in their own operations and their suppliers. The focus is on the future, finding determine with different techniques and tools, the potential changes that could affect the solvency, liquidity, the correct operation or the reputation of Banco of Chile.

Regarding the management of Credit Risk, Corporate Risk Division oversees the quality of the portfolio and optimizing the risk - return to all segments of people and companies managing the stages of approval, monitoring and recovery of loans granted.

(b) Internal Audit

Risk management processes throughout the Bank are continually audited by the Internal Audit Area, which analyzes the sufficiency of and compliance with risk management procedures, Internal Audit discusses the results of all evaluations with management and reports its findings and recommendations to the Board of Directors.

(c) Measurement Methodology

In terms of Credit Risk, provision levels and portfolio expenses are the basic measurements used to determine the credit quality of our portfolio.

Risk monitoring and control are performed primarily based on established limits. These limits reflect the Bank's business and market strategy as well as the risk level it is willing to accept, with added emphasis on selected industry sectors.

The Bank's Chief Executive Officer, on a daily basis, and the Finance, International and Market Risk Committee, on a monthly basis, receive a report detailing the evolution of the Bank's price and liquidity risk, based on both internal and regulator-imposed metrics.

Each year, the Board of Directors is presented with the results of a sufficiency test for allowances for loan loss. This test shows whether the Bank's existing level of allowances for loan loss, both for the individual and group portfolios, is sufficient, based on historic losses or impairment experienced by the portfolio. The Board of Directors must issue a formal opinion on its sufficiency.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued**

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**41. Risk Management, continued:**

**(2) Credit Risk:**

Credit risk is the risk that we will incur a loss because a customer or counterparty do not comply with their contractual obligations, mainly its origin is in account receivable and financial investments, and derivative instruments.

This risk is managed using a global, unified and forward-looking strategy, which recognizes the current and projected economic environment of the markets and segments in which our different businesses are developing and grants appropriate credit treatment to each such market or segment by using risk limits that we are willing to accept from counterparties.

Managing credit risk is, therefore, inherent to our business and must be incorporated into each segment in which we do business: In this way, we may achieve an optimum balance between assumed risks and attained returns and properly allocate capital to each business line while complying with regulations and criteria defined by the Board of Directors, in order to ensure that the Bank has an appropriate capital base for potential losses that may arise from its credit exposure.

Counterparty limits are established by analyzing financial information, risk ratings, the nature of the exposure, documentation, guarantees, market conditions and the pertinent industry sector, among other factors. The process of monitoring credit quality also includes identifying in advance any possible changes in counterparty's payment capacity, which enables us to evaluate the potential loss from these risks and take corrective actions.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued**

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**41. Risk Management, continued:**

**(2) Credit Risk, continued:**

**(a) Approval Process:**

It operates under a differentiated approach, because there are different nature of the segments (Retail and Wholesale Segments), which it characterizes by different basics in its variables of explanation of its financial structure and repayment ability. The general concepts involved in each approval process are:

- Politics, rules and procedures
- Specialization and experience level of participant of the process
- Types and depth of technological platforms required
- Type of model/indicators predictives for each segments

Risk management in the segments Retail and Wholesale has a process and team consolidated, that have a high level of experience and specialization in the approving of credits, for the different segments and business in which the Bank operates.

**Retail Segments**

The following are the types of approval models:

**Automated Model:** This model is used to evaluate credit applications massive segments of individuals without a commercial business, Commercial Banking and Credichile. The Bank has automatized systems of evaluations, in which it has programmed the politics and rules applicable in credits. The fundamental pillars in this model of admission are the following dimensions: Target Market; Minimum Credit Profil (scoring) and borrowing Limits (exposure)

**Parametric Model:** this methodology is used in individuals in the segment PYME (SME). This model considers the evaluation of customers based on three pillars: Payment behavior both, internal and external; Financial reporting analysis and Evaluation of business of each client, including experience of its owners and management.

This process yields a parametric evaluation category that summarizes the credit quality of the customer through a rating, which is linked directly to the powers of credit required for each operation.

a. **Pre-approved model:** considering the available information of the clients, it is made massive evaluation process to obtain credit offer pre-approved, existing different strategies for each segments and customer niches. These processes permitted proactive and efficient management and a better relation between risk and return. Also, better quality of services for the clients.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued**

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**41. Risk Management, continued:**

**(2) Credit Risk, continued:**

**(a) Approval Process, continued:**

**Wholesale Segment**

It is applied model case to case, which involves an individual evaluation with specialized knowledge and it integrates the level of risk, deadlines, amounts, products, complexity and business prospects, guarantees, among other variables applies. This process is also supported by a rating model, which provides greater consistency in the evaluation of the customer and the economic group, determining also the level of authority required for the approval of credit risk.

For the evaluation case to case there are specialized areas in some segments that, by its nature, requires an expert knowledge (real state, construction, agriculture, financial, international and other advisory ad hoc when there are specific issues).

**(b) Control and Follow up**

The Bank, inside of its structures, has areas responsible of follow up, which it has developed methodologies and tools for the different segments, which are applied systematically and has permitted correct manage of portfolio.

In Retail Segment exists a control and follow up of credit risk, where exists a permanent monitoring of the customers, of industry and market trend, is possible to determine adjust necessities to maintain the risk level adequate. So, it is made report that includes expected loss of portfolio, analysis of litter of new clients, past due general of the portfolio with special follow up of products and segments, standards approve, follow up of mortgage loans according variables of politics, relation debt guarantee value, term, relation quote/income of client. It has developed statistics model like support to the correct credit evaluation. This methodology establishes indicators of minimum quality to operate. They have a straight follow up through back test analysis, variables stability, and segmentation, among others, ensuring stability and predictive capacity in the time.

In the wholesale segment, the main processes of centralized follow up is established systematic monitoring alerts on financial indicators and behavioral variables, past due management, including predictors of the risk level and strategies differentiated for early collection and classification of portfolio management. The management made of special monitoring portfolio which allows establishing action plans for companies that have alerts risk. Also, to portfolio that requires special review, it is made tracking market cyclical. In addition, other monitoring efforts aimed at monitoring compliance with preestablished conditions at the process of admission, such as controls of financial clauses (covenants), collateral coverage, conditions, and restrictions of individual credit approval, among others.



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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, *continued*

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41. **Risk Management, continued:**

(2) **Credit Risk, continued:**

(c) **Derivative Instruments:**

The value of derivative financial instruments is always reflected in the Bank's balance sheet. The risks derived from these instruments, determined using SBIF models, are controlled against lines of credit of the counterparty at the inception of each transaction.

(d) **Portfolio Concentration:**

Maximum credit risk exposure per counterparty without considering collateral or other credit enhancements as of December 31, 2015 and 2014 does not exceed 10% of the Bank's effective equity.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

## 41. Risk Management, continued:

## (2) Credit Risk, continued

The following tables show credit risk exposure per balance sheet item, including derivatives, detailed by both geographic region and industry sector as of December 31, 2015:

|  | Chile<br>MCh\$ | United States<br>MCh\$ | Brazil<br>MCh\$ | Other<br>MCh\$ | Total<br>MCh\$ |
|--|----------------|------------------------|-----------------|----------------|----------------|
| <b>Financial Assets</b>  |                |                        |                 |                |                |
| <b>Cash and Due from Banks</b>                                       | 793,261        | 543,492                |                 | 24,469         | 1,361,222      |
| <b>Financial Assets held-for-trading</b>                             |                |                        |                 |                |                |
| From the Chilean Government and Central Bank of Chile                | 249,916        |                        |                 |                | 249,916        |
| Other instruments issued in Chile                                    | 593,658        |                        |                 |                | 593,658        |
| Instruments issued abroad  |                |                        |                 |                |                |
| Mutual fund investments  | 23,080         |                        |                 |                | 23,080         |
| Subtotal   | 866,654        |                        |                 |                | 866,654        |
| <b>Receivables from repurchase agreements and security borrowing</b> | 46,164         |                        |                 |                | 46,164         |
| <b>Derivative Contracts for Trading Purposes</b>                     |                |                        |                 |                |                |
| Forwards   | 154,367        | 4,800                  |                 | 21,449         | 180,616        |
| Swaps  | 534,356        | 111,636                |                 | 93,785         | 739,777        |
| Call Options   | 1,878          |                        |                 |                | 1,878          |
| Put Options  | 680            |                        |                 |                | 680            |
| Futures  |                |                        |                 |                |                |
| Subtotal   | 691,281        | 116,436                |                 | 115,234        | 922,951        |
| <b>Hedge Derivative Contracts</b>                                    |                |                        |                 |                |                |
| Forwards   |                |                        |                 |                |                |
| Swaps  | 48,133         | 47,378                 |                 | 108,660        | 204,171        |
| Call Options   |                |                        |                 |                |                |
| Put Options  |                |                        |                 |                |                |
| Futures  |                |                        |                 |                |                |
| Subtotal   | 48,133         | 47,378                 |                 | 108,660        | 204,171        |
| <b>Loans and advances to Banks</b>                                   |                |                        |                 |                |                |
| Central Bank of Chile  | 1,000,433      |                        |                 |                | 1,000,433      |

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|                |           |         |         |           |
|----------------|-----------|---------|---------|-----------|
| Domestic banks | 45,258    |         |         | 45,258    |
| Foreign banks  |           | 190,150 | 160,056 | 350,206   |
| Subtotal       | 1,045,691 | 190,150 | 160,056 | 1,395,897 |

**Loans to Customers, Net**

|                            |            |        |        |         |            |
|----------------------------|------------|--------|--------|---------|------------|
| Commercial loans           | 14,218,048 | 21,261 | 23,333 | 154,276 | 14,416,918 |
| Residential mortgage loans | 6,404,986  |        |        |         | 6,404,986  |
| Consumer loans             | 3,736,137  |        |        |         | 3,736,137  |
| Subtotal                   | 24,359,171 | 21,261 | 23,333 | 154,276 | 24,558,041 |

**Financial Assets Available-for-Sale**

|   |         |        |  |  |           |
|---|---------|--------|--|--|-----------|
| from the Chilean Government and Central Bank of Chile | 86,508  |        |  |  | 86,508    |
| Other instruments issued in Chile                     | 831,849 |        |  |  | 831,849   |
| Instruments issued abroad                             |         | 81,644 |  |  | 81,644    |
| Subtotal  | 918,357 | 81,644 |  |  | 1,000,001 |

**Financial assets held-to-Maturity**

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

## 41. Risk Management, continued:

## (2) Credit Risk, continued

|  | Financial Services<br>MCh\$ | Chilean Central Bank<br>MCh\$ | Government<br>MCh\$ | Retail (Individuals)<br>MCh\$ | Trade<br>MCh\$ | Manufacturing<br>MCh\$ | Mining<br>MCh\$ | Electricity, Gas and Water<br>MCh\$ | Agriculture and Livestock<br>MCh\$ | Forestry<br>MCh\$ | Fishing<br>MCh\$ |
|--|-----------------------------|-------------------------------|---------------------|-------------------------------|----------------|------------------------|-----------------|-------------------------------------|------------------------------------|-------------------|------------------|
| <b>Financial Assets</b>  |                             |                               |                     |                               |                |                        |                 |                                     |                                    |                   |                  |
| <b>Cash and Due from Banks</b>                                       | 1,249,892                   | 111,330                       |                     |                               |                |                        |                 |                                     |                                    |                   |                  |
| <b>Financial Assets held-for-trading</b>                             |                             |                               |                     |                               |                |                        |                 |                                     |                                    |                   |                  |
| From the Chilean Government and Central Bank of Chile                |                             | 149,900                       | 100,016             |                               |                |                        |                 |                                     |                                    |                   |                  |
| Other instruments issued in Chile                                    | 593,658                     |                               |                     |                               |                |                        |                 |                                     |                                    |                   |                  |
| Instruments issued abroad  |                             |                               |                     |                               |                |                        |                 |                                     |                                    |                   |                  |
| Mutual fund investments  | 23,080                      |                               |                     |                               |                |                        |                 |                                     |                                    |                   |                  |
| Subtotal   | 616,738                     | 149,900                       | 100,016             |                               |                |                        |                 |                                     |                                    |                   |                  |
| <b>Receivables from repurchase agreements and security borrowing</b> | 12,473                      |                               |                     |                               | 3,264          | 797                    | 4,893           | 19,830                              | 282                                |                   |                  |
| <b>Derivative Contracts for Trading Purposes</b>                     |                             |                               |                     |                               |                |                        |                 |                                     |                                    |                   |                  |
| Forwards   | 170,420                     |                               |                     |                               | 2,088          | 4,906                  | 111             | 47                                  | 2,192                              |                   | 8                |
| Swaps  | 629,455                     |                               |                     |                               | 17,538         | 21,271                 | 20,485          | 30,361                              | 9,926                              |                   | 4,664            |
| Call Options   | 161                         |                               |                     |                               | 1,047          | 301                    |                 |                                     | 306                                |                   |                  |
| Put Options  | 1                           |                               |                     |                               | 616            | 36                     |                 |                                     | 11                                 |                   |                  |
| Futures  |                             |                               |                     |                               |                |                        |                 |                                     |                                    |                   |                  |
| Subtotal   | 800,037                     |                               |                     |                               | 21,289         | 26,514                 | 20,596          | 30,408                              | 12,435                             |                   | 4,672            |
| <b>Hedge Derivative Contracts</b>                                    |                             |                               |                     |                               |                |                        |                 |                                     |                                    |                   |                  |
| Forwards   |                             |                               |                     |                               |                |                        |                 |                                     |                                    |                   |                  |
| Swaps  | 204,171                     |                               |                     |                               |                |                        |                 |                                     |                                    |                   |                  |
| Call Options   |                             |                               |                     |                               |                |                        |                 |                                     |                                    |                   |                  |
| Put Options  |                             |                               |                     |                               |                |                        |                 |                                     |                                    |                   |                  |
| Futures  |                             |                               |                     |                               |                |                        |                 |                                     |                                    |                   |                  |
| Subtotal   | 204,171                     |                               |                     |                               |                |                        |                 |                                     |                                    |                   |                  |

**Loans and advances to Banks**

|                       |         |           |  |  |  |  |  |  |
|-----------------------|---------|-----------|--|--|--|--|--|--|
| Central Bank of Chile |         | 1,000,433 |  |  |  |  |  |  |
| Domestic banks        | 45,258  |           |  |  |  |  |  |  |
| Foreign banks         | 350,206 |           |  |  |  |  |  |  |
| Subtotal              | 395,464 | 1,000,433 |  |  |  |  |  |  |

**Loans to Customers, Net**

|                            |           |  |            |           |           |         |           |           |
|----------------------------|-----------|--|------------|-----------|-----------|---------|-----------|-----------|
| Commercial loans           | 2,130,946 |  | 2,345,319  | 1,626,515 | 545,375   | 473,172 | 1,185,113 | 351,531   |
| Residential mortgage loans |           |  | 6,404,986  |           |           |         |           |           |
| Consumer loans             |           |  | 3,736,137  |           |           |         |           |           |
| Subtotal                   | 2,130,946 |  | 10,141,123 | 2,345,319 | 1,626,515 | 545,375 | 473,172   | 1,185,113 |

**Financial Assets Available-for-Sale**

|   |         |        |        |        |       |        |        |  |
|---|---------|--------|--------|--------|-------|--------|--------|--|
| from the Chilean Government and Central Bank of Chile |         | 36,258 | 50,250 |        |       |        |        |  |
| Other instruments issued in Chile                     | 709,003 |        |        | 23,407 | 8,436 | 38,190 | 51,096 |  |
| Instruments issued abroad                             | 81,644  |        |        |        |       |        |        |  |
| Subtotal  | 790,647 | 36,258 | 50,250 | 23,407 | 8,436 | 38,190 | 51,096 |  |

**Financial assets held-to-Maturity**

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

## 41. Risk Management, continued:

## (2) Credit Risk, continued:

The following tables show credit risk exposure per balance sheet item, including derivatives, detailed by both geographic region and industry sector as of December 31, 2014:

|  | Chile<br>MCh\$ | United States<br>MCh\$ | Brazil<br>MCh\$ | Other<br>MCh\$ | Total<br>MCh\$ |
|--|----------------|------------------------|-----------------|----------------|----------------|
| <b>Financial Assets</b>  |                |                        |                 |                |                |
| <b>Cash and Due from Banks</b>                                       | 636,423        | 257,476                |                 | 21,234         | 915,133        |
| <b>Financial Assets held-for-trading</b>                             |                |                        |                 |                |                |
| From the Chilean Government and Central Bank of Chile                | 88,870         |                        |                 |                | 88,870         |
| Other instruments issued in Chile                                    | 204,588        |                        |                 |                | 204,588        |
| Instruments issued abroad  |                |                        |                 |                |                |
| Mutual fund investments  | 255,013        |                        |                 |                | 255,013        |
| Subtotal   | 548,471        |                        |                 |                | 548,471        |
| <b>Receivables from repurchase agreements and security borrowing</b> |                |                        |                 |                |                |
|  | 27,360         |                        |                 | 301            | 27,661         |
| <b>Derivative Contracts for Trading Purposes</b>                     |                |                        |                 |                |                |
| Forwards   | 120,718        | 3,065                  |                 | 16,893         | 140,676        |
| Swaps  | 399,087        | 138,894                |                 | 71,862         | 609,843        |
| Call Options   | 2,263          |                        |                 | 320            | 2,583          |
| Put Options  | 286            |                        |                 | 1              | 287            |
| Futures  |                |                        |                 |                |                |
| Subtotal   | 522,354        | 141,959                |                 | 89,076         | 753,389        |
| <b>Hedge Derivative Contracts</b>                                    |                |                        |                 |                |                |
| Forwards   |                |                        |                 |                |                |
| Swaps  | 17,848         | 23,389                 |                 | 37,567         | 78,804         |
| Call Options   |                |                        |                 |                |                |
| Put Options  |                |                        |                 |                |                |
| Futures  |                |                        |                 |                |                |
| Subtotal   | 17,848         | 23,389                 |                 | 37,567         | 78,804         |
| <b>Loans and advances to Banks</b>                                   |                |                        |                 |                |                |
| Central Bank of Chile  | 551,108        |                        |                 |                | 551,108        |
| Domestic banks   | 170,014        |                        |                 |                | 170,014        |

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|               |         |         |         |           |
|---------------|---------|---------|---------|-----------|
| Foreign banks |         | 268,141 | 166,918 | 435,059   |
| Subtotal      | 721,122 | 268,141 | 166,918 | 1,156,181 |

**Loans to Customers, Net**

|                            |            |        |         |            |
|----------------------------|------------|--------|---------|------------|
| Commercial loans           | 12,915,159 | 33,295 | 159,782 | 13,108,236 |
| Residential mortgage loans | 5,418,623  |        |         | 5,418,623  |
| Consumer loans             | 3,349,789  |        |         | 3,349,789  |
| Subtotal                   | 21,683,571 | 33,295 | 159,782 | 21,876,648 |

**Financial Assets Available-for-Sale**

|   |           |        |       |           |
|---|-----------|--------|-------|-----------|
| from the Chilean Government and Central Bank of Chile | 339,324   |        |       | 339,324   |
| Other instruments issued in Chile                     | 1,197,340 |        |       | 1,197,340 |
| Instruments issued abroad                             |           | 58,376 | 5,149 | 63,525    |
| Subtotal  | 1,536,664 | 58,376 | 5,149 | 1,600,189 |

**Financial assets held-to-Maturity**

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

## 41. Risk Management, continued:

## (2) Credit Risk, continued

|  | Financial Services<br>MCh\$ | Chilean Central Bank<br>MCh\$ | Government<br>MCh\$ | Retail (Individuals)<br>MCh\$ | Trade<br>MCh\$ | Manufacturing<br>MCh\$ | Mining<br>MCh\$ | Electricity, Gas and Water<br>MCh\$ | Agriculture and Livestock<br>MCh\$ | Forestry<br>MCh\$ | Fish<br>MCh\$ |
|--|-----------------------------|-------------------------------|---------------------|-------------------------------|----------------|------------------------|-----------------|-------------------------------------|------------------------------------|-------------------|---------------|
| <b>Financial Assets</b>  |                             |                               |                     |                               |                |                        |                 |                                     |                                    |                   |               |
| <b>Cash and Due from Banks</b>                                       | 767,918                     | 147,215                       |                     |                               |                |                        |                 |                                     |                                    |                   |               |
| Financial Assets held-for-trading                                    |                             |                               |                     |                               |                |                        |                 |                                     |                                    |                   |               |
| From the Chilean Government and Central Bank of Chile                |                             | 16,902                        | 71,968              |                               |                |                        |                 |                                     |                                    |                   |               |
| Other instruments issued in Chile                                    | 203,237                     |                               |                     |                               | 1,351          |                        |                 |                                     |                                    |                   |               |
| Instruments issued abroad  |                             |                               |                     |                               |                |                        |                 |                                     |                                    |                   |               |
| Mutual fund investments  | 255,013                     |                               |                     |                               |                |                        |                 |                                     |                                    |                   |               |
| Subtotal   | 458,250                     | 16,902                        | 71,968              |                               | 1,351          |                        |                 |                                     |                                    |                   |               |
| <b>Receivables from repurchase agreements and security borrowing</b> | 19,610                      |                               |                     |                               |                |                        |                 |                                     |                                    | 80                |               |
| <b>Derivative Contracts for Trading Purposes</b>                     |                             |                               |                     |                               |                |                        |                 |                                     |                                    |                   |               |
| Forwards   | 133,163                     |                               |                     |                               | 1,475          | 3,514                  | 1,144           | 48                                  |                                    | 615               |               |
| Swaps  | 550,858                     |                               |                     |                               | 9,273          | 12,514                 | 7,335           | 20,139                              |                                    | 6,108             |               |
| Call Options   | 819                         |                               |                     |                               | 177            | 1,180                  | 190             |                                     |                                    | 137               |               |
| Put Options  | 121                         |                               |                     |                               | 88             | 42                     |                 |                                     |                                    | 7                 |               |
| Futures  |                             |                               |                     |                               |                |                        |                 |                                     |                                    |                   |               |
| Subtotal   | 684,961                     |                               |                     |                               | 11,013         | 17,250                 | 8,669           | 20,187                              |                                    | 6,867             |               |
| <b>Hedge Derivative Contracts</b>                                    |                             |                               |                     |                               |                |                        |                 |                                     |                                    |                   |               |
| Forwards   |                             |                               |                     |                               |                |                        |                 |                                     |                                    |                   |               |
| Swaps  | 78,804                      |                               |                     |                               |                |                        |                 |                                     |                                    |                   |               |
| Call Options   |                             |                               |                     |                               |                |                        |                 |                                     |                                    |                   |               |
| Put Options  |                             |                               |                     |                               |                |                        |                 |                                     |                                    |                   |               |
| Futures  |                             |                               |                     |                               |                |                        |                 |                                     |                                    |                   |               |
| Subtotal   | 78,804                      |                               |                     |                               |                |                        |                 |                                     |                                    |                   |               |



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**Loans and advances to Banks**

|                       |         |         |  |  |  |  |  |  |
|-----------------------|---------|---------|--|--|--|--|--|--|
| Central Bank of Chile |         | 551,108 |  |  |  |  |  |  |
| Domestic banks        | 170,014 |         |  |  |  |  |  |  |
| Foreign banks         | 435,059 |         |  |  |  |  |  |  |
| Subtotal              | 605,073 | 551,108 |  |  |  |  |  |  |

**Loans to Customers, Net**

|                            |           |           |           |           |         |         |         |         |
|----------------------------|-----------|-----------|-----------|-----------|---------|---------|---------|---------|
| Commercial loans           | 1,873,155 |           | 2,375,322 | 1,498,904 | 356,363 | 442,066 | 946,795 | 261,191 |
| Residential mortgage loans |           | 5,418,623 |           |           |         |         |         |         |
| Consumer loans             |           | 3,349,789 |           |           |         |         |         |         |
| Subtotal                   | 1,873,155 | 8,768,412 | 2,375,322 | 1,498,904 | 356,363 | 442,066 | 946,795 | 261,191 |

**Financial Assets Available-for-Sale**

|   |           |         |         |        |       |        |        |  |
|---|-----------|---------|---------|--------|-------|--------|--------|--|
| from the Chilean Government and Central Bank of Chile |           | 178,549 | 160,775 |        |       |        |        |  |
| Other instruments issued in Chile                     | 1,059,043 | 18,675  |         | 19,025 | 7,288 | 34,546 | 51,191 |  |
| Instruments issued abroad                             | 58,376    |         |         | 5,149  |       |        |        |  |
| Subtotal  | 1,117,419 | 197,224 | 160,775 | 24,174 | 7,288 | 34,546 | 51,191 |  |

**Financial assets held-to-Maturity**

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

## 41. Risk Management, continued:

## (2) Credit Risk, continued:

## (e) Collaterals and Other Credit Enhancements

The amount and type of collateral required depends on the counterparty's credit risk assessment.

The Bank has guidelines regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are:

- For commercial loans: Residential and non-residential real estate, liens and inventory.
- For retail loans: Mortgages on residential property.

The Bank also obtains collateral from parent companies for loans granted to their subsidiaries.

Management makes sure its collateral is acceptable according to both external standards and internal policies guidelines and parameters. The Bank has approximately 207,203 collateral assets, the majority of which consist of real estate. The following table contains guarantees value as of December 31,

| 2015                   | Loans<br>MCh\$ | Mortgages<br>MCh\$ | Pledges<br>MCh\$ | Securities<br>MCh\$ | Warrants<br>MCh\$ | Others<br>MCh\$ | Total<br>MCh\$ |
|------------------------|----------------|--------------------|------------------|---------------------|-------------------|-----------------|----------------|
| Corporate Lending      | 11,029,022     | 2,090,295          | 75,436           | 464,998             | 4,854             | 358,086         | 2,993,669      |
| Small Business Lending | 3,387,896      | 2,017,450          | 32,428           | 34,853              |                   | 47,844          | 2,132,575      |

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|                  |                   |                  |                |                |              |                |                   |
|------------------|-------------------|------------------|----------------|----------------|--------------|----------------|-------------------|
| Consumer Lending | 3,736,137         | 247,330          | 1,460          | 2,872          |              | 18,390         | 270,052           |
| Mortgage Lending | 6,404,986         | 5,573,300        | 122            | 598            |              |                | 5,574,020         |
| <b>Total</b>     | <b>24,558,041</b> | <b>9,928,375</b> | <b>109,446</b> | <b>503,321</b> | <b>4,854</b> | <b>424,320</b> | <b>10,970,316</b> |

| 2014                      | Loans<br>MCh\$    | Mortgages<br>MCh\$ | Pledges<br>MCh\$ | Securities<br>MCh\$ | Warrants<br>MCh\$ | Others<br>MCh\$ | Total<br>MCh\$   |
|---------------------------|-------------------|--------------------|------------------|---------------------|-------------------|-----------------|------------------|
| Corporate Lending         | 10,150,249        | 1,869,995          | 92,097           | 509,345             | 1,979             | 348,439         | 2,821,855        |
| Small Business<br>Lending | 2,957,987         | 1,712,185          | 27,989           | 33,762              | 85                | 47,569          | 1,821,590        |
| Consumer Lending          | 3,349,789         | 222,985            | 1,639            | 2,450               |                   | 17,854          | 244,928          |
| Mortgage Lending          | 5,418,623         | 4,851,400          | 78               | 657                 |                   |                 | 4,852,135        |
| <b>Total</b>              | <b>21,876,648</b> | <b>8,656,565</b>   | <b>121,803</b>   | <b>546,214</b>      | <b>2,064</b>      | <b>413,862</b>  | <b>9,740,508</b> |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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41. **Risk Management, continued:**

(2) **Credit Risk, continued:**

(e) Collaterals and Other Credit Enhancements, continued

The Bank also uses mitigating tactics for credit risk on derivative transactions, to date, the following mitigating tactics are used:

- Accelerating transactions and net payment using market values at the date of default of one of the parties.
- Option for both parties to terminate early any transactions with a counterparty at a given date, using market values as of the respective date.
- Margins established with time deposits by customers that close FX forwards with subsidiary Banchile Corredores de Bolsa S.A.

The value guarantees related to loans evaluated individually classified like for Impaired Loans as of December 31, 2015 and 2014 amounted MCh\$118,464 and MCh\$116,445, respectively.

The value guarantees related to past due loans but no impaired as of December 31, 2015 and 2014 amounted MCh\$283,718 and MCh\$271,899, respectively.

(f) **Credit Quality by Asset Class**

The Bank determines the credit quality of financial assets using internal credit ratings. The rating process is linked to the Bank's approval and monitoring processes and is carried out in accordance with risk categories established by current standards. Credit quality is continuously updated based on any favorable or unfavorable developments to customers or their environments, considering aspects such as commercial and payment behavior as well as financial information.

The Bank also conducts reviews of companies in certain industry sectors that are affected by macroeconomic or sector-specific variables. Such reviews allow the Bank to timely establish any necessary allowance loan losses that are sufficient to cover losses for potentially uncollectable loans.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

## 41. Risk Management, continued:

## (2) Credit Risk, continued:

## (f) Credit Quality by Asset Class, continued:

The following table shows credit quality by asset class for balance sheet items, based on the Bank's credit rating system.

## As of December 31, 2015:

|   | Normal<br>MCh\$ | Individual Portfolio<br>Substandard<br>MCh\$ | Non-complying<br>MCh\$ | Group Portfolio<br>Normal<br>MCh\$ | Group Portfolio<br>Non-complying<br>MCh\$ | Total<br>MCh\$ |
|---|-----------------|--|------------------------|------------------------------------|---|----------------|
| <b>Financial Assets</b>                                       |                 |  |                        |                                    |   |                |
| <b>Loans and advances to banks</b>                            |                 |  |                        |                                    |   |                |
| Central Bank of Chile   | 1,000,433       |  |                        |                                    |   | 1,000,433      |
| Domestic banks  | 45,258          |  |                        |                                    |   | 45,258         |
| Foreign banks   | 350,206         |  |                        |                                    |   | 350,206        |
| Subtotal  | 1,395,897       |  |                        |                                    |   | 1,395,897      |
| <b>Loans to customers (before allowances for loan losses)</b> |                 |  |                        |                                    |   |                |
| Commercial loans  | 11,543,265      | 175,066                                      | 273,461                | 2,211,106                          | 214,020                                   | 14,416,918     |
| Residential mortgage loans                                    |                 |  |                        | 6,287,820                          | 117,166                                   | 6,404,986      |
| Consumer loans  |                 |  |                        | 3,473,296                          | 262,841                                   | 3,736,137      |
| Subtotal  | 11,543,265      | 175,066                                      | 273,461                | 11,972,222                         | 594,027                                   | 24,558,041     |

## As of December 31, 2014:

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|   | Normal<br>MCh\$ | Individual Portfolio<br>Substandard<br>MCh\$ | Non-complying<br>MCh\$ | Normal<br>MCh\$ | Group Portfolio<br>Non-complying<br>MCh\$ | Total<br>MCh\$ |
|---|-----------------|--|------------------------|-----------------|---|----------------|
| <b>Financial Assets</b>                                       |                 |  |                        |                 |   |                |
| <b>Loans and advances to banks</b>                            |                 |  |                        |                 |   |                |
| Central Bank of Chile   | 551,108         |  |                        |                 |   | 551,108        |
| Domestic banks  | 170,014         |  |                        |                 |   | 170,014        |
| Foreign banks   | 435,059         |  |                        |                 |   | 435,059        |
| Subtotal  | 1,156,181       |  |                        |                 |   | 1,156,181      |
| <b>Loans to customers (before allowances for loan losses)</b> |                 |  |                        |                 |   |                |
| Commercial loans  | 10,576,015      | 176,882                                      | 198,161                | 1,942,910       | 214,268                                   | 13,108,236     |
| Residential mortgage loans                                    |                 |  |                        | 5,325,029       | 93,594                                    | 5,418,623      |
| Consumer loans  |                 |  |                        | 3,124,586       | 225,203                                   | 3,349,789      |
| Subtotal  | 10,576,015      | 176,882                                      | 198,161                | 10,392,525      | 533,065                                   | 21,876,648     |

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

## 41. Risk Management, continued:

## (2) Credit Risk, continued:

## (f) Credit Quality by Asset Class, continued:

Analysis of age of portfolio loan, over-due loans by financial asset class. Additionally to the over due portion, the amounts detailed include remaining balance of the past due credits:

Terms:

Default 1: 1 to 29 days

Default 2: 30 to 59 days

Default 3: 60 to 89 days

**As of December 31, 2015:**

|                               | Default 1 | Default 2 | Default 3 |
|-------------------------------|-----------|-----------|-----------|
|                               | MCh\$     | MCh\$     | MCh\$     |
| Loans and advances to banks   | 15,354    |           |           |
| Commercial loans              | 152,739   | 59,428    | 19,346    |
| Import-export financing       | 19,437    | 1,255     | 6,096     |
| Factoring transactions        | 36,917    | 5,093     | 2,757     |
| Commercial lease transactions | 37,837    | 8,149     | 2,145     |
| Other loans and receivables   | 1,021     | 440       | 407       |
| Residential mortgage loans    | 132,767   | 53,915    | 22,279    |
| Consumer loans                | 225,577   | 90,188    | 33,864    |



|       |         |         |        |
|-------|---------|---------|--------|
| Total | 621,649 | 218,468 | 86,894 |
|-------|---------|---------|--------|

**As of December 31, 2014:**

|                               | Default 1<br>MCh\$ | Default 2<br>MCh\$ | Default 3<br>MCh\$ |
|-------------------------------|--------------------|--------------------|--------------------|
| Loans and advances to banks   | 23,176             | 35,197             |                    |
| Commercial loans              | 140,430            | 106,844            | 25,513             |
| Import-export financing       | 11,939             | 2,895              | 563                |
| Factoring transactions        | 28,210             | 4,554              | 1,170              |
| Commercial lease transactions | 54,605             | 10,958             | 2,747              |
| Other loans and receivables   | 1,598              | 483                | 311                |
| Residential mortgage loans    | 112,031            | 49,711             | 19,030             |
| Consumer loans                | 219,173            | 87,774             | 34,593             |
| Total                         | 591,162            | 298,416            | 83,927             |

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

## 41. Risk Management, continued:

## (2) Credit Risk, continued:

## (f) Credit Quality by Asset Class, continued:

The following table presents past due loans not impaired as of December 31,

|      | Up to 30<br>days<br>MCh\$ | Past due but not impaired*                    |   | Over 90 days<br>MCh\$ |
|------|---------------------------|---|---|-----------------------|
|      |                           | Over 30<br>days and up<br>to 59 days<br>MCh\$ | Over 60<br>days and up<br>to 89 days<br>MCh\$ |                       |
| 2015 | 460,401                   | 121,272                                       | 34,864  | 926                   |
| 2014 | 482,154                   | 189,117                                       | 34,748  | 1,848                 |

\* These amounts include installments that are overdue, plus the remaining balance of principal and interest on such loans

## (g) Assets Received in Lieu of Payment

The Bank has received assets in lieu of payment totaling MCh\$6,429 and MCh\$3,948 as of December 31, 2015 and 2014, respectively, the majority of which are properties. All of these assets are managed for sale.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

## 41. Risk Management, continued:

## (2) Credit Risk, continued:

## (h) Renegotiated Assets

The impaired loans are considered to be renegotiated when the corresponding financial commitments are restructured and the Bank assesses the probability of recovery as sufficiently high.

The following table details the book value of loans with renegotiated terms per financial asset class:

|  | 2015<br>MCh\$ | 2014<br>MCh\$ |
|--|---------------|---------------|
| <b>Financial Assets</b>                    |               |               |
| <b>Loans and advances to banks</b>         |               |               |
| Central Bank of Chile                      |               |               |
| Domestic banks                             |               |               |
| Foreign banks                              |               |               |
| Subtotal                                   |               |               |
| <b>Loans to customers, net</b>             |               |               |
| Commercial loans                           | 238,491       | 190,692       |
| Residential mortgage loans                 | 18,186        | 19,585        |
| Consumer loans                             | 335,489       | 324,622       |
| Subtotal                                   | 592,166       | 534,899       |
| <b>Total renegotiated financial assets</b> | 592,166       | 534,899       |

The Bank evaluates allowances loan losses in two segments: individually assessed allowances loan losses and group assessed allowances loan losses, which are described in more detail in Note No. 2(m).



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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued**

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**41. Risk Management, continued:**

**(3) Market Risk**

Market Risk is referred as to the potential loss the Bank may incur due to an adverse change of market factors levels, such as FX rates, equity prices, interest rates, options volatility, etc or due to the absence of liquidity.

**(a) Liquidity Risk:**

**Liquidity Risk: Measurement and Limits**

The bank measure and control the Trading Liquidity risk for Trading portfolios by establishing limits to certain specific tenors for each yield curve, limits to spot positions for FX or Equity portfolios. Trading Liquidity for debt instruments that are part of the Accrual Book is not limited explicitly, taking into account that in this case the instruments are expected to be held for longer periods of time or even until maturity.

Funding Liquidity is controlled and limited using the regulatory C08 Index report (from December 2015 onwards, the SBIF establish the C46 as the new index for reporting regulatory liquidity position; in the meanwhile and until March 2016, both indexes must be reported and after that date, the reporting of the C08 Index will be discontinued), which is the estimation of the expected net cash flows within a period of time considering business-as-usual market conditions.

The SBIF authorized Banco de Chile to utilize the C08 Adjusted Index report, which includes, in addition to the regular report, behavioral maturity assumptions for some specific balance sheet items, such as: roll-over or evergreen patterns for some portion of the loan portfolios; stability of some portion of the demand deposits and therefore no withdrawal is reported for this stable o core portion; etc.

The SBIF establish the following limits for the C08 Index:

Foreign Currency balance sheet items:

1-30 days C08 index < 1 x Tier-1 Capital

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|                                     |  |
|-------------------------------------|--|
| All Currencies balance sheet items: | 1-30 days C08 index < 1 x Tier-1 Capital |
| All Currencies balance sheet items: | 1-90 days C08 index < 2 x Tier-1 Capital |

As of December 30, 2015, the 1-30 days Adjusted C08 Index of foreign currency balance sheet items is 0.061 (C46 0.102). The 1-30 days Adjusted C46 Index of all currencies balance sheet items on that date is reported as 0.358 (C46 0.543); the value of the same index for the period 1 to 90 days is 0.294 (C46 0.496).

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

## 41. Risk Management, continued:

## (3) Market Risk, continued:

## (a) Liquidity Risk, continued:

The maturity profile of the consolidated financial liabilities of Banco de Chile and its subsidiaries, as of 2015 and 2014 end-of-year, is illustrated below:

|  | Up to 1<br>month<br>MCh\$ | Between<br>1 and 3<br>months<br>MCh\$ | Between 3<br>and 12<br>months<br>MCh\$ | Between<br>1 and 3<br>years<br>MCh\$ | Between<br>3 and 5<br>years<br>MCh\$ | More<br>than<br>5 years<br>MCh\$ | Total<br>MCh\$ |
|--|---------------------------|---------------------------------------|--|--------------------------------------|--------------------------------------|----------------------------------|----------------|
| <b>Liabilities as of December 31, 2015</b>                           |                           |                                       |  |                                      |                                      |                                  |                |
| Current accounts and other demand deposits                           | 8,327,051                 |                                       |  |                                      |                                      |                                  | 8,327,051      |
| Transactions in the course of payment                                | 241,841                   |                                       |  |                                      |                                      |                                  | 241,841        |
| Instruments sold under repurchase agreements<br>and security lending | 184,041                   | 51                                    |  |                                      |                                      |                                  | 184,092        |
| Savings accounts and time deposits                                   | 4,637,114                 | 1,788,360                             | 3,128,918                              | 484,858                              | 557                                  | 211                              | 10,040,018     |
| Full delivery derivative transactions                                | 269,483                   | 232,474                               | 364,917                                | 629,015                              | 329,806                              | 640,329                          | 2,466,024      |
| Borrowings from financial institutions                               | 231,893                   | 125,946                               | 904,310                                | 262,757                              |                                      |                                  | 1,524,906      |
| Other financial obligations  | 421                       | 1,100                                 | 5,535                                  | 18,435                               | 23,918                               | 789                              | 50,0198        |
| Debt issued in non-USD foreign currency                              | 113,758                   | 199,062                               | 766,134                                | 1,157,411                            | 1,384,072                            | 3,756,483                        | 7,376,920      |
| Total (excluding non-delivery derivative<br>transactions)            | 14,005,602                | 2,346,993                             | 5,169,814                              | 2,552,477                            | 1,738,353                            | 4,397,811                        | 30,211,050     |
| Non-delivery derivative transactions                                 | 262,962                   | 356,434                               | 809,548                                | 1,053,043                            | 528,528                              | 1,017,489                        | 4,028,005      |
|  | Up to 1<br>month<br>MCh\$ | Between<br>1 and 3<br>months<br>MCh\$ | Between 3<br>and 12<br>months<br>MCh\$ | Between<br>1 and 3<br>years<br>MCh\$ | Between<br>3 and 5<br>years<br>MCh\$ | More<br>than<br>5 years<br>MCh\$ | Total<br>MCh\$ |
| <b>Liabilities as of December 31, 2014</b>                           |                           |                                       |  |                                      |                                      |                                  |                |
| Current accounts and other demand deposits                           | 6,934,373                 |                                       |  |                                      |                                      |                                  | 6,934,373      |
| Transactions in the course of payment                                | 96,945                    |                                       |  |                                      |                                      |                                  | 96,945         |
| Instruments sold under repurchase agreements<br>and security lending | 249,198                   | 92                                    |  |                                      |                                      |                                  | 249,290        |
| Savings accounts and time deposits                                   | 4,956,782                 | 2,162,419                             | 2,596,404                              | 154,505                              | 172                                  | 188                              | 9,870,470      |

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|   |                   |                  |                  |                  |                  |                  |                   |
|---|-------------------|------------------|------------------|------------------|------------------|------------------|-------------------|
| Full delivery derivative transactions                         | 269,665           | 278,329          | 286,634          | 409,966          | 296,234          | 486,087          | 2,026,915         |
| Borrowings from financial institutions                        | 59,589            | 158,480          | 677,611          | 200,010          |                  |                  | 1,095,690         |
| Other financial obligations                                   | 756               | 1,140            | 5,939            | 12,713           | 17,685           | 18,585           | 56,818            |
| Debt issued in non-USD foreign currency                       | 114,339           | 222,257          | 566,735          | 1,134,570        | 1,219,836        | 2,882,249        | 6,139,986         |
| <b>Total (excluding non-delivery derivative transactions)</b> | <b>12,681,647</b> | <b>2,822,717</b> | <b>4,133,323</b> | <b>1,911,764</b> | <b>1,533,927</b> | <b>3,387,109</b> | <b>26,470,487</b> |
| Non-delivery derivative transactions                          | 178,635           | 110,298          | 727,089          | 1,208,217        | 638,045          | 895,239          | 3,757,523         |

The evolution of the loan-to-deposit ratio for 2015 and 2014 is detailed below:

|         | <b>December 31,<br/>2015</b> | <b>December 31,<br/>2014</b> |
|---------|------------------------------|------------------------------|
| Maximum | 3.00                         | 2.74                         |
| Minimum | 2.70                         | 2.43                         |
| Average | 2.84                         | 2.61                         |



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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, *continued*

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**41. Risk Management, continued:**

**(3) Market Risk, continued:**

**(a) Liquidity Risk, continued:**

Banco de Chile has established internal liquidity metrics, in addition to those required by the regulatory entities, with the purpose of covering other dimensions of liquidity risk, such as: large funds providers diversification; maturity concentration triggers; etc. These and other financial ratios are monthly monitored in order to early detect structural changes of the balance sheet profile. Additionally, the bank is closely monitoring market triggers, such as interest rates levels, intervention of the markets made by the Central Bank, the 5-year Chile CDS spread, etc. These allow the bank to early prevent systemic crisis due to market conditions.

**(b) Price Risk:**

Price Risk Measurement and Limits

The Price Risk measurement and management processes are implemented utilizing various internal metrics and reports. These are built for the Trading portfolio and separately for the Banking book (also referred as to the Accrual book). In addition to this, and just on supplementary basis and actually not used as a risk management tool, the bank submits regulatory reports to the corresponding regulatory entities.

The bank has established internal limits for the Trading Book. In fact, the FX net open positions (FX delta), the interest rate sensitivities generated by the derivatives and debt securities portfolios (DV01 or also referred as to rho) and the FX volatility sensitivity (vega) are measured and limited. Limits are established on an aggregate basis but also for some specific repricing tenor points. The use of these limits are daily monitored, controlled and reported by independent parties to the senior management of the bank. The internal governance framework also establishes that these limits are approved by the board and must be reviewed at least annually.

The Bank utilizes the historical VaR (Value-at-Risk) approach as the risk measurement tool for the trading portfolio exposures. The model includes 99% confidence level and most recent one-year observed rates, prices and yields data. The VaR number is escalated by 22 days (a calendar month) for reporting purposes.

The regulatory risk measurement for the Trading portfolio (C41 report) is made by utilizing guidelines provided by the regulatory entities (Central Bank of Chile and SBIF), which are adopted from BIS 1993 standardized methodologies developed for this specific measurement. The referred methodologies estimate the potential loss that the Bank may incur considering standardized fluctuations of the value of market factors such as FX rates, interest rates and volatilities that may adversely impact the value of FX spot positions, interest rate exposures, and volatility exposures, respectively. The interest rate shifts are provided by the regulatory entity; in addition, very conservative correlation and tenors factors are included in order to include non-parallel yield curve shifts reflecting steepening/flattering behaviors. The impact due to FX open positions is obtained by using huge fluctuations (8% for liquid FX rates and 30% for the illiquid ones). The SBIF does not establish a separate limit for this particular risk but a global one that includes this risk (also labeled as Market Risk Equivalent or ERM) and the Risk Weighted Assets. The sum of ERM and the 10% of the Risk Weighted Assets cannot exceed the 100% of the bank's Tier-2 Capital. In the future, the Operational Risk will be added to the above calculation.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

## 41. Risk Management, continued:

## (3) Market Risk, continued:

## (b) Price Risk, continued:

The regulatory risk measurement for the Bank Book (SBIF C40 report) due to interest rate fluctuations is made by using standardized methodologies provided by the regulatory entities (Central Bank of Chile and SBIF). The report includes models for reporting interest rate gaps and standardized adverse interest rate fluctuations. In addition to this, the regulatory entity has requested from banks to establish internal limits for this regulatory risk measurement. Limits must be established separately for short-term and long-term portfolios. The short-term risk limit must be expressed as a percentage of the NIM and the long term risk limit as a percentage of the Capital. The bank is currently using 25% for both limits. The percentage use of these metrics during 2015 is illustrated below:

## Interest Rate Risk: Regulatory Model for Banking Book

|             | Short term | Long Term |
|-------------|------------|-----------|
| Maximum Use | 7.9%       | 21.0%     |
| Average Use | 7.1%       | 19.2%     |
| Minimum Use | 6.6%       | 17.9%     |

Additionally, the Bank utilizes built-in models for measuring, limiting, controlling and reporting interest rate exposures (IRE) and interest rate risks (also called Earnings at Risk or EaR) for the Accrual Book. The Accrual book includes all balance sheet items (even some items that are excluded by the regulators in the analysis of the Banking Book, such as Capital and Fixed Assets, for example). The internal models consider a more comprehensive and detailed analysis of interest rates fluctuations, exchange rates and inflation than the SBIF C40 report required by regulators.

In addition to the above, the Market Risk Policy of Banco de Chile enforces to perform daily stress tests for trading portfolios and on a monthly basis for accrual portfolios. The output of the stress testing process is compared to corresponding trigger levels: in the case that triggers are breached, the senior management is notified in order to implement further actions, if necessary. Moreover, intra-month actual P&L for trading activities is compared to some trigger levels: escalation to senior levels is also done when breaches occur.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

## 41. Risk Management, continued:

## (3) Market Risk, continued:

## (b) Price Risk, continued:

The following table illustrates the interest rate cash-flows of the Banking Book (contractual tenors) as of December 31, 2015 and 2014:

## Accrual Book Interest Rate Exposure by Contractual Maturity

|   | Up to 1<br>month<br>MCh\$ | Between<br>1 and 3<br>months<br>MCh\$ | Between 3<br>and 12<br>months<br>MCh\$ | Between<br>1 and 3<br>years<br>MCh\$ | Between<br>3 and 5<br>years<br>MCh\$ | More<br>than 5<br>years<br>MCh\$ | Total<br>MCh\$ |
|---|---------------------------|---------------------------------------|--|--------------------------------------|--------------------------------------|----------------------------------|----------------|
| <b>Assets as of December 31, 2015</b>                       |                           |                                       |  |                                      |                                      |                                  |                |
| Cash and due from banks                                     | 1,336,900                 |                                       |  |                                      |                                      |                                  | 1,336,900      |
| Transactions in the course of collection                    | 516,151                   |                                       |  |                                      |                                      |                                  | 516,151        |
| Securities borrowed or purchased under agreements to resell | 3,462                     |                                       |  |                                      |                                      |                                  | 3,462          |
| Derivative instruments under hedge-accounting treatment     | 475,630                   | 136,918                               | 160,383                                | 324,360                              | 374,857                              | 438,135                          | 1,910,283      |
| Inter-banking loans   | 1,065,713                 | 78,726                                | 227,895                                | 30,236                               |                                      |                                  | 1,402,570      |
| Customer loans  | 3,407,077                 | 3,920,279                             | 6,135,079                              | 5,067,738                            | 2,888,550                            | 7,725,546                        | 29,144,269     |
| Available-for-sale instruments                              | 53,523                    | 76,135                                | 369,755                                | 125,645                              | 151,502                              | 244,707                          | 1,021,267      |
| Held-to-maturity instruments                                |                           |                                       |  |                                      |                                      |                                  |                |
| Total assets  | 6,858,456                 | 4,212,058                             | 6,893,112                              | 5,547,979                            | 3,414,909                            | 8,408,388                        | 35,334,902     |
|   | Up to 1<br>month<br>MCh\$ | Between<br>1 and 3<br>months<br>MCh\$ | Between 3<br>and 12<br>months<br>MCh\$ | Between<br>1 and 3<br>years<br>MCh\$ | Between<br>3 and 5<br>years<br>MCh\$ | More<br>than 5<br>years<br>MCh\$ | Total<br>MCh\$ |
| <b>Assets as of December 31, 2014</b>                       |                           |                                       |  |                                      |                                      |                                  |                |
| Cash and due from banks                                     | 889,489                   |                                       |  |                                      |                                      |                                  | 889,489        |
| Transactions in the course of collection                    | 387,434                   |                                       |  |                                      |                                      |                                  | 387,434        |

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|   |           |           |           |           |           |           |  |            |
|---|-----------|-----------|-----------|-----------|-----------|-----------|--|------------|
| Securities borrowed or purchased under agreements to resell |           |           |           |           |           |           |  | 820        |
| Derivative under hedge-accounting treatment                 | 382,138   | 155,483   | 113,921   | 180,892   | 451,807   | 320,352   |  | 1,604,593  |
| Inter-banking loans   | 810,826   | 80,057    | 249,764   | 18,501    |           |           |  | 1,159,148  |
| Customer loans  | 3,431,877 | 3,244,400 | 5,446,614 | 4,789,951 | 2,420,640 | 6,575,962 |  | 25,909,444 |
| Available-for-sale instruments                              | 166,115   | 166,562   | 509,046   | 153,964   | 171,256   | 574,193   |  | 1,741,136  |
| Held-to-maturity instruments                                |           |           |           |           |           |           |  |            |
| Total assets  | 6,068,699 | 3,646,502 | 6,319,345 | 5,143,308 | 3,043,703 | 7,470,507 |  | 31,692,064 |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

## 41. Risk Management, continued:

## (3) Market Risk, continued

## (b) Price Risk, continued:

|  | Up to 1<br>month<br>MCh\$ | Between<br>1 and 3<br>months<br>MCh\$ | Between 3<br>and 12<br>months<br>MCh\$ | Between 1<br>and 3 years<br>MCh\$ | Between<br>3 and 5<br>years<br>MCh\$ | More<br>than 5<br>years<br>MCh\$ | Total<br>MCh\$ |
|--|---------------------------|---------------------------------------|--|-----------------------------------|--------------------------------------|----------------------------------|----------------|
| <b>Liabilities as of December 31, 2015</b>               |                           |                                       |  |                                   |                                      |                                  |                |
| Current accounts and demand deposits                     | 8,338,672                 |                                       |  |                                   |                                      |                                  | 8,338,672      |
| Transactions in the course of payment                    | 231,059                   |                                       |  |                                   |                                      |                                  | 231,059        |
| Securities loaned or sold under agreements to repurchase | 10,358                    |                                       |  |                                   |                                      |                                  | 10,358         |
| Savings accounts and interest-bearing deposits           | 4,641,021                 | 1,789,871                             | 3,123,713                              | 484,606                           | 557                                  | 211                              | 10,039,979     |
| Derivative instruments under hedge-accounting treatment  | 4,272                     | 107,432                               | 254,360                                | 523,234                           | 427,855                              | 446,276                          | 1,763,429      |
| Inter-banking borrowings                                 | 826,857                   | 487,504                               | 210,569                                |                                   |                                      |                                  | 1,524,930      |
| Long-term debt   | 381,779                   | 162,304                               | 604,023                                | 1,155,900                         | 1,311,992                            | 3,755,090                        | 7,371,088      |
| Other liabilities  | 197,685                   | 1,100                                 | 5,535                                  | 18,435                            | 23,918                               | 789                              | 247,462        |
| Total liabilities  | 14,631,703                | 2,548,212                             | 4,198,199                              | 2,182,175                         | 1,764,322                            | 4,202,366                        | 29,526,976     |

|  | Up to 1<br>month<br>MCh\$ | Between<br>1 and 3<br>months<br>MCh\$ | Between 3<br>and 12<br>months<br>MCh\$ | Between 1<br>and 3 years<br>MCh\$ | Between<br>3 and 5<br>years<br>MCh\$ | More<br>than 5<br>years<br>MCh\$ | Total<br>MCh\$ |
|--|---------------------------|---------------------------------------|--|-----------------------------------|--------------------------------------|----------------------------------|----------------|
| <b>Liabilities as of December 31, 2014</b>               |                           |                                       |  |                                   |                                      |                                  |                |
| Current accounts and demand deposits                     | 6,950,301                 |                                       |  |                                   |                                      |                                  | 6,950,301      |
| Transactions in the course of payment                    | 82,932                    |                                       |  |                                   |                                      |                                  | 82,932         |
| Securities loaned or sold under agreements to repurchase | 25,662                    |                                       |  |                                   |                                      |                                  | 25,662         |
| Savings accounts and interest-bearing deposits           | 5,141,552                 | 1,977,615                             | 2,596,404                              | 154,511                           | 166                                  | 188                              | 9,870,436      |
| Derivative instruments under hedge-accounting treatment  | 3,911                     | 3,808                                 | 199,533                                | 542,556                           | 522,765                              | 339,547                          | 1,612,120      |
| Inter-banking borrowings                                 | 534,341                   | 435,417                               | 125,985                                |                                   |                                      |                                  | 1,095,743      |

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|                   |            |           |           |           |           |           |            |
|-------------------|------------|-----------|-----------|-----------|-----------|-----------|------------|
| Long-term debt    | 251,953    | 314,199   | 565,036   | 902,456   | 1,218,631 | 2,880,053 | 6,132,328  |
| Other liabilities | 142,484    | 1,140     | 5,939     | 12,713    | 17,685    | 18,585    | 198,546    |
| Total liabilities | 13,133,136 | 2,732,179 | 3,492,897 | 1,612,236 | 1,759,247 | 3,238,373 | 25,968,068 |



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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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41. **Risk Management, continued:**

(3) **Market Risk, continued:**

(b) **Price Risk, continued:**

Price Risk Sensitivity Analysis

The Bank has focused on stress tests as the main measurement tool for price risk sensitivity analysis. The analysis is implemented for the Trading Book and the Bank Book separately. After the financial crisis experienced during 2008 and based on the various studies and analyses made on this specific matter, the Bank adopted this methodology when it realized that it is more useful and realistic than business-as-usual tools such as VaR for trading portfolios or EaR for accrual portfolios, since:

(a) The financial crisis shows fluctuations that are materially higher than those used in the VaR with 99% of confidence level or EaR with 97.7% of confidence level.

(b) The financial crisis shows also that correlations between these fluctuations that are materially different to those used in the VaR, since crisis precisely indicate severe disconnections between the behaviors of market factors fluctuations respect to the patterns normally observed.

(c) Trading liquidity dramatically diminished in emerging markets during the financial crisis (in the case of Chile too) and therefore, the escalation of the daily VaR is a very gross approximation of the expected loss.

The stress tests impacts are obtained by modeling directional fluctuations on the value of market factors and calculating the changes of the economic/accounting value of the financial positions due to these shifts.

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The fluctuations are inferred from historical events but also taking into account extreme but feasible levels that the market factors values may reach in stressful environments generated by either economic, political, foreign issues, etc. factors.

An updated database is maintained including historical data of foreign exchange rates, debt instruments yields, derivatives swap yields, foreign exchange volatilities, etc. that enable the Bank to maintain up-to-date records of historical volatility of market factors fluctuations and correlations between these ones.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

## 41. Risk Management, continued:

## (3) Market Risk, continued:

## (b) Price Risk, continued:

In order to comply with IFRS 7.40, we include the following exercise illustrating an estimation of the impact of feasible but reasonable fluctuations of interest rates, swaps yields, foreign exchange rates and foreign exchange volatilities, which are used for valuing Trading and Accrual portfolios. Given that the Bank's portfolio includes positions denominated in nominal and real interest rates, these fluctuations must be aligned with extreme but realistic the inflation changes forecasts. The exercise is implemented in a very simplistic way: trading portfolios impacts are estimated by multiplying DV01s by expected interest rates shifts; accrual portfolios impacts are computed by multiplying cumulative gaps by forward interest rates fluctuations modeled. It is relevant to note that the methodology might miss some portion of the interest rates convexity since it is not properly captured when material fluctuations are modeled; additionally, neither convexity nor prepayments behaviors are captured for the accrual portfolio analysis. In any case, given the magnitude of the shifts, the methodology may be accurate enough for the purposes and scope of the analysis.

The following table illustrates the fluctuations modeled and used in the stress testing process. Bonds yields, derivatives yields, FX rates and FX CLP/USD volatility are shown for each tenor point. Equity prices fluctuations are not included given that the positions held in the stockbrokerage house (Banchile Corredores de Bolsa SA) are negligible. In fact, equity positions are typically very small given that this legal vehicle is mostly focused on customer driven transactions (brokerage service or equity swaps transactions closed with customers).

The directions of these fluctuations were chosen between four scenarios (two positive and two negative economic scenarios) in order to generate the worst impact for Trading Book exposures within the four above mentioned:

|          | Adverse Scenario Market factors fluctuations |                       |                             |                       |  |   |                          |
|----------|--|-----------------------|-----------------------------|-----------------------|--|---|--------------------------|
|          | CLP<br>Derivatives<br>(bps)                  | CLP<br>Bonds<br>(bps) | CLF<br>Derivatives<br>(bps) | CLF<br>Bonds<br>(bps) | USD<br>Offshore 3m<br>Derivatives<br>(bps) | Spread<br>USD<br>On/Off<br>Derivatives<br>(bps) | Vol FX<br>CLP/USD<br>(%) |
| 3 months | 27   | 37                    | (461)                       | (450)                 | 0  | (54)  | (3,1)%                   |
| 6 months | 38   | 42                    | (223)                       | (200)                 | 10   | (40)  | (2,6)%                   |
| 9 months | 43   | 47                    | (143)                       | (117)                 | 11   | (22)  | (2,0)%                   |
| 1 year   | 47   | 49                    | (129)                       | (101)                 | 10   | (15)  | (2,1)%                   |
| 2 years  | 53   | 52                    | (49)                        | (18)                  | 22   | (16)  | (2,8)%                   |

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|          |    |    |      |    |    |      |
|----------|----|----|------|----|----|------|
| 4 years  | 53 | 63 | (28) | 16 | 57 | (34) |
| 6 years  | 51 | 72 | (15) | 41 | 66 | (39) |
| 10 years | 49 | 76 | (7)  | 56 | 76 | (41) |
| 16 years | 48 | 76 | (7)  | 59 | 81 | (43) |
| 20 years | 48 | 75 | (8)  | 61 | 83 | (44) |

Bps = Basic points

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

## 41. Risk Management, continued:

## (3) Market Risk, continued:

## (b) Price Risk, continued:

The impact on the Trading Book as of December 31st 2015, is the following:

**POTENTIAL P&L IMPACT  
TRADING BOOK**

|  | MCh\$          |
|--|----------------|
| CLP Interest Rate                                    | (2,389)        |
| Derivatives  | (2,260)        |
| Debt instruments                                     | (129)          |
| CLF Interest Rate                                    | (5,329)        |
| Derivatives  | (1,886)        |
| Debt instruments                                     | (3,443)        |
| Interest rate USD, EUR, JPY, etc offshore            | 1,148          |
| Domestic/offshore interest rate spread USD, EUR, JPY | (1,951)        |
| Interest Rate  | (8,521)        |
| Foreign exchange                                     | (488)          |
| Options volatility                                   | (798)          |
| <b>TOTAL</b>   | <b>(9,807)</b> |

The scenario modeled would generate losses in the Trading Book up to MCh\$ 9,807 or approximately USD 14 MM. In any case, these fluctuations would not result in material losses compared to the Tier-1 Capital base.

The impact of such fluctuations in the Accrual portfolio, which is not necessarily a gain/loss but greater/lower net revenue from funds generation, is illustrated below:

:

**POTENTIAL 12 Months NRFF(\*) IMPACT**

**ACCRUALBOOK**

|  | MCh\$            |
|--|------------------|
| Impact due to Inter-Banking yield curve (Swap yield) shock | (189,630)        |
| Impact due to spreads shock                                | 33,692           |
| <b>Higher / (Lower NRFF)</b>                               | <b>(155,938)</b> |

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(\*) Net revenue from funds

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

## 41. Risk Management, continued:

## (3) Market Risk, continued:

## (b) Price Risk, continued:

The adverse impact in the Accrual book would be the result of two events: a severe drop in the local inflation and the increase of our funding spread. The lower net revenues from funds in the following 12 months would reach CH\$ 156 billion, which is still much lower of the current annual 12-month rolling P&L generation.

The following table illustrates the changes in fair value of Available-for-Sale debt securities as the result of stress test modeled above. These changes are recorded in Other Comprehensive Income, a component of shareholder's Equity, and not current earnings:

## POTENTIAL AVAILABLE FOR SALE

## OCI IMPACT

| Current Instrument  | DV01(+1 bps)<br>(USD) | Impact due to interest rate change<br>(USD) | Impact due to interest rate change<br>(MCh\$) |
|---------------------|-----------------------|---|---|
| CLP                 | (71,359)              | (3,34)                                      | (2,363)                                       |
| CLF                 | (139,768)             | (11.98)                                     | (8,488)                                       |
| USD                 | (105,345)             | (9.27)                                      | (6,566)                                       |
| <b>Total impact</b> |                       | <b>(24.59)</b>                              | <b>(17,417)</b>                               |

## (4) Capital Requirements and Capital Management:

The main objectives of the Capital Management process are to ensure the compliance with regulatory requirements, to keep a strong credit rating and healthy capital ratios. Within 2015, the Bank has complied with all these tasks.

As a part of the Capital Management Policy, it has been established capital sufficiency triggers in order to prevent capital ratios usage close to the limits. The triggers are established at levels much lower than the limits and the usage is monitored monthly. Within 2015, there were no triggers breaches.

The capital amount is managed according to the risk environment, the economic performance of Chile and the main economies and the business cycle. For implementing this, the board may change the dividend policy or authorize equity issuance or stocks repurchase programs.



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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, *continued*

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41. **Risk Management, continued:**

(4) **Capital Requirements and Capital Management, continued:**

*Regulatory Capital*

According to the Chilean Bank Law, banks must comply with a minimum Basel I Tier 2 Capital ratio of 8%. Therefore, the bank must maintain a minimum Tier 2 Capital that cannot be lower than 8% of the sum of 12.5 times the ERM (market risk computed for trading portfolios, see 41 (3) (b) above) and RAAP assets. Additionally, the Bank must comply with a minimum capital to total assets ratio: the law establish that banks must maintain a minimum Tier 1 Capital that cannot be lower than the 3% of total assets. The authorities have requested Banco de Chile, due to the merge with the operation of Citibank, N.A. in Chile that maintains the first percentage as a minimum of 10%.

Tier 1 and Tier 2 Capital are computed according the international standards; assets are risk weighted, for reporting purposes, according to SBIF instructions which are adopted from BIS guidelines. For derivatives, the risk weighting process is applied over the loan equivalent of each derivative transaction. The loan equivalent is sum of the current value of the transaction, if positive, and the maximum exposure the Bank may face in the future, along the life of the transaction, considering the increase in value of it due to market factor fluctuations including some confidence level. The loan equivalent is expressed as a percentage of the notional amount of the transaction, being these percentages much larger for FX transactions than for interest rate swaps or for longer tenors than for shorter ones.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

## 41. Risk Management, continued:

## (4) Capital Requirements and Capital Management, continued:

The risk-weighted assets and TIER 1 and TIER 2 Capital, as of end of year 2015 and 2014, are the following:

|   | Consolidated assets |               | Risk-weighted assets |               |
|---|---------------------|---------------|----------------------|---------------|
|   | 2015<br>MCh\$       | 2014<br>MCh\$ | 2015<br>MCh\$        | 2014<br>MCh\$ |
| <b>Balance sheet assets (net of provisions)</b>               |                     |               |                      |               |
| Cash and due from banks                                       | 1,361,222           | 915,133       | 42,335               | 3,100         |
| Transactions in the course of collection                      | 526,046             | 400,081       | 59,719               | 34,741        |
| Financial Assets held-for-trading                             | 866,654             | 548,471       | 160,150              | 304,501       |
| Receivables from repurchase agreements and security borrowing | 46,164              | 27,661        | 46,164               | 27,661        |
| Derivative instruments  | 1,127,122           | 832,193       | 1,064,661            | 694,632       |
| Loans and advances to banks                                   | 1,395,195           | 1,155,365     | 358,614              | 468,293       |
| Loans to customers, net                                       | 23,956,275          | 21,348,033    | 21,411,781           | 19,192,870    |
| Financial assets available-for-sale                           | 1,000,001           | 1,600,189     | 420,482              | 472,949       |
| Financial assets held-to-maturity                             |                     |               |                      |               |
| Investments in other companies                                | 28,126              | 25,312        | 28,126               | 25,312        |
| Intangible assets   | 26,719              | 26,593        | 26,719               | 26,593        |
| Property and equipment  | 215,671             | 205,403       | 215,671              | 205,403       |
| Current tax assets  | 3,279               | 3,468         | 328                  | 347           |
| Deferred tax assets   | 255,972             | 202,869       | 25,597               | 20,287        |
| Other assets  | 484,498             | 355,057       | 484,498              | 355,057       |
| Subtotal  |                     |               | 24,344,845           | 21,831,746    |
| <b>Off-balance-sheet assets</b>                               |                     |               |                      |               |
| Contingent loans  | 5,221,333           | 4,280,451     | 3,131,800            | 2,567,508     |
| Total risk-weighted assets                                    |                     |               | 27,476,645           | 24,399,254    |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

41. Risk Management, continued:

(4) Capital Requirements and Capital Management, continued:

|                    | As of December 31, 2015 |       | As of December 31, 2014 |       |
|--------------------|-------------------------|-------|-------------------------|-------|
|                    | MCh\$                   | %     | MCh\$                   | %     |
| TIER 1 Capital (*) | 2,740,084               | 7.45  | 2,535,154               | 7.89  |
| TIER 2 Equity      | 3,457,523               | 12.58 | 3,249,903               | 13.32 |

(\*) Corresponds to equity attributable to equity holders in the Statement of Consolidated Financial Position

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued**

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**42. Subsequent Events:**

On January 28, 2016, in the Ordinary Meeting No. BCH 2832, the Board of Directors of Banco de Chile resolved to call an Ordinary Shareholders Meeting to be held on March 24th, 2016, with the objective of proposing, among other matters, the distribution of the Dividend number 204 of \$3.37534954173 per each of the 96,129,146,433 shares, which will be payable at the expense of the distributable net income obtained during the fiscal year ending on December 31st, 2015, corresponding to the 70% of such income.

Likewise, the Board of Directors resolved to call an Extraordinary Shareholders Meeting to be held on the same date in order to propose, among other matters, the capitalization of the 30% of the distributable net income of the Bank obtained during the fiscal year ending on December 31st, 2015, through the issuance of fully paid-in shares, of no par value, with a value \$64.79 per share, which will be distributed among the shareholders in the proportion of 0.02232718590 shares for each share and to adopt the necessary agreements subject to the exercise of the options established in article 31 of Law 19,396.

Moreover, the Board, according to the established in No. 3.2 Chapter B4 of Compendium of Accounting Standards of the Superintendency of Banks and Financial Institutions, about minimum dividends provision, agreed to establish that since January 2016 it will constitute provision by the 60% of distributable net income that it will be accumulating during the each period.

In Management's opinion, there are no others significant subsequent events that affect or could affect the consolidated financial statements of the Bank and its subsidiaries between December 31, 2015 and the date of issuance of these consolidated financial statements.

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**Héctor Hernández G,  
General Accounting Manager**

**Arturo Tagle Q,  
Chief Executive Officer**

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**SIGNATURE**

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

Date: January 29, 2016

Banco de Chile

/S/ Arturo Tagle Q.

By: Arturo Tagle Q.  
CEO