

BANK OF CHILE  
Form 6-K  
July 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 July, 2016**

**Commission File Number 001-15266**

**BANK OF CHILE**

(Translation of registrant's name into English)

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

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

Form 20-F  Form 40-F

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

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

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

Yes  No

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

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BANCO DE CHILE  
REPORT ON FORM 6-K

Attached Banco de Chile's Consolidated Financial Statements with notes as of June 30, 2016.

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**BANCO DE CHILE AND SUBSIDIARIES**

**CONSOLIDATED INTERMEDIATE**

**FINANCIAL STATEMENTS**

**For the periods ended as of**

**June 30, 2016 and 2015 and**

**December 31, 2015.**



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

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For the periods ended June 30, 2016 and December 31, 2015

(Translation of financial statements originally issued in Spanish)

(Expressed in million of Chilean pesos)

|  | Notes | June<br>2016<br>MCh\$ | December<br>2015<br>MCh\$ |
|--|-------|-----------------------|---------------------------|
| <b>ASSETS</b>  |       |                       |                           |
| Cash and due from banks  | 7     | 978,313               | 1,361,222                 |
| Transactions in the course of collection                                 | 7     | 626,653               | 526,046                   |
| Financial assets held-for-trading  | 8     | 1,441,372             | 866,654                   |
| Cash collateral on securities borrowed and reverse repurchase agreements | 9     | 39,116                | 46,164                    |
| Derivative instruments   | 10    | 1,120,863             | 1,127,122                 |
| Loans and advances to banks  | 11    | 1,090,159             | 1,395,195                 |
| Loans to customers, net  | 12    | 24,099,024            | 23,956,275                |
| Financial assets available-for-sale                                      | 13    | 583,290               | 1,000,001                 |
| Financial assets held-to-maturity  | 13    |                       |                           |
| Investments in other companies   | 14    | 29,352                | 28,126                    |
| Intangible assets  | 15    | 27,200                | 26,719                    |
| Property and equipment   | 16    | 216,239               | 215,671                   |
| Current tax assets   | 17    | 2,072                 | 3,279                     |
| Deferred tax assets  | 17    | 282,130               | 255,972                   |
| Other assets   | 18    | 472,196               | 484,498                   |
| <b>TOTAL ASSETS</b>  |       | <b>31,007,979</b>     | <b>31,292,944</b>         |
| <b>LIABILITIES</b>   |       |                       |                           |
| Current accounts and other demand deposits                               | 19    | 7,859,630             | 8,327,048                 |
| Transactions in the course of payment                                    | 7     | 379,423               | 241,842                   |
| Cash collateral on securities lent and repurchase agreements             | 9     | 179,379               | 184,131                   |
| Savings accounts and time deposits                                       | 20    | 10,605,357            | 9,907,692                 |
| Derivative instruments   | 10    | 1,126,109             | 1,127,927                 |
| Borrowings from financial institutions                                   | 21    | 1,071,120             | 1,529,627                 |
| Debt issued  | 22    | 6,011,248             | 6,102,208                 |
| Other financial obligations  | 23    | 131,838               | 173,081                   |
| Current tax liabilities  | 17    | 16,617                | 27,993                    |
| Deferred tax liabilities   | 17    | 26,420                | 32,953                    |
| Provisions   | 24    | 496,164               | 639,043                   |
| Other liabilities  | 25    | 313,674               | 259,312                   |
| <b>TOTAL LIABILITIES</b>   |       | <b>28,216,979</b>     | <b>28,552,857</b>         |
| <b>EQUITY</b>  |       |                       |                           |
|  | 27    |                       |                           |
| <b>Attributable to Bank's Owners:</b>                                    |       |                       |                           |
| Capital  |       | 2,138,047             | 2,041,173                 |
| Reserves   |       | 486,083               | 390,616                   |
| Other comprehensive income   |       | 10,272                | 57,709                    |
| Retained earnings:   |       |                       |                           |
| Retained earnings from previous periods                                  |       | 16,060                | 16,060                    |
| Income for the period  |       | 283,512               | 558,995                   |

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|                                     |                   |                   |
|-------------------------------------|-------------------|-------------------|
| Less:                               |                   |                   |
| Provision for minimum dividends     | (142,975)         | (324,469)         |
| Subtotal                            | <b>2,790,999</b>  | <b>2,740,084</b>  |
| <b>Non-controlling interests</b>    | <b>1</b>          | <b>3</b>          |
| <b>TOTAL EQUITY</b>                 | <b>2,791,000</b>  | <b>2,740,087</b>  |
| <b>TOTAL LIABILITIES AND EQUITY</b> | <b>31,007,979</b> | <b>31,292,944</b> |

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

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

For the six-month ended June 30, 2016 and 2015

(Translation of financial statements originally issued in Spanish)

(Expressed in million of Chilean pesos)

|  | Notes | June<br>2016<br>MCh\$ | June<br>2015<br>MCh\$ |
|--|-------|-----------------------|-----------------------|
| Interest revenue   | 28    | 968,438               | 873,961               |
| Interest expense   | 28    | (362,166)             | (286,217)             |
| <b>Net interest income</b>                                   |       | <b>606,272</b>        | <b>587,744</b>        |
| Income from fees and commissions                             | 29    | 216,603               | 205,618               |
| Expenses from fees and commissions                           | 29    | (58,846)              | (59,824)              |
| <b>Net fees and commission income</b>                        |       | <b>157,757</b>        | <b>145,794</b>        |
| Net financial operating income                               | 30    | 99,260                | 31,573                |
| Foreign exchange transactions, net                           | 31    | 6,403                 | 20,899                |
| Other operating income                                       | 36    | 16,739                | 14,128                |
| <b>Total operating revenues</b>                              |       | <b>886,431</b>        | <b>800,138</b>        |
| Provisions for loan losses                                   | 32    | (157,759)             | (124,809)             |
| <b>OPERATING REVENUES, NET OF PROVISIONS FOR LOAN LOSSES</b> |       | <b>728,672</b>        | <b>675,329</b>        |
| Personnel expenses   | 33    | (206,620)             | (184,066)             |
| Administrative expenses                                      | 34    | (157,958)             | (139,385)             |
| Depreciation and amortization                                | 35    | (16,566)              | (14,692)              |
| Impairment   | 35    | (4)                   | (58)                  |
| Other operating expenses                                     | 37    | (18,592)              | (13,657)              |
| <b>TOTAL OPERATING EXPENSES</b>                              |       | <b>(399,740)</b>      | <b>(351,858)</b>      |
| <b>NET OPERATING INCOME</b>                                  |       | <b>328,932</b>        | <b>323,471</b>        |
| Income attributable to associates                            | 14    | 1,831                 | 1,745                 |
| <b>Income before income tax</b>                              |       | <b>330,763</b>        | <b>325,216</b>        |
| Income tax   | 17    | (47,251)              | (40,118)              |
| <b>NET INCOME FOR THE PERIOD</b>                             |       | <b>283,512</b>        | <b>285,098</b>        |
| Attributable to:   |       |                       |                       |
| Bank's Owners  |       | 283,512               | 285,097               |
| Non-controlling interests                                    |       |                       | 1                     |

Ch\$

Ch\$

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|   |    |      |      |
|---|----|------|------|
| Net income per share attributable to Bank s Owners: |    |      |      |
| Basic net income per share                          | 27 | 2.95 | 2.97 |
| Diluted net income per share                        | 27 | 2.95 | 2.97 |

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

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

For the six-month ended June 30, 2016 and 2015

(Translation of financial statements originally issued in Spanish)

(Expressed in million of Chilean pesos)

|  | Notes | June<br>2016<br>MCh\$ | June<br>2015<br>MCh\$ |
|--|-------|-----------------------|-----------------------|
| <b>NET INCOME FOR THE PERIOD</b>   |       | <b>283,512</b>        | <b>285,098</b>        |
| <b>Other comprehensive income that will be reclassified subsequently to profit or loss</b>                 |       |                       |                       |
| Net change in unrealized gains (losses) on available for sale instruments                                  | 13    | (55,946)              | 6,703                 |
| Gains and losses on derivatives held as cash flow hedges   | 10    | (6,395)               | 3,556                 |
| Cumulative translation adjustment  | 27    | (59)                  |                       |
| <b>Subtotal Other comprehensive income before income taxes</b>   |       | <b>(62,400)</b>       | <b>10,259</b>         |
| Income tax   |       | 14,963                | (2,254)               |
| <b>Total other comprehensive income items that will be reclassified subsequently to profit or loss</b>     |       | <b>(47,437)</b>       | <b>8,005</b>          |
| <b>Other comprehensive income that will not be reclassified subsequently to profit or loss</b>             |       |                       |                       |
| Loss in defined benefit plans  |       |                       |                       |
| <b>Subtotal other comprehensive income before income taxes</b>   |       |                       |                       |
| Income taxes   |       |                       |                       |
| <b>Total other comprehensive income items that will not be reclassified subsequently to profit or loss</b> |       |                       |                       |
| <b>TOTAL CONSOLIDATED COMPREHENSIVE INCOME FOR THE PERIOD</b>  |       | <b>236,075</b>        | <b>293,103</b>        |
| Attributable to:   |       |                       |                       |
| Bank's Owners  |       | 236,075               | 293,102               |
| Non-controlling interests  |       |                       | 1                     |
|  |       | <b>Ch\$</b>           | <b>Ch\$</b>           |
| Net income per share attributable to Bank's Owners:  |       |                       |                       |
| Basic net income per share   |       | 2.46                  | 3.05                  |
| Diluted net income per share   |       | 2.46                  | 3.05                  |

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

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For the six-month ended June 30, 2016 and 2015

(Translation of financial statements originally issued in Spanish)

(Expressed in millions of Chilean pesos)

|  | Notes | Reserves              |                      | Other comprehensive income   |   |                                   | Retained earnings                       |   |                                      | Attributable to equity holders of the parent MCh\$ |                                       |
|--|-------|-----------------------|----------------------|------------------------------|---|-----------------------------------|---|---|--------------------------------------|--|---------------------------------------|
|  |       | Paid-in Capital MCh\$ | Other reserves MCh\$ | Reserves from earnings MCh\$ | Unrealized gains (losses) on available-for-sale MCh\$ | Derivatives cash flow hedge MCh\$ | Cumulative translation adjustment MCh\$ | Retained earnings from previous periods MCh\$ | Income (losses) for the period MCh\$ |  | Provision for minimum dividends MCh\$ |
| <b>Balances as of December 31, 2014</b>                      |       | 1,944,920             | 31,834               | 231,424                      | 33,962  | 10,086                            | 57                                      | 16,379  | 591,080                              | (324,588)  | 2,535,154                             |
| Capitalization of retained earnings                          |       | 96,253                |                      |                              |   |                                   |   |   | (96,253)                             |  |                                       |
| Income retention (released) according to law                 | 27    |                       |                      | 127,383                      |   |                                   |   |   | (127,383)                            |  |                                       |
| Dividends distributions and paid                             | 27    |                       |                      |                              |   |                                   |   |   | (367,444)                            | 324,588  | (42,856)                              |
| Other comprehensive income:                                  | 27    |                       |                      |                              |   |                                   |   |   |                                      |  |                                       |
| Cumulative translation adjustment                            |       |                       |                      |                              |   |                                   |   |   |                                      |  |                                       |
| Derivatives cash flow hedge, net                             |       |                       |                      |                              |   | 2,756                             |   |   |                                      |  | 2,756                                 |
| Valuation adjustment on available-for-sale instruments (net) |       |                       |                      |                              | 5,249   |                                   |   |   |                                      |  | 5,249                                 |
| Income for the period 2015                                   |       |                       |                      |                              |   |                                   |   |   | 285,097                              |  | 285,097                               |
| Equity adjustment investment in other companies              |       |                       | (1)                  |                              |   |                                   |   | (319)   |                                      |  | (320)                                 |
| Provision for minimum dividends                              |       |                       |                      |                              |   |                                   |   |   |                                      | (175,579)  | (175,579)                             |
| <b>Balances as of June 30, 2015</b>                          |       | <b>2,041,173</b>      | <b>31,833</b>        | <b>358,807</b>               | <b>39,211</b>   | <b>12,842</b>                     | <b>57</b>                               | <b>16,060</b>                                 | <b>285,097</b>                       | <b>(175,579)</b>                                   | <b>2,609,501</b>                      |
| Dividends distribution and paid                              |       |                       |                      |                              |   |                                   |   |   |                                      |  |                                       |

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|  |                  |               |                |                |               |           |               |                |                  |  |                  |
|--|------------------|---------------|----------------|----------------|---------------|-----------|---------------|----------------|------------------|--|------------------|
| Defined benefit plans adjustment                             |                  |               |                |                |               |           |               |                |                  |  |                  |
| Other comprehensive income:                                  |                  |               |                |                |               |           |               |                |                  |  |                  |
| Cumulative translation adjustment                            |                  |               |                |                |               | 2         |               |                |                  |  | 2                |
| Derivatives cash flow hedge, net                             |                  |               |                |                | 4,972         |           |               |                |                  |  | 4,972            |
| Valuation adjustment on available-for-sale instruments (net) |                  |               |                | 625            |               |           |               |                |                  |  | 625              |
| Income for the period 2015                                   |                  |               |                |                |               |           |               | 273,898        |                  |  | 273,898          |
| Provision for minimum dividends                              |                  |               |                |                |               |           |               |                | (148,890)        |  | (148,890)        |
| <b>Balances as of December 31, 2015</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> |
| Capitalization of retained earnings                          | 96,874           |               |                |                |               |           |               | (96,874)       |                  |  |                  |
| Income retention (released) according to law                 | 27               |               | 95,467         |                |               |           |               | (95,467)       |                  |  |                  |
| Dividends distributions and paid                             | 27               |               |                |                |               |           |               | (366,654)      | 324,469          |  | (42,185)         |
| Other comprehensive income:                                  | 27               |               |                |                |               |           |               |                |                  |  |                  |
| Cumulative translation adjustment                            |                  |               |                |                |               | (59)      |               |                |                  |  | (59)             |
| Derivatives cash flow hedge, net                             |                  |               |                |                | (4,860)       |           |               |                |                  |  | (4,860)          |
| Valuation adjustment on available-for-sale instruments (net) |                  |               |                | (42,518)       |               |           |               |                |                  |  | (42,518)         |
| Income for the period 2016                                   |                  |               |                |                |               |           |               | 283,512        |                  |  | 283,512          |
| Provision for minimum dividends                              | 27               |               |                |                |               |           |               |                | (142,975)        |  | (142,975)        |
| <b>Balances As of June 30, 2016</b>                          | <b>2,138,047</b> | <b>31,809</b> | <b>454,274</b> | <b>(2,682)</b> | <b>12,954</b> |           | <b>16,060</b> | <b>283,512</b> | <b>(142,975)</b> |  | <b>2,790,999</b> |

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



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

For the six-month ended June 30, 2016 and 2015

(Translation of financial statements originally issued in Spanish)

(Expressed in million of Chilean pesos)

|  | Notes | June<br>2016<br>MCh\$ | June<br>2015<br>MCh\$ |
|--|-------|-----------------------|-----------------------|
| <b>OPERATING ACTIVITIES:</b>   |       |                       |                       |
| Net income for the period  |       | 283,512               | 285,098               |
| Items that do not represent cash flows:  |       |                       |                       |
| Depreciation and amortization  | 35    | 16,566                | 14,692                |
| Impairment of intangible assets and property and equipment                           | 35    | 4                     | 58                    |
| Provision for loan losses  | 32    | 135,169               | 150,141               |
| Provision of contingent loans  | 32    | (8,418)               | 664                   |
| Additional provisions  | 32    | 52,075                |                       |
| Fair value adjustment of financial assets held-for-trading                           |       | (3,382)               | 140                   |
| (Gain) loss attributable to investments in other companies                           | 14    | (1,527)               | (1,448)               |
| (Gain) loss from sales of assets received in lieu of payment net                     | 36    | (2,845)               | (1,394)               |
| (Gain) loss on sales of property and equipment                                       | 36-37 | (60)                  | (59)                  |
| (Increase) decrease in other assets and liabilities                                  |       | 40,933                | (151,837)             |
| Charge-offs of assets received in lieu of payment                                    | 37    | 2,516                 | 865                   |
| Other charges (credits) to income that do not represent cash flows                   |       | (14,065)              | 370                   |
| Net changes from foreign exchange transactions of other assets and other liabilities |       | 30,018                | (346,331)             |
| Net interest variation, readjustment and accrued fees on assets and liabilities      |       | (108,902)             | 119,941               |
| Changes in assets and liabilities that affect operating cash flows:                  |       |                       |                       |
| (Increase) decrease in loans and advances to banks, net                              |       | 304,371               | (314,307)             |
| (Increase) decrease in loans to customers  |       | (205,071)             | (894,736)             |
| (Increase) decrease in financial assets held-for-trading, net                        |       | (509,444)             | (20,933)              |
| (Increase) decrease in deferred taxes, net   | 17    | (19,263)              | (6,755)               |
| Increase (decrease) in current account and other demand deposits                     |       | (466,592)             | 278,255               |
| Increase (decrease) in payables from repurchase agreements and security lending      |       | (5,440)               | (4,142)               |
| Increase (decrease) in savings accounts and time deposits                            |       | 677,734               | 190,927               |
| Proceeds from sale of assets received in lieu of payment                             |       | 6,781                 | 3,580                 |
| <b>Total cash flows from operating activities</b>                                    |       | <b>204,670</b>        | <b>(697,211)</b>      |
| <b>INVESTING ACTIVITIES:</b>   |       |                       |                       |
| (Increase) decrease in financial assets available-for-sale, net                      |       | 242,410               | 260,997               |
| Purchases of property and equipment  | 16    | (12,697)              | (11,296)              |
| Proceeds from sales of property and equipment  |       | 80                    | 217                   |
| Purchases of intangible assets   | 15    | (4,757)               | (4,529)               |
| Purchases of investments in other companies  | 14    |                       |                       |
| Dividends received from investments in other companies                               | 14    | 506                   | 632                   |
| <b>Total cash flows from investing activities</b>                                    |       | <b>225,542</b>        | <b>246,021</b>        |
| <b>FINANCING ACTIVITIES:</b>   |       |                       |                       |
| Redemption of mortgage finance bonds   |       | (4,057)               | (7,531)               |
| Proceeds from bond issuances   | 22    | 708,048               | 1,125,714             |

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|   |    |                  |                  |
|---|----|------------------|------------------|
| Redemption of bond issuances  |    | (730,928)        | (400,676)        |
| Subscription and payment of shares                                    |    |                  |                  |
| Dividends paid  | 27 | (366,654)        | (367,444)        |
| Increase (decrease) in borrowings from foreign financial institutions |    | (458,881)        | 215,783          |
| Increase (decrease) in other financial obligations                    |    | (39,460)         | (7,332)          |
| Increase (decrease) in borrowings from Central Bank of Chile          |    | (1)              | (1)              |
| Other borrowings long-term  |    | 17,794           | 13,748           |
| Payment of other borrowings long-term                                 |    | (19,231)         | (15,247)         |
| <b>Total cash flows from financing activities</b>                     |    | <b>(893,370)</b> | <b>557,014</b>   |
| <b>TOTAL NET POSITIVE (NEGATIVE) CASH FLOWS FOR THE PERIOD</b>        |    | <b>(463,158)</b> | <b>105,824</b>   |
| Net effect of exchange rate changes on cash and cash equivalents      |    | <b>(30,018)</b>  | <b>23,578</b>    |
| Cash and cash equivalents at beginning of year                        |    | <b>2,093,908</b> | <b>1,825,578</b> |
| Cash and cash equivalents at end of period                            | 7  | <b>1,600,732</b> | <b>1,954,980</b> |

|  | <b>June<br/>2016<br/>MCh\$</b> | <b>June<br/>2015<br/>MCh\$</b> |
|--|--------------------------------|--------------------------------|
| <b>Operational Cash flow interest:</b> |                                |                                |
| Interest received                      | 904,419                        | 860,457                        |
| Interest paid                          | (407,049)                      | (152,772)                      |

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

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**BANCO DE CHILE AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**1. Corporate information:**

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

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

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

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

The Interim Condensed Consolidated Financial Statements of Banco de Chile, for the period ended June 30, 2016 were approved for issuance in accordance with the directors on July 28, 2016.

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

**(a) Legal provisions:**

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

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

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

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

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

| RUT          | Subsidiaries                                      | Country      | Functional<br>Currency | Direct            |                       | Interest Owned<br>Indirect |                       | Total             |                       |
|--------------|---|--------------|------------------------|-------------------|-----------------------|----------------------------|-----------------------|-------------------|-----------------------|
|              |   |              |                        | June<br>2016<br>% | December<br>2015<br>% | June<br>2016<br>%          | December<br>2015<br>% | June<br>2016<br>% | December<br>2015<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             | 99.01                 | 0.99                       | 0.99                  | 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 Directors of Banco de Chile agreed to dissolve liquidate and terminate the Society, after ending all the administrative processes required by regulators, the dissolution was formally declared on July 5th, 2016. (See Note No.41).

**(c) Use of estimates and judgment:**

Preparing financial statements requires management to make judgments, estimations and assumptions that affect the application of accounting policies and the valuation of assets, liabilities, income and expenses presented. Real results could differ from these estimated amounts. Details

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on the use of estimates and judgment and their effect on the amounts recognized in the Interim Condensed Consolidated Financial Statement are included in the following notes:

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

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

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

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

**(c) Use of estimates and judgment, continued:**

During year 2016 it was implemented rules changes related to Compendium of Accounting Rules of Superintendency of Banks and Financial Institutions (SBIF), established in Circulars No. 3,573, No. 3,584 and No. 3,604. The net effect of these changes on results meant a credit for Ch\$653 million, according to the following detail:

- a) It enlarges risk classifications until A3 for guarantees with the objective of replace the credit quality of the debtor by the guarantee at the moment to make the provision. This impacted in a provision release of Ch\$2,125 million.
- b) New rule to specific provisions for factoring operations, that allows the substitution of the credit quality of the grantor by the bill acceptor, as long as this is classified in a category up to A3 or major. This impacted in a provision release of Ch\$2,420 million.
- c) New definition of default according to Circular No. 3,584 of June 22, 2015, which required recalibration of the models of group provisions. The latter implied a higher charge to income of Ch\$ 13,443 million in the first half.
- d) Changes in the percentage of credit equivalent for the free disposition credit lines, which decreased from 50% to 35%. This change implied a credit to income for Ch\$9,551 million.

During the period of June 30, 2016, there have not been others significant changes in the estimates.

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

Due to the nature of its business, the Bank and its subsidiaries activities do not have a cyclical or seasonal character. Accordingly, no specific details have been included on the notes to this Interim Condensed Consolidated Financial Statements with the information regarding the period of six-month ended June 30, 2016.

(e) **Relative Importance:**

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



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

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

**(f) Reclassifications:**

On May 25, 2015 the Superintendency of Banks and Financial Institutions issued a Circular No. 3,583; which it modifies the Chapter C-3 of Compendium of Accounting Rules establishing a new opening for classification of credits for higher education inside of Commercial Loans.

This modification implied the reclassification of higher education loans from Consumer Loans to Commercial Loans by an amount of Ch\$43,201 million, as of June 30, 2016. See Note No. 12 (a.i).

There have not been others significant reclassifications at the end of this period 2016.

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

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**3. New Accounting Pronouncements:**

The following is a summary of new standards, interpretations and improvements to the International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) that it is not effective as of June 30, 2016:

**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.

In terms of impairment standard establishes a single model that applies to all financial instruments, thus eliminating a source of complexity associated with previous accounting requirements, which require a timely recognition of expected credit losses.

IFRS 9 introduces changes to the requirements for accounting hedge, and also new alternatives of strategies to use. The amendments means a substantial overhaul of hedge accounting that aligns the accounting treatment with risk management activities, enabling entities to better reflect these activities in their financial statements. In addition, as a result of these changes, users of the financial statements will be provided with better information about risk management and the effect of hedge accounting on the financial statements.

IFRS 9 established that the fair value of credit risk of the entity shall be recognized in Other Comprehensive Income, allowing decrease any eventual volatility that would be generated in the income of the entity, because its recognition. IFRS 9 permits early application of this improvement, before any other requirement of IFRS 9.

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Mandatory adoption date is 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. The Superintendency of Banks and Financial Institutions has not approved this rule. This event is required to its application.

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

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**3. New Accounting Pronouncements, 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.

On April 12, 2016, IASB issued amendments to IFRS 15, clarifying requirements and providing a temporary relief to companies that are implementing the new standard.

In short the amendments clarify how:

- a) Identify a performance obligation (the promise to transfer a good or service to a customer) in a contract;
- b) Determining whether a company is the principal (the provider of a good or service) or an agent (the organization responsible for the good or service provided); and
- c) Determine whether the product of a license must be recognized at a point in time or over time.

The date of application of this new standard starts in January 1, 2018, earlier application is permitted.

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

#### **IFRS 16 Leases**

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

This new rule is no different to the previous rule, IAS 17 Leases, related to the accounting treatment for the lessor. However, related to the lessee, the new rule requires recognize the assets and liabilities, so eliminate the differences between financial and operating lease.

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.

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

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

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

**IAS 7 Statement of Cash Flows**

On January 2016, the IASB has published amendments to IAS 7, which has as objective that entities shall provide additional disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including changes from financing cash flows and other changes that are not cash flows.

The amendments are effective for annual periods beginning on or after 1 January 2017, earlier application is permitted.

Banco de Chile and its subsidiaries will host and apply these provisions, as long as the issuing date of the financial statements these changes in liabilities have existed, and that deserve to be disclosed in accordance with the new requirements.

**IAS 12 Income Taxes**

On January 2016, the IASB has published amendments to IAS 12, to clarify the recognition of deferred tax assets on debt instruments measured at fair value, assessing if the Bank has probability to generate futures fiscal income for use the deductible temporary difference.

The amendments are effective for annual periods beginning on or after 1 January 2017, earlier application is permitted.

This standard will not impact financial statements of Banco de Chile and its subsidiaries.

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

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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.

On December 2015, the IASB agreed that the amendments should apply in the future, and its early application is permitted.

This amendment will not impact financial statements of Banco de Chile and its subsidiaries.

#### **4. Changes in Accounting policies and Disclosures:**

During the period ended June 30, 2016, changes have occurred in accounting estimates result of instructions issued by the Superintendency of Banks and Financial Institutions. See Note No. 2 C).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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**5. Relevant Events:**

a) 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.

b) The Board of Directors of Banco de Chile, in Meeting No. BCH 2,835 held on March 24, 2016, agreed to accept the resignation of the CEO Mr. Arturo Tagle Quiroz, effective April 30, 2016.

Likewise, in the above referred Meeting the Board appointed Mr. Eduardo Ebersperger Orrego as CEO of Banco de Chile, effective May 1, 2016.

Lastly, Mr. Arturo Tagle Quiroz was appointed as advisor to the Board of Directors effective May 1, 2016.

c) On March 29, 2016 Banco de Chile informed as Essential Information that Central Bank of Chile has communicated to Banco de Chile that the Board of such institution, in Special Session No 1967E, held on March 28, 2016, considering the resolutions adopted by the shareholders meetings of Banco de Chile of March 24, 2016, regarding distribution of dividends and the increase of capital through the issuance of fully paid-in shares



corresponding to the 30% of the net income obtained during the fiscal year ending on December 31, 2015, resolved to take the option that the entirety of its corresponding surplus, including the part of the profits proportional to the agreed capitalization, be paid to the Central Bank of Chile in cash currency, according to the letter b) of the article 31 of the law No 19,396, regarding a modification of the way of payment of the subordinated obligation and other applicable legislation.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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**5. Relevant Events, continued:**

d) In the Board Meeting held on May 19, 2016, the Board of the subsidiary Banchile Corredores de Bolsa S.A. He accepted the resignation of General Manager, Mr. Andrés Bucher Cepeda, presented on 5 May 2016. The Board also agreed to appoint Mr. Andrés Ergas Heller as Acting General Manager.

e) At the Board Meeting held on May 20, 2016, the Board of Directors of the subsidiary Banchile Asesoría Financiera S.A. The resignation presented by director Don Arturo Tagle Quiroz was accepted, proceeding to appoint Mr. José Miguel Quintana Malfanti as alternate until the next Ordinary Shareholders Meeting. Additionally, in that board meeting it was agreed to appoint Mr. Alfonso Yáñez Fernández as General Manager of Banchile Asesoría Financiera S.A., replacing Mr. Jorge Muñoz Apará, who submitted his resignation as General Manager dated May 5, 2016.

f) On June 23, 2016, Banco de Chile reported in connection with the capitalization of 30% of the net profit for distributable the year 2015, by issuing bonus shares agreed at an Extraordinary Meeting of Shareholders held on 24 March 2016, the following:

- In the aforementioned Extraordinary Shareholders Meeting, agreed to increase the Bank's capital in the amount of 96,874,072,595 by issuing 1,495,200,997 bonus shares with no nominal value, payable under the distributable net income for the year 2015 which was not distributed as dividend as agreed at the Ordinary Shareholders Meeting held on the same day.

The Superintendency of Banks and Financial Institutions (SBIF) approved the amendment of the by-laws, through Resolution N°162 of May 13 this year, which was registered in the Registry of Commerce of Santiago fs. 35.404 No.19,610 of 2016 and published in the Official Journal on May 20, 2016.

The issue of bonus shares was registered in the Securities Registry of the aforementioned Superintendency under N° 4/2016, dated June 16, 2016.

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- The board of Banco de Chile, in Session No. BCH 2,840, dated June 23, 2016, agreed to set a date for the issuance and distribution of bonus shares on July 7, 2016.
- They will be entitled to receive the new shares at the rate of bonus shares 0.02232718590 per share, shareholders who are registered in the Register of Shareholders of the company at 1st July 2016.
- The respective titles will be properly allocated to each shareholder, and will only be printed for those who henceforth request by written at the Department of Shares of Banco de Chile.

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

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**5. Relevant Events, continued:**

- As a result of the issuance of bonus shares, the Bank's capital is divided into 97,624,347,430 shares with no nominal value, fully subscribed and paid.

g) During this period it took place the process of Collective Bargaining between the subsidiary Socofin and the Socofin Company Union S.A., signing a Collective Bargaining Agreement for four years (2016-2020).

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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 70,000UF, where the product offering focuses primarily on consumer loans, commercial loans, checking accounts, credit cards, credit lines and mortgage loans.

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

**Treasury and money market operations:**

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

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

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

**Entity**

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

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(\*) See Note No 41.

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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 Summary of Significant Accounting Principles. The Bank obtains the majority of its income from: interest, revaluations and fees, discounted the credit cost and expenses. Management is mainly based on these concepts in its evaluation of segment performance and decision-making regarding goals, allocation of resources for each unit individually. Although the results of the segments reconcile with those of the Bank at total level, it is not thus necessarily concerning the different concepts, since the management is measured and controls in individual form and applying the following criteria:

- The net interest margin of loans and deposits is obtained aggregating the net financial margins of each individual operation of credit and uptake made by the bank. For these purposes is considered the volume of each operation and its contribution margin, stemming from the difference between the effective customer rate and the related Bank's fund transfer price in terms of maturity and currency.
- The internal performance profitability system considers capital allocation in each segment in accordance to the Basel guidelines.
- Operating expenses are distributed at each area level. The Bank allocates all of its indirect operating costs to each business segment by utilizing a different cost driver in order to allocate such costs to the specific segment.

The Bank did not enter into transactions with a particular customer or third parties that exceed 10% or more of its total income during the six-month period ended June 30, 2016 and 2015.

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

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

## 6. Segment Reporting, continued:

The following table presents the income by segment for the periods ended June 2016 and 2015 for each of the segments defined above:

|  | Retail    |           | Wholesale |           | Treasury  |           | Subsidiaries |           | Subtotal  |           | Consolidation adjustment |           | Total     |           |
|--|-----------|-----------|-----------|-----------|-----------|-----------|--------------|-----------|-----------|-----------|--------------------------|-----------|-----------|-----------|
|  | June 2016 | June 2015 | June 2016 | June 2015 | June 2016 | June 2015 | June 2016    | June 2015 | June 2016 | June 2015 | June 2016                | June 2015 | June 2016 | June 2015 |
|  | MCh\$     | MCh\$     | MCh\$     | MCh\$     | MCh\$     | MCh\$     | MCh\$        | MCh\$     | MCh\$     | MCh\$     | MCh\$                    | MCh\$     | MCh\$     | MCh\$     |
| Net interest income                    | 430,735   | 409,176   | 168,049   | 169,358   | 9,015     | 11,343    | (2,067)      | (3,210)   | 605,732   | 586,667   | 540                      | 1,077     | 606,272   | 587,744   |
| Net fees and commissions income (loss) | 80,672    | 70,177    | 21,271    | 23,175    | (1,064)   | (908)     | 65,797       | 61,677    | 166,676   | 154,121   | (8,919)                  | (8,327)   | 157,757   | 145,794   |
| Other operating income                 | 72,106    | 10,340    | 12,498    | 24,704    | 27,331    | 21,176    | 12,261       | 12,682    | 124,196   | 68,902    | (1,794)                  | (2,302)   | 122,402   | 66,600    |
| Total operating revenue                | 583,513   | 489,693   | 201,818   | 217,237   | 35,282    | 31,611    | 75,991       | 71,149    | 896,604   | 809,690   | (10,173)                 | (9,552)   | 886,431   | 800,138   |
| Provisions for loan losses (*)         | (154,807) | (114,709) | (2,948)   | (10,164)  |           |           | (4)          | 64        | (157,759) | (124,809) |                          |           | (157,759) | (124,809) |
| Depreciation and amortization          | (12,075)  | (10,547)  | (2,821)   | (2,673)   | (131)     | (194)     | (1,539)      | (1,278)   | (16,566)  | (14,692)  |                          |           | (16,566)  | (14,692)  |
| Other operating expenses               | (254,005) | (223,532) | (76,301)  | (69,410)  | (3,210)   | (2,981)   | (59,831)     | (50,795)  | (393,347) | (346,718) | 10,173                   | 9,552     | (383,174) | (337,166) |
| Income attributable to associates      | 1,144     | 1,206     | 389       | 233       | 36        | 18        | 262          | 288       | 1,831     | 1,745     |                          |           | 1,831     | 1,745     |
| Income before income taxes             | 163,770   | 142,111   | 120,137   | 135,223   | 31,977    | 28,454    | 14,879       | 19,428    | 330,763   | 325,216   |                          |           | 330,763   | 325,216   |
| Income taxes                           |           |           |           |           |           |           |              |           |           |           |                          |           | (47,251)  | (40,118)  |
| Income after income taxes              |           |           |           |           |           |           |              |           |           |           |                          |           | 283,512   | 285,098   |

(\*) At June 30, 2016, the Retail and Wholesale segments include additional provisions assigned according to their risk-weighted assets.



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The following table presents assets and liabilities of the period ended June 30, 2016 and December 31, 2015 by each segment defined above:

|                            | Retail     |               | Wholesale  |               | Treasury  |               | Subsidiaries |               | Subtotal   |               | Consolidation adjustment |               | Total      |
|----------------------------|------------|---------------|------------|---------------|-----------|---------------|--------------|---------------|------------|---------------|--------------------------|---------------|------------|
|                            | June 2016  | December 2015 | June 2016  | December 2015 | June 2016 | December 2015 | June 2016    | December 2015 | June 2016  | December 2015 | June 2016                | December 2015 |            |
|                            | MCh\$      | MCh\$         | MCh\$      | MCh\$         | MCh\$     | MCh\$         | MCh\$        | MCh\$         | MCh\$      | MCh\$         | MCh\$                    | MCh\$         | MCh\$      |
| Assets                     | 14,858,110 | 14,431,003    | 11,432,635 | 11,866,488    | 4,067,977 | 4,362,051     | 591,514      | 523,080       | 30,950,236 | 31,182,622    | (226,459)                | (148,929)     | 30,722,651 |
| Current and deferred taxes |            |               |            |               |           |               |              |               |            |               |                          |               | 28,143,651 |
| Total assets               |            |               |            |               |           |               |              |               |            |               |                          |               | 31,000,000 |
| Liabilities                | 9,867,669  | 9,726,434     | 10,084,889 | 9,934,304     | 7,991,997 | 8,605,278     | 455,846      | 374,824       | 28,400,401 | 28,640,840    | (226,459)                | (148,929)     | 28,143,651 |
| Current and deferred taxes |            |               |            |               |           |               |              |               |            |               |                          |               | 4,000,000  |
| Total liabilities          |            |               |            |               |           |               |              |               |            |               |                          |               | 28,213,651 |

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

7. **Cash and Cash Equivalents:**

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

|   | <b>June<br/>2016<br/>MCh\$</b> | <b>December<br/>2015<br/>MCh\$</b> |
|---|--------------------------------|------------------------------------|
| Cash and due from banks:                          |                                |                                    |
| Cash (*)  | 518,159                        | 672,253                            |
| Current account with the Chilean Central Bank (*) | 129,665                        | 111,330                            |
| Deposits in other domestic banks                  | 6,257                          | 9,676                              |
| Deposits abroad                                   | 324,232                        | 567,963                            |
| Subtotal - Cash and due from banks                | 978,313                        | 1,361,222                          |
| Net transactions in the course of collection      | 247,230                        | 284,204                            |
| Highly liquid financial instruments               | 341,554                        | 407,111                            |
| Repurchase agreements                             | 33,635                         | 41,371                             |
| Total cash and cash equivalents                   | 1,600,732                      | 2,093,908                          |

(\*) 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:

|   | <b>June<br/>2016<br/>MCh\$</b> | <b>December<br/>2015<br/>MCh\$</b> |
|---|--------------------------------|------------------------------------|
| <b>Assets</b>                                     |                                |                                    |
| Documents drawn on other banks (clearing)         | 222,312                        | 293,908                            |
| Funds receivable                                  | 404,341                        | 232,138                            |
| Subtotal transactions in the course of collection | 626,653                        | 526,046                            |

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**Liabilities**

|  |           |           |
|--|-----------|-----------|
| Funds payable                                  | (379,423) | (241,842) |
| Subtotal transactions in the course of payment | (379,423) | (241,842) |
| Net transactions in the course of collection   | 247,230   | 284,204   |

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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:

|  | <b>June<br/>2016<br/>MCh\$</b> | <b>December<br/>2015<br/>MCh\$</b> |
|--|--------------------------------|------------------------------------|
| <b>Instruments issued by the Chilean Government and Central Bank of Chile:</b> |                                |                                    |
| Central Bank bonds   | 92,286                         | 46,068                             |
| Central Bank promissory notes  | 273,245                        | 103,832                            |
| Other instruments issued by the Chilean Government and Central Bank            | 259,364                        | 100,016                            |
| <b>Other instruments issued in Chile</b>                                       |                                |                                    |
| Bonds from domestic banks  |                                | 21                                 |
| Deposits in domestic banks   | 752,276                        | 583,217                            |
| Other instruments issued in Chile  | 40                             | 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   | 64,161                         | 23,080                             |
| Funds managed by thirds  |                                |                                    |
| Total  | 1,441,372                      | 866,654                            |

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 Ch\$36,447 million as of June 30, 2016 (Ch\$9,244 million as of December 31, 2015).

Repurchase agreements have an average expiration of 4 days as of period-end (6 days in December 2015).

Other instruments issued in Chile include instruments sold under agreements to repurchase to customers and financial instruments, amounting to Ch\$122,042 million as of June 30, 2016 (Ch\$149,333 million as of December 31, 2015).

Agreements to repurchase have an average expiration of 8 days as of period-end (10 days in December 2015).

Additionally, the Bank holds financial investments in mortgage finance bonds issued by itself in the amount of Ch\$22,564 million as of June 30, 2016 (Ch\$25,303 million as of December 31, 2015), which are presented as a reduction of the liability line item Debt issued .

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

(a) Rights for repurchase contracts: 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 June 30, 2016 and December 31, 2015, the Bank has the following receivables resulting from such transactions:

|  | Up to 1 month |               | Over 1 month and to 3 months |               | Over 3 months and to 12 months |               | Over 1 year and up to 3 years |               | Over 3 years and up to 5 years |               | Over 5 years |               | Total     |               |
|--|---------------|---------------|------------------------------|---------------|--------------------------------|---------------|-------------------------------|---------------|--------------------------------|---------------|--------------|---------------|-----------|---------------|
|  | June 2016     | December 2015 | June 2016                    | December 2015 | June 2016                      | December 2015 | June 2016                     | December 2015 | June 2016                      | December 2015 | June 2016    | December 2015 | June 2016 | December 2015 |
| <b>Instruments issued by the Chilean Governments and Central Bank of Chile</b> | MCh\$         | MCh\$         | MCh\$                        | MCh\$         | MCh\$                          | MCh\$         | MCh\$                         | MCh\$         | MCh\$                          | MCh\$         | MCh\$        | MCh\$         | MCh\$     | MCh\$         |
| Central Bank bonds   |               |               |                              |               |                                |               |                               |               |                                |               |              |               |           |               |
| 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   |               |               |                              |               |                                |               |                               |               |                                |               |              |               |           |               |

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|  |               |               |               |              |              |              |  |               |               |
|--|---------------|---------------|---------------|--------------|--------------|--------------|--|---------------|---------------|
| Bonds from domestic banks                            |               |               |               |              |              |              |  |               |               |
| Deposits in domestic banks                           |               | 3,461         |               |              |              |              |  |               | 3,461         |
| Bonds from other Chilean companies                   |               |               |               |              |              |              |  |               |               |
| Other instruments issued in Chile                    | 13,526        | 32,448        | 23,340        | 8,704        | 2,250        | 1,551        |  | 39,116        | 42,703        |
| <b>Instruments issued by foreign institutions</b>    |               |               |               |              |              |              |  |               |               |
| Instruments from foreign governments or central bank |               |               |               |              |              |              |  |               |               |
| Other instruments                                    |               |               |               |              |              |              |  |               |               |
| <b>Total</b>   | <b>13,526</b> | <b>35,909</b> | <b>23,340</b> | <b>8,704</b> | <b>2,250</b> | <b>1,551</b> |  | <b>39,116</b> | <b>46,164</b> |

**Securities received:**

The Bank has received securities that it is allowed to sell or pledge in the absence of default by the owner. As of June 30, 2016 the Bank and its subsidiaries held securities on resell agreements with a fair value of Ch\$38,529 million (Ch\$46,324 million as of December, 2015).

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

(b) Liabilities for repurchase contracts: The Bank obtains financing by selling financial instruments and committing to purchase them at future dates, plus interest at a prefixed rate. As of June 30, 2016 and December 31, 2015, 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     |               |
|--|---------------|---------------|---------------------------------|---------------|-----------------------------------|---------------|-------------------------------|---------------|--------------------------------|---------------|--------------|---------------|-----------|---------------|
|  | June 2016     | December 2015 | June 2016                       | December 2015 | June 2016                         | December 2015 | June 2016                     | December 2015 | June 2016                      | December 2015 | June 2016    | December 2015 | June 2016 | December 2015 |
|  | 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  | 35,490        | 7,301         | 950                             |               |                                   |               |                               |               |                                |               |              |               | 36,440    | 7,301         |
| 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   |               |               |                                 |               |                                   |               |                               |               |                                |               |              |               |           |               |



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|  |                |                |              |               |  |                |                |
|--|----------------|----------------|--------------|---------------|--|----------------|----------------|
| Bonds from domestic banks                            |                |                |              |               |  |                |                |
| Deposits in domestic banks                           | 135,163        | 158,156        | 7,776        | 13,680        |  | 142,939        | 171,836        |
| Bonds from other Chilean companies                   |                |                |              |               |  |                |                |
| Other instruments issued in Chile                    |                |                |              |               |  |                |                |
| <b>Instruments issued by foreign institutions</b>    |                |                |              |               |  |                |                |
| Instruments from foreign governments or central bank |                |                |              |               |  |                |                |
| Other instruments                                    |                |                |              |               |  |                |                |
| <b>Total</b>   | <b>170,653</b> | <b>170,451</b> | <b>8,726</b> | <b>13,680</b> |  | <b>179,379</b> | <b>184,131</b> |

**Securities given:**

The carrying amount of securities lent and of Payables from Repurchase Agreements and Security Lending as of June 30, 2016 is Ch\$179,207 million (Ch\$184,919 million in December 2015). The counterparty is allowed to sell or pledge those securities in the absence of default by the Bank.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

## 10. Derivative Instruments and Accounting Hedges:

(a) As of June 30, 2016 and 2015, the Bank's portfolio of derivative instruments is detailed as follows:

|  | Notional amount of contract with final expiration date in |               |                                 |               |                                   |               |                               |               |                                |               |              |               | Ass       |           |
|--|---|---------------|---------------------------------|---------------|-----------------------------------|---------------|-------------------------------|---------------|--------------------------------|---------------|--------------|---------------|-----------|-----------|
|  | 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 |               |           | June 2016 |
|  | June 2016   | December 2015 | June 2016                       | December 2015 | June 2016                         | December 2015 | June 2016                     | December 2015 | June 2016                      | December 2015 | June 2016    | December 2015 |           |           |
| MCh\$  | MCh\$   | MCh\$         | MCh\$                           | MCh\$         | MCh\$                             | MCh\$         | MCh\$                         | MCh\$         | MCh\$                          | MCh\$         | MCh\$        | MCh\$         | MCh\$     |           |
| <b>Derivatives held for hedging purposes</b>       |   |               |                                 |               |                                   |               |                               |               |                                |               |              |               |           |           |
| Cross currency swap                                |   |               |                                 |               |                                   |               |                               |               |                                |               |              | 18,036        | 19,222    |           |
| Interest rate swap                                 |   |               |                                 |               | 21,293                            | 14,947        | 3,316                         | 11,332        | 81,844                         | 66,504        | 118,257      | 81,271        |           |           |
| <b>Total derivatives held for hedging purposes</b> |   |               |                                 |               | 21,293                            | 14,947        | 3,316                         | 11,332        | 81,844                         | 66,504        | 136,293      | 100,493       |           |           |
| <b>Derivatives held as cash flow hedges</b>        |   |               |                                 |               |                                   |               |                               |               |                                |               |              |               |           |           |
| Interest rate swap and cross currency swap         | 139,596   |               |                                 | 103,638       | 125,963                           | 201,723       | 522,962                       | 441,930       | 189,248                        | 318,240       | 311,642      | 306,582       | 130,722   |           |
| <b>Total derivatives held as cash flow hedges</b>  | 139,596   |               |                                 | 103,638       | 125,963                           | 201,723       | 522,962                       | 441,930       | 189,248                        | 318,240       | 311,642      | 306,582       | 130,722   |           |
| <b>Derivatives held-for-trading purposes</b>       |   |               |                                 |               |                                   |               |                               |               |                                |               |              |               |           |           |
| Currency forward                                   | 5,614,072   | 6,361,172     | 3,193,472                       | 5,658,682     | 7,531,569                         | 6,392,029     | 387,273                       | 1,097,148     | 55,394                         | 79,217        | 6,632        |               | 223,343   |           |
| Interest rate swap                                 | 1,482,529   | 1,444,510     | 4,099,248                       | 3,626,015     | 7,000,669                         | 8,414,998     | 9,374,950                     | 9,190,933     | 4,757,703                      | 5,063,262     | 5,911,926    | 5,676,905     | 289,853   |           |
| Cross currency swap                                | 329,994   | 1,283,607     | 456,960                         | 835,357       | 2,110,962                         | 1,369,605     | 1,887,848                     | 2,370,091     | 1,801,290                      | 1,513,471     | 2,776,779    | 2,394,036     | 472,179   |           |
| Call currency options                              | 33,693  | 25,127        | 85,043                          | 69,802        | 88,318                            | 77,364        | 4,245                         | 35            |                                |               |              |               | 921       |           |
| Put currency options                               | 24,710  | 16,503        | 48,768                          | 50,578        | 59,769                            | 66,038        | 3,250                         | 35            |                                |               |              |               | 3,845     |           |
| <b>Total derivatives of negotiation</b>            | 7,484,998   | 9,130,919     | 7,883,491                       | 10,240,434    | 16,791,287                        | 16,320,034    | 11,657,566                    | 12,658,242    | 6,614,387                      | 6,655,950     | 8,695,337    | 8,070,941     | 990,141   |           |
| <b>Total</b>                                       | 7,624,594   | 9,130,919     | 7,883,491                       | 10,344,072    | 16,938,543                        | 16,536,704    | 12,183,844                    | 13,111,504    | 6,885,479                      | 7,040,694     | 9,143,272    | 8,478,016     | 1,120,863 |           |



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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

## (b) Fair value Hedges:

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

Below is a detail of the hedged elements and hedge instruments under fair value hedges as of June 30, 2016 and December 31, 2015:

|                         | <b>June<br/>2016<br/>MCh\$</b> | <b>December<br/>2015<br/>MCh\$</b> |
|-------------------------|--------------------------------|------------------------------------|
| <b>Hedge element</b>    |                                |                                    |
| Commercial loans        | 18,036                         | 19,222                             |
| Corporate bonds         | 224,710                        | 174,054                            |
| <b>Hedge instrument</b> |                                |                                    |
| Cross currency swap     | 18,036                         | 19,222                             |
| Interest rate swap      | 224,710                        | 174,054                            |

## (c) Cash flow Hedges:

(c.1) The Bank uses cross currency swaps to hedge the risk from variability of cash flows attributable to changes in the interest rates and foreign exchange of obligations with foreign banks and bonds issued abroad in USA dollars, Hong Kong dollars, Peruvian Nuevo Sol, Swiss Franc, Japanese Yens 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 income financial statements.



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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

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

| Hedge element           | 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     |               |
|-------------------------|---------------|---------------|---------------------------------|---------------|-----------------------------------|---------------|-------------------------------|---------------|--------------------------------|---------------|--------------|---------------|-----------|---------------|
|                         | June 2016     | December 2015 | June 2016                       | December 2015 | June 2016                         | December 2015 | June 2016                     | December 2015 | June 2016                      | December 2015 | June 2016    | December 2015 | June 2016 | December 2015 |
|                         | MCh\$         | MCh\$         | MCh\$                           | MCh\$         | MCh\$                             | MCh\$         | MCh\$                         | MCh\$         | MCh\$                          | MCh\$         | MCh\$        | MCh\$         | MCh\$     | MCh\$         |
| <b>Hedge element</b>    |               |               |                                 |               |                                   |               |                               |               |                                |               |              |               |           |               |
| Outflows:               |               |               |                                 |               |                                   |               |                               |               |                                |               |              |               |           |               |
| Corporate Bond EUR      |               |               |                                 |               | (573)                             | (602)         | (1,146)                       | (1,207)       | (1,146)                        | (1,207)       | (37,367)     | (39,340)      | (40,232)  | (42,300)      |
| Corporate Bond HKD      |               |               | (4,379)                         |               | (7,635)                           | (12,852)      | (23,998)                      | (25,658)      | (72,915)                       | (79,631)      | (343,176)    | (368,924)     | (452,103) | (487,000)     |
| Corporate Bond PEN      |               |               |                                 |               | (618)                             | (636)         | (15,437)                      | (16,219)      |                                |               |              |               | (16,055)  | (16,800)      |
| Corporate Bond CHF      | (153,745)     | (255)         |                                 | (108,678)     | (90,483)                          | (166,473)     | (261,843)                     | (279,477)     | (120,421)                      | (217,702)     |              |               | (626,492) | (772,500)     |
| Obligation USD          | (517)         | (678)         |                                 |               | (67,878)                          | (1,736)       | (147,444)                     | (229,377)     |                                |               |              |               | (215,839) | (231,700)     |
| Corporate Bond JPY      |               |               | (344)                           | (314)         | (72,248)                          | (66,316)      | (52,174)                      | (1,901)       | (32,993)                       | (76,302)      | (32,465)     | (29,853)      | (190,224) | (174,600)     |
| <b>Hedge instrument</b> |               |               |                                 |               |                                   |               |                               |               |                                |               |              |               |           |               |
| Inflows:                |               |               |                                 |               |                                   |               |                               |               |                                |               |              |               |           |               |
| Corporate Bond EUR      |               |               |                                 |               | 573                               | 602           | 1,146                         | 1,207         | 1,146                          | 1,207         | 37,367       | 39,340        | 40,232    | 42,300        |
| Cross Currency Swap HKD |               |               | 4,379                           |               | 7,635                             | 12,852        | 23,998                        | 25,658        | 72,915                         | 79,631        | 343,176      | 368,924       | 452,103   | 487,000       |
| Cross Currency Swap PEN |               |               |                                 |               | 618                               | 636           | 15,437                        | 16,219        |                                |               |              |               | 16,055    | 16,800        |
| Cross Currency Swap CHF | 153,745       | 255           |                                 | 108,678       | 90,483                            | 166,473       | 261,843                       | 279,477       | 120,421                        | 217,702       |              |               | 626,492   | 772,500       |
| Cross Currency Swap USD | 517           | 678           |                                 |               | 67,878                            | 1,736         | 147,444                       | 229,377       |                                |               |              |               | 215,839   | 231,700       |

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|                               |     |     |        |        |        |       |        |        |        |        |         |       |
|-------------------------------|-----|-----|--------|--------|--------|-------|--------|--------|--------|--------|---------|-------|
| Cross<br>Currency<br>Swap JPY | 344 | 314 | 72,248 | 66,316 | 52,174 | 1,901 | 32,993 | 76,302 | 32,465 | 29,853 | 190,224 | 174,6 |
| Net cash<br>flows             |     |     |        |        |        |       |        |        |        |        |         |       |

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

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

| Hedge element           | 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     |               |
|-------------------------|---------------|---------------|---------------------------------|---------------|-----------------------------------|---------------|-------------------------------|---------------|--------------------------------|---------------|--------------|---------------|-----------|---------------|
|                         | June 2016     | December 2015 | June 2016                       | December 2015 | June 2016                         | December 2015 | June 2016                     | December 2015 | June 2016                      | December 2015 | June 2016    | December 2015 | June 2016 | December 2015 |
|                         | MCh\$         | MCh\$         | MCh\$                           | MCh\$         | MCh\$                             | MCh\$         | MCh\$                         | MCh\$         | MCh\$                          | MCh\$         | MCh\$        | MCh\$         | MCh\$     | MCh\$         |
| <b>Inflows:</b>         |               |               |                                 |               |                                   |               |                               |               |                                |               |              |               |           |               |
| Cash flows in CLF       | 142,605       | 2,961         | 5,461                           | 107,007       | 150,680                           | 231,948       | 570,270                       | 494,015       | 211,868                        | 345,015       | 363,286      | 359,902       | 1,444,170 | 1,540,000     |
| <b>Outflows:</b>        |               |               |                                 |               |                                   |               |                               |               |                                |               |              |               |           |               |
| Cross Currency Swap HKD |               |               | (3,152)                         |               | (6,041)                           | (9,062)       | (18,306)                      | (17,999)      | (63,746)                       | (63,301)      | (291,398)    | (288,281)     | (382,643) | (378,000)     |
| Cross Currency Swap PEN |               |               |                                 |               | (501)                             | (493)         | (16,150)                      | (16,135)      |                                |               |              |               | (16,651)  | (16,651)      |
| Cross Currency Swap JPY |               |               | (1,040)                         | (1,024)       | (68,215)                          | (68,015)      | (52,210)                      | (5,660)       | (32,859)                       | (79,042)      | (30,822)     | (30,716)      | (185,146) | (184,000)     |
| Cross Currency Swap USD |               |               |                                 |               | (64,432)                          | (3,866)       | (157,929)                     | (216,820)     |                                |               |              |               | (222,361) | (220,000)     |
| Cross Currency Swap CHF | (142,605)     | (2,961)       | (1,269)                         | (105,983)     | (10,463)                          | (149,493)     | (323,617)                     | (235,376)     | (113,199)                      | (200,642)     |              |               | (591,153) | (694,000)     |
| Cross Currency Swap EUR |               |               |                                 |               | (1,028)                           | (1,019)       | (2,058)                       | (2,025)       | (2,064)                        | (2,030)       | (41,066)     | (40,905)      | (46,216)  | (45,000)      |
| Net cash flows          |               |               |                                 |               |                                   |               |                               |               |                                |               |              |               |           |               |





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

(c.3) Unrealized gain of fair value adjustment for the period 2016 was Ch\$6,395 million charge to equity (Ch\$3,556 million credit to equity as of June 30, 2015) generated from hedging instruments, which has been recorded in equity. The accumulated net effect for deferred taxes as of June 30, 2016 was a charge to equity of Ch\$4,860 million (Ch\$2,756 million credit to equity as of June 30, 2015).

The accumulated amount for this concept net of deferred taxes as of June 30, 2016 correspond to a credit to equity amounted Ch\$12,954 million (credit to equity of Ch\$17,814 million as of December 31, 2015).

(c.4) The net effect in income of derivatives cash flow hedges amount to Ch\$88,184 million charged to income in 2016 (Ch\$78,973 million credit to income as of June 30, 2015).

(c.5) As of June 30, 2016 and 2015, it not exist inefficiency in cash flow hedge, because both, hedge item and hedge instruments are mirror one of other, it means that all variation of value attributable to rate and revaluation components are netted totally.

(c.6) As of June 30, 2016 and 2015, the Bank has not hedges of net investments in foreign business.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

(a) Amounts are detailed as follows:

|  | June<br>2016<br>MCh\$ | December<br>2015<br>MCh\$ |
|--|-----------------------|---------------------------|
| <b>Domestic Banks</b>                  |                       |                           |
| Interbank loans                        | 140,000               | 20,000                    |
| Provisions for loans to domestic banks | 16,815                | 25,258                    |
| Interbank loans of liquidity           | (96)                  | (72)                      |
| Subtotal                               | 156,719               | 45,186                    |
| <b>Foreign Banks</b>                   |                       |                           |
| Interbank loans                        | 121,937               | 211,573                   |
| Chilean exports trade loans            | 81,141                | 91,278                    |
| Credits with third countries           | 30,246                | 47,355                    |
| Provisions for loans to foreign banks  | (439)                 | (630)                     |
| Subtotal                               | 232,885               | 349,576                   |
| <b>Central Bank of Chile</b>           |                       |                           |
| Non-available Central Bank deposits    | 700,000               | 1,000,000                 |
| Other Central Bank credits             | 555                   | 433                       |
| Subtotal                               | 700,555               | 1,000,433                 |
| Total                                  | 1,090,159             | 1,395,195                 |

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

| Detail                          | Bank s Location |                 | Total<br>MCh\$ |
|---------------------------------|-----------------|-----------------|----------------|
|                                 | Chile<br>MCh\$  | Abroad<br>MCh\$ |                |
| Balance as of January 1, 2015   | 61              | 755             | 816            |
| Charge-offs                     |                 |                 |                |
| Provisions established          | 36              | 7               | 43             |
| Provisions released             |                 |                 |                |
| Balance as of June 30, 2015     | 97              | 762             | 859            |
| Charge-offs                     |                 |                 |                |
| Provisions established          |                 |                 |                |
| Provisions released             | (25)            | (132)           | (157)          |
| Balance as of December 31, 2015 | 72              | 630             | 702            |
| Charge-offs                     |                 |                 |                |
| Provisions established          | 24              |                 | 24             |

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|                             |    |       |       |
|-----------------------------|----|-------|-------|
| Provisions released         |    | (191) | (191) |
| Balance as of June 30, 2016 | 96 | 439   | 535   |

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

(a.i) Loans to Customers:

As of June 30, 2016 and December 31, 2015, the composition of the portfolio of loans is the following:

|  | As of June 30, 2016       |   |                                     |                   |                                   |                              |                  | Net assets<br>MCh\$ |
|--|---------------------------|---|-------------------------------------|-------------------|-----------------------------------|------------------------------|------------------|---------------------|
|  | Normal Portfolio<br>MCh\$ | Assets before allowances<br>Substandard<br>Portfolio<br>MCh\$ | Non-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                             | 10,279,675                | 143,671   | 335,483                             | 10,758,829        | (146,476)                         | (81,340)                     | (227,816)        | 10,531,013          |
| Foreign trade loans                          | 1,252,680                 | 57,454  | 48,985                              | 1,359,119         | (71,220)                          | (2,509)                      | (73,729)         | 1,285,390           |
| Current account debtors                      | 188,291                   | 2,624   | 2,476                               | 193,391           | (3,500)                           | (4,121)                      | (7,621)          | 185,770             |
| Factoring transactions                       | 457,866                   | 1,316   | 896                                 | 460,078           | (7,972)                           | (1,571)                      | (9,543)          | 450,535             |
| Student loans                                | 42,304                    |   | 897                                 | 43,201            |                                   | (1,398)                      | (1,398)          | 41,803              |
| Commercial lease transactions (1)            | 1,334,932                 | 11,628  | 24,385                              | 1,370,945         | (7,352)                           | (10,454)                     | (17,806)         | 1,353,139           |
| Other loans and accounts receivable          | 54,417                    | 300   | 5,654                               | 60,371            | (1,479)                           | (3,492)                      | (4,971)          | 55,400              |
| <b>Subtotal</b>                              | <b>13,610,165</b>         | <b>216,993</b>  | <b>418,776</b>                      | <b>14,245,934</b> | <b>(237,999)</b>                  | <b>(104,885)</b>             | <b>(342,884)</b> | <b>13,903,050</b>   |
| <b>Mortgage loans</b>                        |                           |   |                                     |                   |                                   |                              |                  |                     |
| Mortgage bonds                               | 43,540                    |   | 3,202                               | 46,742            |                                   | (59)                         | (59)             | 46,683              |
| Transferable mortgage loans                  | 74,266                    |   | 2,272                               | 76,538            |                                   | (100)                        | (100)            | 76,438              |
| Other residential real estate mortgage loans | 6,387,248                 |   | 117,128                             | 6,504,376         |                                   | (34,730)                     | (34,730)         | 6,469,646           |
| Credits from ANAP                            | 15                        |   |                                     | 15                |                                   |                              |                  | 15                  |
| Residential lease transactions               |                           |   |                                     |                   |                                   |                              |                  |                     |
| Other loans and accounts receivable          | 8,179                     |   | 42                                  | 8,221             |                                   | (91)                         | (91)             | 8,130               |
| <b>Subtotal</b>                              | <b>6,513,248</b>          |   | <b>122,644</b>                      | <b>6,635,892</b>  |                                   | <b>(34,980)</b>              | <b>(34,980)</b>  | <b>6,600,912</b>    |

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**Consumer loans**

|                                     |            |         |         |            |           |           |           |            |
|-------------------------------------|------------|---------|---------|------------|-----------|-----------|-----------|------------|
| Consumer loans in installments      | 2,243,981  |         | 205,070 | 2,449,051  |           | (180,734) | (180,734) | 2,268,317  |
| Current account debtors             | 301,153    |         | 2,930   | 304,083    |           | (5,434)   | (5,434)   | 298,649    |
| Credit card debtors                 | 1,041,885  |         | 20,443  | 1,062,328  |           | (34,886)  | (34,886)  | 1,027,442  |
| Consumer lease transactions         |            |         |         |            |           |           |           |            |
| Other loans and accounts receivable | 39         |         | 989     | 1,028      |           | (374)     | (374)     | 654        |
| Subtotal                            | 3,587,058  |         | 229,432 | 3,816,490  |           | (221,428) | (221,428) | 3,595,062  |
| Total                               | 23,710,471 | 216,993 | 770,852 | 24,698,316 | (237,999) | (361,293) | (599,292) | 24,099,024 |

(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 June 30, 2016 Ch\$660,238 million correspond to finance leases for real estate and Ch\$710,707 million 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.i) Loans to Customers, continued:

|  | As of December 31, 2015   |   |   |                |                                   |                              |                | Net assets<br>MCh\$ |
|--|---------------------------|---|---|----------------|-----------------------------------|------------------------------|----------------|---------------------|
|  | Normal Portfolio<br>MCh\$ | Assets before allowances<br>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\$ | Total<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 |

(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 Ch\$653,225 million correspond to finance leases for real estate and Ch\$721,831 million correspond to finance leases for other assets.



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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

Changes in volume of the portfolio in default are caused by the adoption of new regulations issued by the SBIF.

Until December 31, 2015, the Bank included, in the portfolio in default with evaluation group, all operations whose clients meet any of the following conditions:

- Greater than or equal to 90 days default, in any of their credits.
- Overdraft current account not agreed, for more than 30 days (For individuals without commercial activity declared).
- Customer in judicial collection.
- In order to change the category of default, 6 months of good internal behavior was required (less than 30 days default).

Due to new regulations (Circular No. 3,584 dated June 22, 2015) which amended the definition of portfolio in default evaluated in groups, from this year the Bank, under this concept, includes customers who meet the following:

The default portfolio includes all investments and 100% of the amount of contingent loans, from debtors that at the end of the month have a default of more than 90 days on interest payment or any credit capital. It will also include debtors granted with a credit to overrule an operation that had more than 60 days late on its payment, as also to those debtors who have undergone forced or partial restructuring debt forgiveness.

Once the circumstances that led to a debtor fall into the default portfolio classification, based on current standard, are amended, at least the following conditions must be met:

- No obligation of the debtor with the bank should have more than 30 calendar days overdue.
- No new refinancing has been given to pay its obligations.

- At least one of the payments includes capital amortization.
- If the debtor had some credit with partial payment within less than six months, it has already made two payments.
- If the debtor must pay monthly fees for one or more credits, four consecutive installments have been paid.
- The debtor does not appear to have unpaid direct debts in the information issued by SBIF, except for insignificant amounts.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

## (a.ii) Impaired Portfolio

As of June 30, 2016 and December 31, 2015, the Bank presents the following details of normal and impaired portfolio:

|                     | Assets before Allowances |                           |                       |                           |                       |                           | Allowances established |                           |                       |                           |                       |                           | Total<br>June<br>2016<br>MCh\$ |
|---------------------|--------------------------|---------------------------|-----------------------|---------------------------|-----------------------|---------------------------|------------------------|---------------------------|-----------------------|---------------------------|-----------------------|---------------------------|--------------------------------|
|                     | Normal Portfolio         |                           | Impaired Portfolio    |                           | Total                 |                           | Individual Provisions  |                           | Group Provisions      |                           | Total                 |                           |                                |
|                     | June<br>2016<br>MCh\$    | December<br>2015<br>MCh\$ | June<br>2016<br>MCh\$ | December<br>2015<br>MCh\$ | June<br>2016<br>MCh\$ | December<br>2015<br>MCh\$ | June<br>2016<br>MCh\$  | December<br>2015<br>MCh\$ | June<br>2016<br>MCh\$ | December<br>2015<br>MCh\$ | June<br>2016<br>MCh\$ | December<br>2015<br>MCh\$ |                                |
| Commercial<br>loans | 13,777,904               | 13,871,526                | 468,030               | 545,392                   | 14,245,934            | 14,416,918                | (237,999)              | (263,719)                 | (104,885)             | (107,080)                 | (342,884)             | (370,799)                 | 13,903,050                     |
| Mortgage<br>loans   | 6,513,248                | 6,287,820                 | 122,644               | 117,166                   | 6,635,892             | 6,404,986                 |                        |                           | (34,980)              | (34,952)                  | (34,980)              | (34,952)                  | 6,600,034                      |
| Consumer<br>loans   | 3,587,058                | 3,473,296                 | 229,432               | 262,841                   | 3,816,490             | 3,736,137                 |                        |                           | (221,428)             | (196,015)                 | (221,428)             | (196,015)                 | 3,595,000                      |
| <b>Total</b>        | <b>23,878,210</b>        | <b>23,632,642</b>         | <b>820,106</b>        | <b>925,399</b>            | <b>24,698,316</b>     | <b>24,558,041</b>         | <b>(237,999)</b>       | <b>(263,719)</b>          | <b>(361,293)</b>      | <b>(338,047)</b>          | <b>(599,292)</b>      | <b>(601,766)</b>          | <b>24,099,080</b>              |

The variation in impaired portfolio between periods June 2016 and December 2015, is due to the change in definition of the non-complying portfolio established in Circular No. 3,584. The above is because the concepts of non-complying loans and impaired loans are equivalent for loans evaluated as a group.

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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 periods 2016 and 2015 are as follows:

|                                 | Individual<br>MCh\$ | Allowances<br>Group<br>MCh\$ | Total<br>MCh\$ |
|---------------------------------|---------------------|------------------------------|----------------|
| Balance as of January 1, 2015   | 206,022             | 322,593                      | 528,615        |
| Charge-offs:                    |                     |                              |                |
| Commercial loans                | (8,596)             | (21,348)                     | (29,944)       |
| Mortgage loans                  |                     | (1,360)                      | (1,360)        |
| Consumer loans                  |                     | (105,041)                    | (105,041)      |
| Total charge-offs               | (8,596)             | (127,749)                    | (136,345)      |
| Sales or transfers of credit    | (271)               |                              | (271)          |
| Allowances established          | 14,742              | 135,356                      | 150,098        |
| Balance as of June 30, 2015     | 211,897             | 330,200                      | 542,097        |
| Charge-offs:                    |                     |                              |                |
| Commercial loans                | (4,629)             | (23,413)                     | (28,042)       |
| Mortgage loans                  |                     | (1,194)                      | (1,194)        |
| Consumer loans                  |                     | (90,974)                     | (90,974)       |
| Total charge-offs               | (4,629)             | (115,581)                    | (120,210)      |
| Sales or transfers of credit    | (2,419)             |                              | (2,419)        |
| Purchase of loans               | 12,329              |                              | 12,329         |
| Allowances established          | 46,541              | 123,428                      | 169,969        |
| Balance as of December 31, 2015 | 263,719             | 338,047                      | 601,766        |
| Charge-offs:                    |                     |                              |                |
| Commercial loans                | (6,709)             | (22,851)                     | (29,560)       |
| Mortgage loans                  |                     | (1,756)                      | (1,756)        |
| Consumer loans                  |                     | (101,209)                    | (101,209)      |
| Total charge-offs               | (6,709)             | (125,816)                    | (132,525)      |
| Sales or transfers of credit    | (5,285)             |                              | (5,285)        |
| Allowances established          |                     | 149,062                      | 149,062        |
| Allowances released             | (13,726)            |                              | (13,726)       |
| Balance as of June 30, 2016     | 237,999             | 361,293                      | 599,292        |

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



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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

1. As of June 30, 2016 and December 31, 2015, the Bank and its subsidiaries have made purchases and sales of loan portfolios. The effect in income is no more than 5% of net income before taxes, as described in Note 12 (d).

2. As of June 30, 2016 and December 31, 2015 the Bank and its subsidiaries have derecognized 100% of its sold loan portfolio and it has been transferred all or substantially all risks and benefits related to these financial assets. (See Note No. 12 letter (e)).

(c) Finance lease contracts:

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

|   | Total receivable      |                           | Unearned income       |                           | Net lease receivable (*) |                           |
|---|-----------------------|---------------------------|-----------------------|---------------------------|--------------------------|---------------------------|
|   | June<br>2016<br>MCh\$ | December<br>2015<br>MCh\$ | June<br>2016<br>MCh\$ | December<br>2015<br>MCh\$ | June<br>2016<br>MCh\$    | December<br>2015<br>MCh\$ |
| Due within one year                     | 462,338               | 460,004                   | (54,995)              | (54,353)                  | 407,343                  | 405,651                   |
| Due after 1 year but within 2<br>years  | 330,146               | 333,374                   | (40,591)              | (39,913)                  | 289,555                  | 293,461                   |
| Due after 2 years but within 3<br>years | 219,327               | 218,308                   | (27,389)              | (27,287)                  | 191,938                  | 191,021                   |
| Due after 3 years but within 4<br>years | 151,356               | 152,329                   | (19,122)              | (19,090)                  | 132,234                  | 133,239                   |
| Due after 4 years but within 5<br>years | 102,618               | 106,806                   | (13,784)              | (13,652)                  | 88,834                   | 93,154                    |
| Due after 5 years                       | 286,280               | 281,489                   | (32,122)              | (30,492)                  | 254,158                  | 250,997                   |
| <b>Total</b>                            | <b>1,552,065</b>      | <b>1,552,310</b>          | <b>(188,003)</b>      | <b>(184,787)</b>          | <b>1,364,062</b>         | <b>1,367,523</b>          |

(\*) The net balance receivable does not include past-due portfolio totaling Ch\$6,883 million as of June 30, 2016 (Ch\$7,533 million as of December 31, 2015).

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

(d) Purchase of credits:

During the period ended June 30, 2016 the Bank acquired loan portfolio, whose nominal value amounted to Ch\$43,291 million. The transaction related to the purchase of portfolio made to a local bank (CorpBanca Bank).

During 2015 the Bank acquired loans portfolio whose nominal value amounted to Ch\$649,144 million. The major acquisition was the purchase of a local bank portfolio (Banco Penta).

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

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

During the period 2016 and 2015 Banco de Chile has carried out transactions of sale or transfer of the loan portfolio, according the following:

|                           | As of June 30, 2016      |                     |                     |                                       |
|---------------------------|--------------------------|---------------------|---------------------|---------------------------------------|
|                           | Carrying amount<br>MCh\$ | Allowances<br>MCh\$ | Sale price<br>MCh\$ | Effect on income (loss) gain<br>MCh\$ |
| Sale of outstanding loans | 81,661                   | (5,285)             | 78,743              | 2,367                                 |
| Sale of write off loans   |                          |                     |                     |                                       |
| <b>Total</b>              | <b>81,661</b>            | <b>(5,285)</b>      | <b>78,743</b>       | <b>2,367</b>                          |

|                           | As of June 30, 2015      |                     |                     |                                       |
|---------------------------|--------------------------|---------------------|---------------------|---------------------------------------|
|                           | Carrying amount<br>MCh\$ | Allowances<br>MCh\$ | Sale price<br>MCh\$ | Effect on income (loss) gain<br>MCh\$ |
| Sale of outstanding loans | 310                      | (271)               | 310                 | 271                                   |
| Sale of write off loans   |                          |                     |                     |                                       |
| <b>Total</b>              | <b>310</b>               | <b>(271)</b>        | <b>310</b>          | <b>271</b>                            |

## (f) Securitization of own assets:

During the year 2015 and period as of June 30th 2016, there is no transactions of securitization of own assets.



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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

**13, Investment Securities:**

As of June 30, 2016 and December 31, 2015, investment securities classified as available-for-sale and held-to-maturity are detailed as follows:

|   | Available-<br>for-sale<br>MCh\$ | June 2016<br>Held to<br>maturity<br>MCh\$ | Total<br>MCh\$ | Available-<br>for -sale<br>MCh\$ | December 2015<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                       | 50,160                          |   | 50,160         | 36,258                           |   | 36,258           |
| Promissory notes issued by the Chilean Government and Central Bank            | 20,996                          |   | 20,996         | 50,250                           |   | 50,250           |
| Other instruments   |                                 |   |                |                                  |   |                  |
| <b>Other instruments issued in Chile</b>                                      |                                 |   |                |                                  |   |                  |
| Deposit promissory notes from domestic banks                                  |                                 |   |                |                                  |   |                  |
| Mortgage bonds from domestic banks  | 114,202                         |   | 114,202        | 87,610                           |   | 87,610           |
| Bonds from domestic banks   | 7,929                           |   | 7,929          | 83,960                           |   | 83,960           |
| Deposits from domestic banks  | 133,103                         |   | 133,103        | 450,976                          |   | 450,976          |
| Bonds from other Chilean companies  | 6,621                           |   | 6,621          | 17,766                           |   | 17,766           |
| Promissory notes issued by other Chilean companies                            |                                 |   |                |                                  |   |                  |
| Other instruments   | 187,623                         |   | 187,623        | 191,537                          |   | 191,537          |
| <b>Instruments issued abroad</b>  |                                 |   |                |                                  |   |                  |
| Instruments from foreign governments or Central Banks                         |                                 |   |                |                                  |   |                  |
| Other instruments   | 62,656                          |   | 62,656         | 81,644                           |   | 81,644           |
| <b>Total</b>  | <b>583,290</b>                  |   | <b>583,290</b> | <b>1,000,001</b>                 |   | <b>1,000,001</b> |

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

**13. Investment Securities, continued:**

Instruments issued by the Chilean Government and Central Bank include instruments with repurchase agreements sold to clients and financial institutions; totaling Ch\$3,054 million as of December 31, 2015 (no instruments sold as of June 30, 2016). The repurchase agreements have an average maturity of 6 days as of December 31, 2015.

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

As of June 30, 2016, the portfolio of financial assets available-for-sale includes a net unrealized gain of Ch\$2,682 million, net of tax (net unrealized gain of Ch\$39,836 million as of December 31, 2015), recorded in other comprehensive income within equity.

During 2016 and 2015, there is no evidence of impairment of financial assets available-for-sale.

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

Gross profits and losses realized on the sale of available-for-sale investments as of June 30, 2016 and 2015 are shown in Note 30 Net Financial Operating Income .

Gross profits and losses realized and unrealized on the sale of available-for-sale investments for the six-month period ended as of June 30, 2016 and 2015 are as follows:

|   | <b>June<br/>2016<br/>MCh\$</b> | <b>June<br/>2015<br/>MCh\$</b> |
|---|--------------------------------|--------------------------------|
| Unrealized (losses)/gains during the period | 4,023                          | 15,911                         |
| Realized losses/gains (reclassified)        | (59,969)                       | (9,208)                        |
| Subtotal                                    | (55,946)                       | 6,703                          |

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|   |          |         |
|---|----------|---------|
| Income tax  | 13,428   | (1,454) |
| Total unrealized (losses)/gains during the period | (42,518) | 5,249   |

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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 Ch\$29,352 million as of June 30, 2016 (Ch\$28,126 million as of December 31, 2015), which is detailed as follows:

| Company   | Shareholder    | Ownership Interest |                 | Equity          |                     | Book Value      |                     | Investment Income (Loss) |                 |
|---|----------------|--------------------|-----------------|-----------------|---------------------|-----------------|---------------------|--------------------------|-----------------|
|   |                | June 2016 %        | December 2015 % | June 2016 MCh\$ | December 2015 MCh\$ | June 2016 MCh\$ | December 2015 MCh\$ | June 2016 MCh\$          | June 2015 MCh\$ |
| <b>Associates</b>   |                |                    |                 |                 |                     |                 |                     |                          |                 |
| Transbank S.A.  | Banco de Chile | 26.16              | 26.16           | 43,366          | 40,302              | 10,989          | 10,542              | 351                      | 752             |
| Administrador Financiero del Transantiago S.A.                          | Banco de Chile | 20.00              | 20.00           | 13,340          | 12,758              | 2,668           | 2,552               | 117                      | 137             |
| Soc. Operadora de Tarjetas de Crédito Nexus S.A.                        | Banco de Chile | 25.81              | 25.81           | 9,965           | 9,472               | 2,572           | 2,444               | 182                      | 207             |
| Redbanc S.A.  | Banco de Chile | 38.13              | 38.13           | 5,882           | 5,419               | 2,243           | 2,066               | 252                      | 180             |
| Sociedad Imerc OTC S.A.   | Banco de Chile | 11.48              | 11.48           | 10,392          | 9,823               | 1,193           | 1,128               | 60                       | (130)           |
| Centro de Compensación Automatizado S.A.                                | Banco de Chile | 33.33              | 33.33           | 3,518           | 3,252               | 1,172           | 1,084               | 75                       | 74              |
| Sociedad Interbancaria de Depósitos de Valores S.A.                     | Banco de Chile | 26.81              | 26.81           | 3,018           | 2,656               | 809             | 712                 | 100                      | (11)            |
| Soc. Operadora de la Cámara de Compensación de Pagos de Alto Valor S.A. | Banco de Chile | 15.00              | 15.00           | 5,323           | 4,955               | 799             | 743                 | 53                       | 49              |
| <b>Subtotal Associates</b>  |                |                    |                 | 94,804          | 88,637              | 22,445          | 21,271              | 1,190                    | 1,258           |
| <b>Joint Ventures</b>   |                |                    |                 |                 |                     |                 |                     |                          |                 |
| Servipag Ltda.  | Banco de Chile | 50.00              | 50.00           | 8,141           | 7,778               | 4,071           | 3,889               | 182                      | 87              |
| Artikos Chile S.A.  | Banco de Chile | 50.00              | 50.00           | 1,125           | 1,378               | 562             | 689                 | 155                      | 103             |
| <b>Subtotal Joint Ventures</b>  |                |                    |                 | 9,266           | 9,156               | 4,633           | 4,578               | 337                      | 190             |
| <b>Subtotal</b>   |                |                    |                 | 104,070         | 97,793              | 27,078          | 25,849              | 1,527                    | 1,448           |
| <b>Investments valued at cost (1)</b>                                   |                |                    |                 |                 |                     |                 |                     |                          |                 |
| Bolsa de Comercio de Santiago S.A.                                      |                |                    |                 |                 |                     | 1,646           | 1,646               | 273                      | 270             |

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|   |               |               |              |              |
|---|---------------|---------------|--------------|--------------|
| Banco Latinoamericano de Comercio Exterior S.A. (Bladex)                    | 309           | 309           | 31           | 27           |
| Bolsa Electrónica de Chile S.A.   | 257           | 257           |              |              |
| Sociedad de Telecomunicaciones Financieras Interbancarias Mundiales (Swift) | 54            | 57            |              |              |
| CCLV Contraparte Central S.A.   | 8             | 8             |              |              |
| <b>Subtotal</b>   | <b>2,274</b>  | <b>2,277</b>  | <b>304</b>   | <b>297</b>   |
| <b>Total</b>  | <b>29,352</b> | <b>28,126</b> | <b>1,831</b> | <b>1,745</b> |

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

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

(b) The reconciliation between opening and ending balance of investments in other companies that are not consolidated in 2016 and 2015 are detailed as follows:

|                             | <b>June<br/>2016<br/>MCh\$</b> | <b>June<br/>2015<br/>MCh\$</b> |
|-----------------------------|--------------------------------|--------------------------------|
| Initial book value          | 28,126                         | 25,312                         |
| Acquisition of investments  |                                |                                |
| Participation in net income | 1,527                          | 1,448                          |
| Dividends receivable        | (198)                          | (137)                          |
| Dividends received          | (506)                          | (632)                          |
| Payment of dividends        | 403                            | 434                            |
| Total                       | 29,352                         | 26,425                         |

(c) During the six-month period ended as of June 30, 2016 and December 31, 2015 no impairment has incurred in these investments.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

15. **Intangible Assets:**

(a) As of June 30, 2016 and December 31, 2015 intangible assets are detailed as follows:

|                                 | Useful Life  |                  | Years<br>Remaining<br>amortization |                  | Gross balance |                  | Accumulated<br>Amortization |                  | Net balance  |                  |
|---------------------------------|--------------|------------------|------------------------------------|------------------|---------------|------------------|-----------------------------|------------------|--------------|------------------|
|                                 | June<br>2016 | December<br>2015 | June<br>2016                       | December<br>2015 | June<br>2016  | December<br>2015 | June<br>2016                | December<br>2015 | June<br>2016 | December<br>2015 |
|                                 |              |                  |                                    |                  | MCh\$         | MCh\$            | MCh\$                       | MCh\$            | MCh\$        | MCh\$            |
| <b>Other Intangible Assets:</b> |              |                  |                                    |                  |               |                  |                             |                  |              |                  |
| Software or computer programs   | 6            | 6                | 4                                  | 4                | 103,580       | 100,000          | (76,380)                    | (73,281)         | 27,200       | 26,719           |
| Total                           |              |                  |                                    |                  | 103,580       | 100,000          | (76,380)                    | (73,281)         | 27,200       | 26,719           |

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

## 15. Intangible Assets, continued:

(b) Movements in intangible assets during the six-month period ended as of June 30, 2016 and December 31, 2015 are as follows:

|                                    | Software or computer<br>programs<br>MCh\$ | June 2016<br>Other intangibles<br>MCh\$ | Total<br>MCh\$ |
|------------------------------------|---|---|----------------|
| <b>Gross Balance</b>               |   |   |                |
| Balance as of January 1, 2016      | 100,000                                   |   | 100,000        |
| Acquisition                        | 4,757                                     |   | 4,757          |
| Disposals/ write-downs             | (1,177)                                   |   | (1,177)        |
| Impairment loss                    |   |   |                |
| Total                              | 103,580                                   |   | 103,580        |
| <b>Accumulated Amortization</b>    |   |   |                |
| Balance as of January 1, 2016      | (73,281)                                  |   | (73,281)       |
| Amortization for the period (*)    | (4,277)                                   |   | (4,277)        |
| Disposals/ write-downs             | 1,178                                     |   | 1,178          |
| Total                              | (76,380)                                  |   | (76,380)       |
| <b>Balance as of June 30, 2016</b> | <b>27,200</b>                             |   | <b>27,200</b>  |

|  | Software or computer<br>programs<br>MCh\$ | December 2015<br>Other intangibles<br>MCh\$ | Total<br>MCh\$ |
|--|---|---|----------------|
| <b>Gross Balance</b>                   |   |   |                |
| Balance as of January 1, 2015          | 92,225                                    |   | 92,225         |
| Acquisition                            | 8,519                                     |   | 8,519          |
| Disposals/ write-downs                 | (685)                                     |   | (685)          |
| Impairment loss                        | (59)                                      |   | (59)           |
| Total                                  | 100,000                                   |   | 100,000        |
| <b>Accumulated Amortization</b>        |   |   |                |
| Balance as of January 1, 2015          | (65,632)                                  |   | (65,632)       |
| Amortization for the year (*)          | (8,331)                                   |   | (8,331)        |
| Disposals/ write-downs                 | 682                                       |   | 682            |
| Total                                  | (73,281)                                  |   | (73,281)       |
| <b>Balance as of December 31, 2015</b> | <b>26,719</b>                             |   | <b>26,719</b>  |



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

(c) As of June 30, 2016 and December 31, 2015, the Bank has the following technological developments:

| Detail                | Amount of Commitment |          |
|-----------------------|----------------------|----------|
|                       | June                 | December |
|                       | 2016                 | 2015     |
|                       | MCh\$                | MCh\$    |
| Software and licenses | 3,577                | 5,779    |

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

**16. Property and equipment:**

(a) The detail of this item as of June 30, 2016 and December 31, 2015 is as follow:

|  | Gross balance         |                           | Accumulated depreciation |                           | Net Balance           |                           |
|--|-----------------------|---------------------------|--------------------------|---------------------------|-----------------------|---------------------------|
|  | June<br>2016<br>MCh\$ | December<br>2015<br>MCh\$ | June<br>2016<br>MCh\$    | December<br>2015<br>MCh\$ | June<br>2016<br>MCh\$ | December<br>2015<br>MCh\$ |
| <b><u>Type Property and equipment:</u></b> |                       |                           |                          |                           |                       |                           |
| Land and Buildings                         | 296,413               | 292,166                   | (130,802)                | (126,568)                 | 165,611               | 165,598                   |
| Equipment                                  | 174,860               | 167,874                   | (133,856)                | (127,644)                 | 41,004                | 40,230                    |
| Others                                     | 48,692                | 47,960                    | (39,068)                 | (38,117)                  | 9,624                 | 9,843                     |
| Total                                      | 519,965               | 508,000                   | (303,726)                | (292,329)                 | 216,239               | 215,671                   |

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

(b) As of June 30, 2016 and December 31, 2015, this account and its movements are detailed as follows:

|   | June 2016                      |                    |                 |                  |
|---|--------------------------------|--------------------|-----------------|------------------|
|   | Land and<br>Buildings<br>MCh\$ | Equipment<br>MCh\$ | Others<br>MCh\$ | Total<br>MCh\$   |
| <b>Gross Balance</b>                        |                                |                    |                 |                  |
| Balance as of January 1, 2016               | 292,166                        | 167,874            | 47,960          | 508,000          |
| Reclassifications                           |                                |                    |                 |                  |
| Additions                                   | 4,248                          | 7,447              | 1,002           | 12,697           |
| Disposals/write-downs                       | (1)                            | (457)              | (270)           | (728)            |
| Transfers                                   |                                |                    |                 |                  |
| Impairment loss (*)                         |                                | (4)                |                 | (4)              |
| <b>Total</b>                                | <b>296,413</b>                 | <b>174,860</b>     | <b>48,692</b>   | <b>519,965</b>   |
| <b>Accumulated Depreciation</b>             |                                |                    |                 |                  |
| Balance as of January 1, 2016               | (126,568)                      | (127,644)          | (38,117)        | (292,329)        |
| Reclassifications                           |                                | (4)                | 4               |                  |
| Depreciation charges in the period (*) (**) | (4,235)                        | (6,652)            | (1,218)         | (12,105)         |
| Sales and disposals in the period           | 1                              | 458                | 249             | 708              |
| Transfers                                   |                                | (14)               | 14              |                  |
| <b>Total</b>                                | <b>(130,802)</b>               | <b>(133,856)</b>   | <b>(39,068)</b> | <b>(303,726)</b> |
| <b>Balance as of June 30, 2016</b>          | <b>165,611</b>                 | <b>41,004</b>      | <b>9,624</b>    | <b>216,239</b>   |

|                                 | December 2015               |                    |                |                |
|---------------------------------|-----------------------------|--------------------|----------------|----------------|
|                                 | Land and Buildings<br>MCh\$ | Equipment<br>MCh\$ | Other<br>MCh\$ | Total<br>MCh\$ |
| <b>Gross Balance</b>            |                             |                    |                |                |
| Balance as of January 1, 2015   | 285,755                     | 151,911            | 43,773         | 481,439        |
| Reclassifications               | 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>Accumulated Depreciation</b> |                             |                    |                |                |
| Balance as of January 1, 2015   | (120,084)                   | (119,842)          | (36,110)       | (276,036)      |
| Reclassifications               | (110)                       |                    | (882)          | (992)          |
| Depreciation for the year (**)  | (8,117)                     | (10,567)           | (2,143)        | (20,827)       |
| Disposals and sales of period   | 1,743                       | 2,764              | 1,019          | 5,526          |

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|  |           |           |          |           |
|--|-----------|-----------|----------|-----------|
| Transfers                              |           | 1         | (1)      |           |
| Total                                  | (126,568) | (127,644) | (38,117) | (292,329) |
| <b>Balance as of December 31, 2015</b> | 165,598   | 40,230    | 9,843    | 215,671   |

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

(\*\*) This amount does not include depreciation charges of the period for investments properties. This amount is included in item Other Assets for Ch\$184 million (Ch\$379 million as of December 31, 2015).

(\*\*\*) This amount does not include charge-offs provision of Property and Equipment of Ch\$6 million as of December 31, 2015.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

(c) As of June 30, 2016 and 2015, 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>period<br>MCh\$ | Up to 1<br>month<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\$ | June 2016<br>Over 1<br>year<br>and up<br>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\$ | Total<br>MCh\$ |
|------------------|---------------------------------------|---------------------------|---|---|---|--|--------------------------|----------------|
| Lease Agreements | 16,115                                | 2,750                     | 5,346   | 20,229  | 43,245  | 26,347   | 41,781                   | 139,698        |

  

|                  | Expense<br>for the<br>period<br>MCh\$ | Up to 1<br>month<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\$ | June 2015<br>Over 1<br>year<br>and up<br>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\$ | Total<br>MCh\$ |
|------------------|---------------------------------------|---------------------------|---|---|---|--|--------------------------|----------------|
| Lease Agreements | 15,122                                | 2,532                     | 5,058   | 20,069  | 39,566  | 28,142   | 42,178                   | 137,545        |

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

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

(d) As of June 30, 2016 and December 31, 2015, 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 June 30, 2016 and as of December 31, 2015.



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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

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

|                                      | <b>June<br/>2016<br/>MCh\$</b> | <b>December<br/>2015<br/>MCh\$</b> |
|--------------------------------------|--------------------------------|------------------------------------|
| Income taxes                         | 62,325                         | 121,585                            |
| Tax from previous period             | 400                            |                                    |
| Tax on non-deductible expenses (35%) | 1,877                          | 2,805                              |
| Less:                                |                                |                                    |
| Monthly prepaid taxes (PPM)          | (49,196)                       | (94,813)                           |
| Credit for training expenses         | (77)                           | (1,931)                            |
| Contributions Real Estate            |                                | (896)                              |
| Others                               | (784)                          | (2,036)                            |
| Total                                | 14,545                         | 24,714                             |
| Tax rate                             | 24.0%                          | 22.5%                              |

|                                | <b>June<br/>2016<br/>MCh\$</b> | <b>December<br/>2015<br/>MCh\$</b> |
|--------------------------------|--------------------------------|------------------------------------|
| Current tax assets             | 2,072                          | 3,279                              |
| Current tax liabilities        | (16,617)                       | (27,993)                           |
| Total tax receivable (payable) | (14,545)                       | (24,714)                           |

(b) **Income Tax:**

The Bank's tax expense recorded for the six-month period ended as of June 30, 2016 and 2015 as follows:

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|  | June<br>2016<br>MCh\$ | June<br>2015<br>MCh\$ |
|--|-----------------------|-----------------------|
| <b>Income tax expense:</b>                       |                       |                       |
| Current year taxes                               | 63,859                | 47,902                |
| Tax from previous period                         | 1,050                 | (1,851)               |
| Subtotal   | 64,909                | 46,051                |
| <b>Credit (charge) for deferred taxes:</b>       |                       |                       |
| Origin and reversal of temporary differences     | (14,930)              | (3,129)               |
| Effect of exchange rates on deferred tax         | (4,333)               | (3,626)               |
| Subtotal   | (19,263)              | (6,755)               |
| Non-deductible expenses (Art. 21 Income Tax Law) | 1,877                 | 1,610                 |
| Others   | (272)                 | (788)                 |
| Net charge to income for income taxes            | 47,251                | 40,118                |



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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

## (c) Reconciliation of effective tax rate:

The following is a reconciliation of the income tax rate to the effective rate applied to determine the Bank's income tax expense as of June 30, 2016 and 2015:

|  | Tax rate<br>% | June<br>2016<br>MCh\$ | Tax rate<br>% | June<br>2015<br>MCh\$ |
|--|---------------|-----------------------|---------------|-----------------------|
| Income tax calculated on net income before tax | 24.00         | 79,383                | 22.50         | 73,174                |
| Additions or deductions                        | (0.39)        | (1,283)               | (0.07)        | (227)                 |
| Subordinated debt                              | (5.25)        | (17,349)              | (5.35)        | (17,387)              |
| Price-level restatement                        | (4.40)        | (14,563)              | (2.97)        | (9,674)               |
| Tax from previous period                       | 0.32          | 1,050                 | (0.57)        | (1,851)               |
| Non-deductible expenses tax                    | 0.57          | 1,877                 | 0.50          | 1,610                 |
| Effect in deferred taxes (changes in tax rate) | (1.31)        | (4,333)               | (1.12)        | (3,626)               |
| Other  | 0.75          | 2,469                 | (0.58)        | (1,901)               |
| Effective rate and income tax expense          | 14.29         | 47,251                | 12.34         | 40,118                |

The effective rate for income tax for the period ended as of June 30, 2016 is 14.29% (12.34% in June 2015).

On December 29, 2015, Law 20,780 published in the Official Journal, amended the income tax and introduces various adjustments in the tax system.

On February 8, 2016, it was published Law 20,899, which made changes to the Law 20,780, specifically as it is related to the regime applicable to corporations.

Article 8 of Law 20,899, it established that corporations must apply the tax regime of first category with partial deduction of the credit in the final taxes and it has maintained transiently the increased tax rates first category according to the following table:

| <b>Year</b> | <b>Rate</b> |
|-------------|-------------|
| 2014        | 21.0%       |
| 2015        | 22.5%       |
| 2016        | 24.0%       |
| 2017        | 25.5%       |
| 2018        | 27.0%       |

The effect on income by deferred taxes produced by the tax rate change was a credit in income for an amount of Ch\$4,333 million (Ch\$3,626 million in 2015).

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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:

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

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

|   | Balances<br>as of<br>December<br>31, 2015<br>MCh\$ | Income<br>MCh\$ | Effect | Equity<br>MCh\$ | Balances<br>as of<br>June 30,<br>2016<br>MCh\$ |
|---|--|-----------------|--------|-----------------|--|
| <b>Debit Differences:</b>   |  |                 |        |                 |  |
| Allowances for loan losses  | 178,168  | 17,726          |        |                 | 195,894  |
| Personnel provisions  | 7,867  | (2,264)         |        |                 | 5,603  |
| Staff vacation  | 6,268  | 266             |        |                 | 6,534  |
| Accrued interests and indexation adjustments from<br>impaired loans   | 4,024  | (142)           |        |                 | 3,882  |
| Staff severance indemnities provisions                                | 1,352  | 1,119           |        |                 | 2,471  |
| Provision of credit cards expenses                                    | 13,628   | (853)           |        |                 | 12,775   |
| Provision of accrued expenses   | 11,788   | 1,500           |        |                 | 13,288   |
| Leasing   | 18,239   | 9,241           |        |                 | 27,480   |
| Other adjustments   | 14,638   | (435)           |        |                 | 14,203   |
| <b>Total debit differences</b>  | <b>255,972</b>                                     | <b>26,158</b>   |        |                 | <b>282,130</b>                                 |
| <b>Credit Differences:</b>  |  |                 |        |                 |  |
| Depreciation and price-level restatement of property<br>and equipment | 13,163   | 612             |        |                 | 13,775   |
| Adjustment for valuation of financial assets<br>available-for-sale    | 12,582   |                 |        | (13,428)        | (846)  |
| Transitory assets   | 2,640  | 3,066           |        |                 | 5,706  |
| Loans accrued to effective rate                                       | 2,565  | (276)           |        |                 | 2,289  |
| Other adjustments   | 2,003  | 3,493           |        |                 | 5,496  |
| <b>Total credit differences</b>                                       | <b>32,953</b>                                      | <b>6,895</b>    |        | <b>(13,428)</b> | <b>26,420</b>                                  |
| <b>Deferred tax assets (liabilities), net</b>                         | <b>223,019</b>                                     | <b>19,263</b>   |        | <b>13,428</b>   | <b>255,710</b>                                 |



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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

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

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

|   | Balance as<br>of<br>December<br>31, 2014<br>MCh\$ | Income<br>MCh\$ | Effect<br>Equity<br>MCh\$ | Balance as<br>of<br>June 30,<br>2015<br>MCh\$ | Income<br>MCh\$ | Effect<br>Equity<br>MCh\$ | Balance as<br>of<br>December<br>31, 2015<br>MCh\$ |
|---|---|-----------------|---------------------------|---|-----------------|---------------------------|---|
| <b>Debit differences:</b>   |   |                 |                           |   |                 |                           |   |
| Allowances for loan losses  | 146,562   | 5,861           |                           | 152,423                                       | 25,745          |                           | 178,168   |
| Personnel provisions  | 9,314   | (5,022)         |                           | 4,292   | 3,575           |                           | 7,867   |
| Liabilities with repurchase<br>agreement                            |   | 105             |                           | 105   | (105)           |                           |   |
| Staff vacations   | 5,489   | 287             |                           | 5,776   | 492             |                           | 6,268   |
| Accrued interest and indexation<br>adjustments from impaired loans  | 3,738   | 47              |                           | 3,785   | 239             |                           | 4,024   |
| Staff severance indemnities provision                               | 1,460   | (166)           |                           | 1,294   | 49              | 9                         | 1,352   |
| Provisions of credit card expenses                                  | 10,637  | 856             |                           | 11,493  | 2,135           |                           | 13,628  |
| Provisions of accrued expenses                                      | 11,466  | 1,086           | 99                        | 12,651  | (866)           | 3                         | 11,788  |
| Leasing   |   |                 |                           |   | 18,239          |                           | 18,239  |
| Other adjustments   | 14,203  | 248             |                           | 14,451  | 187             |                           | 14,638  |
| <b>Total debit differences</b>                                      | <b>202,869</b>                                    | <b>3,302</b>    | <b>99</b>                 | <b>206,270</b>                                | <b>49,690</b>   | <b>12</b>                 | <b>255,972</b>                                    |
| <b>Credit differences:</b>  |   |                 |                           |   |                 |                           |   |
| Depreciation of property and<br>equipment and investment properties | 14,304  | (669)           |                           | 13,635  | (472)           |                           | 13,163  |
| Adjustment for valuation financial<br>assets available-for-sale     | 9,860   |                 | 1,454                     | 11,314  |                 | 1,268                     | 12,582  |
| Leasing equipment   | 2,992   | (2,992)         |                           |   |                 |                           |   |
| Transitory assets   | 2,478   | 2,060           |                           | 4,538   | (1,898)         |                           | 2,640   |
| Derivative instruments adjustment                                   | 13  | (13)            |                           |   |                 |                           |   |
| Accrued interest to effective rate                                  | 2,308   | (138)           |                           | 2,170   | 395             |                           | 2,565   |
| Other adjustments   | 3,074   | (1,701)         | (1)                       | 1,372   | 630             | 1                         | 2,003   |
| <b>Total credit differences</b>                                     | <b>35,029</b>                                     | <b>(3,453)</b>  | <b>1,453</b>              | <b>33,029</b>                                 | <b>(1,345)</b>  | <b>1,269</b>              | <b>32,953</b>                                     |
| <b>Total Assets (Liabilities) net</b>                               | <b>167,840</b>                                    | <b>6,755</b>    | <b>(1,354)</b>            | <b>173,241</b>                                | <b>51,035</b>   | <b>(1,257)</b>            | <b>223,019</b>                                    |



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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

**18. Other Assets:**

## (a) Item detail:

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

|  | June<br>2016<br>MCh\$ | December<br>2015<br>MCh\$ |
|--|-----------------------|---------------------------|
| <b>Assets held for leasing (*)</b>                                 | 101,319               | 117,332                   |
| <b>Assets received or awarded as payment (**)</b>                  |                       |                           |
| Assets awarded in judicial sale                                    | 3,077                 | 5,644                     |
| Assets received in lieu of payment                                 | 492                   | 785                       |
| Provision for assets received in lieu of payment                   | (115)                 | (176)                     |
| Subtotal   | 3,454                 | 6,253                     |
| <b>Other Assets</b>  |                       |                           |
| Deposits by derivatives margin                                     | 170,974               | 226,213                   |
| Other accounts and notes receivable                                | 77,807                | 21,644                    |
| Documents intermediated (***)                                      | 28,660                | 30,729                    |
| Servipag available funds   | 15,661                | 13,922                    |
| Prepaid expenses   | 15,580                | 6,915                     |
| Investment properties  | 14,858                | 15,041                    |
| Recoverable income taxes   | 8,639                 | 8,718                     |
| VAT receivable   | 7,742                 | 10,143                    |
| Commissions receivable   | 6,989                 | 7,558                     |
| Pending transactions   | 3,382                 | 3,472                     |
| Rental guarantees  | 1,794                 | 1,743                     |
| Materials and supplies   | 646                   | 643                       |
| Recovered leased assets for sale                                   | 508                   | 625                       |
| Accounts receivable for sale of assets received in lieu of payment | 164                   | 752                       |
| Others   | 14,019                | 12,795                    |
| Subtotal   | 367,423               | 360,913                   |
| Total  | 472,196               | 484,498                   |

(\*) 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 0.0139% (0.0227% as of December 31, 2015) 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 non-current assets available-for-sale. For most assets, the sale is expected to be completed within one year from the date on which the asset was received or acquired. If the asset in question is not sold within the year, it must be written off.

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

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



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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 six-month period ended as of June 30, 2016 and 2015 are detailed as follows:

| Provision for assets            | MCh\$ |
|---------------------------------|-------|
| Balance as of January 1, 2015   | 207   |
| Provisions used                 | (15)  |
| Provisions established          |       |
| Provisions released             | (74)  |
| Balance as of June 30, 2015     | 118   |
| Provisions used                 | (166) |
| Provisions established          | 224   |
| Provisions released             |       |
| Balance as of December 31, 2015 | 176   |
| Provisions used                 | (278) |
| Provisions established          | 217   |
| Provisions released             |       |
| Balance as of June 30, 2016     | 115   |

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

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

|                                    | June<br>2016<br>MCh\$ | December<br>2015<br>MCh\$ |
|------------------------------------|-----------------------|---------------------------|
| Current accounts                   | 6,438,293             | 6,900,590                 |
| Other demand deposits              | 942,359               | 892,485                   |
| Other demand deposits and accounts | 478,978               | 533,973                   |
| Total                              | 7,859,630             | 8,327,048                 |

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

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

|                             | <b>June<br/>2016<br/>MCh\$</b> | <b>December<br/>2015<br/>MCh\$</b> |
|-----------------------------|--------------------------------|------------------------------------|
| Time deposits               | 10,258,243                     | 9,529,974                          |
| Term savings accounts       | 215,213                        | 205,171                            |
| Other term balances payable | 131,901                        | 172,547                            |
| Total                       | 10,605,357                     | 9,907,692                          |

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

**21. Borrowings from Financial Institutions:**

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

|   | June<br>2016<br>MCh\$ | December<br>2015<br>MCh\$ |
|---|-----------------------|---------------------------|
| <b>Domestic banks</b>                   | 12                    |                           |
| <b>Foreign banks</b>                    |                       |                           |
| <b>Foreign trade financing</b>          |                       |                           |
| Citibank N.A.                           | 271,448               | 283,803                   |
| The Bank of New York Mellon             | 139,434               | 149,617                   |
| HSBC Bank                               | 113,181               | 121,027                   |
| Bank of America                         | 109,170               | 150,208                   |
| Canadian Imperial Bank of Commerce      | 80,215                | 166,918                   |
| Bank of Nova Scotia                     | 66,423                | 94,298                    |
| Standard Chartered Bank                 | 33,934                | 56,975                    |
| Wells Fargo Bank                        | 33,382                | 112,933                   |
| Sumitomo Mitsui Banking                 | 33,173                | 35,421                    |
| ING Bank                                | 30,049                | 31,873                    |
| Toronto Dominion Bank                   | 29,890                | 63,788                    |
| Zuercher Kantonalbank                   | 13,951                | 22,011                    |
| Commerzbank A.G.                        | 2,893                 | 1,446                     |
| Bank of Montreal                        |                       | 92,096                    |
| Others                                  | 816                   | 840                       |
| <b>Borrowings and other obligations</b> |                       |                           |
| Wells Fargo Bank                        | 99,754                | 106,463                   |
| Citibank N.A.                           | 8,999                 | 37,571                    |
| Others                                  | 4,391                 | 2,333                     |
| Subtotal foreign trade financing        | 1,071,103             | 1,529,621                 |
| <b>Chilean Central Bank</b>             | 5                     | 6                         |
| <b>Total</b>                            | 1,071,120             | 1,529,627                 |

(b) Chilean Central Bank Obligations

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

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

|   | <b>June<br/>2016<br/>MCh\$</b> | <b>December<br/>2015<br/>MCh\$</b> |
|---|--------------------------------|------------------------------------|
| Borrowings and other obligations                  |                                |                                    |
| Total credit lines for the renegotiation of loans | 5                              | 6                                  |
| Total   | 5                              | 6                                  |

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

**22. Debt Issued:**

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

|                    | <b>June<br/>2016<br/>MCh\$</b> | <b>December<br/>2015<br/>MCh\$</b> |
|--------------------|--------------------------------|------------------------------------|
| Mortgage bonds     | 39,277                         | 46,381                             |
| Bonds              | 5,333,419                      | 5,270,214                          |
| Subordinated bonds | 638,552                        | 785,613                            |
| Total              | 6,011,248                      | 6,102,208                          |

During the period ended as of June 30, 2016, Banco de Chile issued bonds by an amount of Ch\$708,048 million, of which corresponds to Unsubordinated bonds and Commercial papers by an amount of Ch\$419,722 million and Ch\$288,326 million respectively, according to the following details:

**Bonds**

| Serie                     | Amount<br>MCh\$ | Terms<br>Years | Rate<br>% | Currency | Issue date | Maturity date |
|---------------------------|-----------------|----------------|-----------|----------|------------|---------------|
| BCHIAR0613                | 8,497           | 10             | 3.60      | UF       | 29/01/2016 | 29/01/2026    |
| BCHIAR0613                | 10,869          | 10             | 3.60      | UF       | 18/02/2016 | 18/02/2026    |
| BCHIBJ0915                | 53,553          | 10             | 2.90      | UF       | 25/05/2016 | 25/05/2026    |
| BCHIBF0915                | 79,626          | 8              | 2.70      | UF       | 25/05/2016 | 25/05/2024    |
| BCHIBK0915                | 53,485          | 11             | 2.90      | UF       | 25/05/2016 | 25/05/2027    |
| BCHIBL1115                | 79,806          | 11             | 2.90      | UF       | 25/05/2016 | 25/05/2027    |
| BCHIBA0815                | 53,480          | 5              | 2.50      | UF       | 29/06/2016 | 29/06/2021    |
| BCHIBI1115                | 80,406          | 10             | 2.90      | UF       | 29/06/2016 | 29/06/2026    |
| Total as of June 30, 2016 | 419,722         |                |           |          |            |               |

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

## 22. Debt Issued, continued:

## Commercial Papers

| Counterparty              | Amount<br>MCh\$ | Interest rate<br>% | Currency | Issued date | Maturity date |
|---------------------------|-----------------|--------------------|----------|-------------|---------------|
| Merrill Lynch             | 14,717          | 0.94               | USD      | 04/01/2016  | 05/07/2016    |
| JP. Morgan Chase          | 30,879          | 0.70               | USD      | 05/01/2016  | 04/04/2016    |
| Wells Fargo Bank          | 10,883          | 0.62               | USD      | 14/01/2016  | 13/04/2016    |
| Citibank N.A.             | 10,810          | 0.95               | USD      | 25/01/2016  | 22/07/2016    |
| Citibank N.A.             | 10,723          | 0.75               | USD      | 27/01/2016  | 23/05/2016    |
| Citibank N.A.             | 11,362          | 0.95               | USD      | 28/01/2016  | 27/07/2016    |
| Citibank N.A.             | 3,551           | 0.75               | USD      | 28/01/2016  | 27/05/2016    |
| Merrill Lynch             | 3,535           | 0.90               | USD      | 03/02/2016  | 02/08/2016    |
| Merrill Lynch             | 10,745          | 0.68               | USD      | 03/02/2016  | 04/05/2016    |
| JP. Morgan Chase          | 19,943          | 0.65               | USD      | 04/04/2016  | 01/07/2016    |
| Merrill Lynch             | 4,690           | 1.25               | USD      | 04/05/2016  | 28/04/2017    |
| Merrill Lynch             | 13,296          | 0.95               | USD      | 06/05/2016  | 03/11/2016    |
| Citibank N.A.             | 12,217          | 0.77               | USD      | 10/05/2016  | 08/09/2016    |
| Wells Fargo Bank          | 10,181          | 1.07               | USD      | 10/05/2016  | 10/02/2017    |
| Merrill Lynch             | 10,203          | 0.56               | USD      | 11/05/2016  | 12/07/2016    |
| Citibank N.A.             | 41,097          | 0.59               | USD      | 12/05/2016  | 11/07/2016    |
| Citibank N.A.             | 10,274          | 0.98               | USD      | 12/05/2016  | 09/11/2016    |
| Citibank N.A.             | 18,155          | 0.79               | USD      | 16/05/2016  | 16/09/2016    |
| Citibank N.A.             | 27,614          | 0.59               | USD      | 18/05/2016  | 18/07/2016    |
| Citibank N.A.             | 1,990           | 0.98               | USD      | 15/06/2016  | 15/11/2016    |
| Wells Fargo Bank          | 11,461          | 1.25               | USD      | 22/06/2016  | 21/06/2017    |
| Total as of June 30, 2016 | 288,326         |                    |          |             |               |

As of June 30, 2016 the Bank has no issued subordinated bonds.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

## 22. Debt Issued, continued:

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

**Bonds**

| Serie      | Amount<br>MCh\$ | Terms<br>Years | Rate<br>%        | Currency | Issue<br>date | Maturity date |
|------------|-----------------|----------------|------------------|----------|---------------|---------------|
| BCHIAI0213 | 17,132          | 6              | 3.40             | UF       | 17/02/2015    | 17/02/2021    |
| BCHIAM0413 | 40,425          | 8              | 3.60             | UF       | 20/02/2015    | 20/02/2023    |
| BCHIA1211  | 80,282          | 15             | 3.50             | UF       | 27/02/2015    | 27/02/2030    |
| BCHIAM0413 | 4,881           | 8              | 3.60             | UF       | 13/03/2015    | 13/03/2023    |
| BCHIAM0413 | 5,972           | 8              | 3.60             | UF       | 19/03/2015    | 19/03/2023    |
| BCHIAM0413 | 11,225          | 8              | 3.60             | UF       | 06/04/2015    | 06/04/2023    |
| BCHIAM0413 | 2,673           | 8              | 3.60             | UF       | 07/04/2015    | 07/04/2023    |
| BCHIAZ0613 | 53,874          | 14             | 3.60             | UF       | 17/04/2015    | 17/04/2029    |
| BONO USD   | 30,596          | 6              | LIBOR 3 M + 0.69 | USD      | 30/04/2015    | 30/04/2021    |
| BCHIAM0413 | 15,242          | 8              | 3.60             | UF       | 08/05/2015    | 08/05/2023    |
| BCHIAPO213 | 29,715          | 9              | 3.60             | UF       | 15/05/2015    | 15/05/2024    |
| BCHIAPO213 | 7,435           | 9              | 3.60             | UF       | 18/05/2015    | 18/05/2024    |
| BCHIAPO213 | 2,658           | 9              | 3.60             | UF       | 22/05/2015    | 22/05/2024    |
| BCHIAPO213 | 13,308          | 9              | 3.60             | UF       | 27/05/2015    | 27/05/2024    |
| BCHIAO0713 | 14,072          | 8              | 3.40             | UF       | 09/06/2015    | 09/06/2023    |
| BCHIAO0713 | 21,146          | 8              | 3.40             | UF       | 10/06/2015    | 10/06/2023    |
| BCHIAO0713 | 4,518           | 8              | 3.40             | UF       | 15/06/2015    | 15/06/2023    |
| BCHIAO0713 | 4,653           | 8              | 3.40             | UF       | 16/06/2015    | 16/06/2023    |
| BCHIAO0713 | 10,639          | 8              | 3.40             | UF       | 18/06/2015    | 18/06/2023    |
| BCHIAO0713 | 9,315           | 8              | 3.40             | UF       | 23/06/2015    | 23/06/2023    |
| BCHIAW0213 | 80,003          | 13             | 3.60             | UF       | 25/06/2015    | 25/06/2028    |
| BCHIAO0713 | 22,367          | 8              | 3.40             | UF       | 03/07/2015    | 03/07/2023    |
| BCHIAO0713 | 3,692           | 8              | 3.40             | UF       | 07/07/2015    | 07/07/2023    |
| BCHIAX0613 | 16,068          | 13             | 3.60             | UF       | 08/07/2015    | 08/07/2028    |
| BCHIAX0613 | 37,494          | 13             | 3.60             | UF       | 09/07/2015    | 09/07/2028    |
| BCHIAO0713 | 4,255           | 8              | 3.40             | UF       | 10/07/2015    | 10/07/2023    |
| BCHIAO0713 | 2,681           | 8              | 3.40             | UF       | 22/07/2015    | 22/07/2023    |
| BCHIAS0513 | 9,550           | 10             | 3.60             | UF       | 28/07/2015    | 28/07/2025    |
| BCHIUY1211 | 80,744          | 14             | 3.50             | UF       | 06/08/2015    | 06/08/2029    |
| BCHIAS0513 | 9,334           | 10             | 3.60             | UF       | 13/08/2015    | 13/08/2025    |

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|                               |           |    |                  |     |            |            |
|-------------------------------|-----------|----|------------------|-----|------------|------------|
| BCHIAK0613                    | 81,154    | 7  | 3.40             | UF  | 14/08/2015 | 14/08/2022 |
| BCHIAS0513                    | 3,297     | 10 | 3.60             | UF  | 18/08/2015 | 18/08/2025 |
| BCHIAS0513                    | 6,046     | 10 | 3.60             | UF  | 19/08/2015 | 19/08/2025 |
| BCHI UW1011                   | 54,750    | 13 | 3.50             | UF  | 24/08/2015 | 24/08/2028 |
| BCHI UW1011                   | 55,117    | 13 | 3.50             | UF  | 31/08/2015 | 31/08/2028 |
| BCHIAN0513                    | 54,642    | 8  | 3.60             | UF  | 07/10/2015 | 07/10/2023 |
| BCHIAS0513                    | 4,127     | 10 | 3.60             | UF  | 14/10/2015 | 14/10/2025 |
| BCHI UX0212                   | 80,796    | 13 | 3.50             | UF  | 14/10/2015 | 14/10/2028 |
| BONO HKD                      | 53,957    | 10 | 3.05             | HKD | 20/10/2015 | 20/10/2025 |
| BCHIAQ0213                    | 81,748    | 10 | 3.60             | UF  | 06/11/2015 | 06/11/2025 |
| BCHI AT0613                   | 82,318    | 11 | 3.50             | UF  | 06/11/2015 | 06/11/2026 |
| BCHI AR0613                   | 62,985    | 10 | 3.60             | UF  | 06/11/2015 | 06/11/2025 |
| BONO EUR                      | 35,880    | 10 | 1.66             | EUR | 16/11/2015 | 16/11/2025 |
| BONO USD                      | 35,411    | 5  | LIBOR 3 M + 1.15 | USD | 16/12/2015 | 16/12/2020 |
| BCHIAS0513                    | 4,047     | 10 | 3.60             | UF  | 18/12/2015 | 18/12/2025 |
| Total as of December 31, 2015 | 1,342,224 |    |                  |     |            |            |



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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 |
|------------------|-----------------|-----------|----------|----------------|------------------|
| Merrill Lynch    | 15,425          | 0.32      | USD      | 05/01/2015     | 06/04/2015       |
| Goldman Sachs    | 15,380          | 0.33      | USD      | 07/01/2015     | 10/04/2015       |
| Goldman Sachs    | 30,638          | 0.33      | USD      | 08/01/2015     | 08/04/2015       |
| Wells Fargo Bank | 12,255          | 0.32      | USD      | 08/01/2015     | 08/04/2015       |
| Wells Fargo Bank | 3,077           | 0.43      | USD      | 12/01/2015     | 13/07/2015       |
| Merrill Lynch    | 9,421           | 0.46      | USD      | 21/01/2015     | 21/07/2015       |
| Merrill Lynch    | 9,421           | 0.60      | USD      | 21/01/2015     | 16/10/2015       |
| JP. Morgan Chase | 49,944          | 0.37      | USD      | 22/01/2015     | 22/04/2015       |
| Wells Fargo Bank | 16,262          | 0.32      | USD      | 10/02/2015     | 11/05/2015       |
| Wells Fargo Bank | 2,502           | 0.47      | USD      | 10/02/2015     | 10/08/2015       |
| JP. Morgan Chase | 48,215          | 0.35      | USD      | 03/03/2015     | 02/06/2015       |
| Wells Fargo Bank | 4,393           | 0.82      | USD      | 06/03/2015     | 04/03/2016       |
| Merrill Lynch    | 15,690          | 0.42      | USD      | 06/03/2015     | 06/08/2015       |
| JP. Morgan Chase | 31,395          | 0.35      | USD      | 09/03/2015     | 08/06/2015       |
| Wells Fargo Bank | 2,569           | 0.48      | USD      | 17/03/2015     | 14/09/2015       |
| Merrill Lynch    | 4,975           | 0.42      | USD      | 20/03/2015     | 06/08/2015       |
| Merrill Lynch    | 3,122           | 0.48      | USD      | 23/03/2015     | 17/09/2015       |
| JP. Morgan Chase | 31,951          | 0.38      | USD      | 23/03/2015     | 22/06/2015       |
| Wells Fargo Bank | 25,079          | 0.35      | USD      | 30/03/2015     | 30/06/2015       |
| JP. Morgan Chase | 37,467          | 0.48      | USD      | 06/04/2015     | 02/10/2015       |
| JP. Morgan Chase | 14,519          | 0.38      | USD      | 06/04/2015     | 06/07/2015       |
| Goldman Sachs    | 42,858          | 0.35      | USD      | 08/04/2015     | 08/07/2015       |
| Citibank N.A.    | 15,506          | 0.35      | USD      | 10/04/2015     | 06/07/2015       |
| JP. Morgan Chase | 16,524          | 0.40      | USD      | 17/04/2015     | 17/08/2015       |
| JP. Morgan Chase | 49,536          | 0.40      | USD      | 22/04/2015     | 03/08/2015       |
| Wells Fargo Bank | 15,856          | 0.34      | USD      | 11/05/2015     | 10/08/2015       |
| JP. Morgan Chase | 48,721          | 0.40      | USD      | 02/06/2015     | 02/09/2015       |
| JP. Morgan Chase | 31,567          | 0.40      | USD      | 08/06/2015     | 08/09/2015       |
| Wells Fargo Bank | 3,796           | 0.52      | USD      | 19/06/2015     | 16/12/2015       |
| JP. Morgan Chase | 32,321          | 0.36      | USD      | 22/06/2015     | 17/09/2015       |
| Wells Fargo Bank | 2,620           | 0.27      | USD      | 30/06/2015     | 17/09/2015       |
| Wells Fargo Bank | 10,162          | 0.37      | USD      | 30/06/2015     | 02/10/2015       |
| Wells Fargo Bank | 12,782          | 0.59      | USD      | 30/06/2015     | 04/01/2016       |
| JP. Morgan Chase | 15,222          | 0.39      | USD      | 06/07/2015     | 05/10/2015       |
| Citibank N.A.    | 16,030          | 0.36      | USD      | 06/07/2015     | 05/10/2015       |

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|                  |        |      |     |            |            |
|------------------|--------|------|-----|------------|------------|
| Goldman Sachs    | 45,651 | 0.36 | USD | 08/07/2015 | 08/10/2015 |
| Merrill Lynch    | 10,419 | 0.72 | USD | 21/07/2015 | 15/04/2016 |
| Wells Fargo Bank | 3,390  | 0.54 | USD | 04/08/2015 | 03/02/2016 |
| Wells Fargo Bank | 33,904 | 0.31 | USD | 04/08/2015 | 30/09/2015 |
| Merrill Lynch    | 19,664 | 0.36 | USD | 04/08/2015 | 04/11/2015 |
| Merrill Lynch    | 22,323 | 0.36 | USD | 06/08/2015 | 04/11/2015 |
| Wells Fargo Bank | 11,549 | 0.93 | USD | 06/08/2015 | 04/08/2016 |
| Wells Fargo Bank | 6,773  | 0.36 | USD | 07/08/2015 | 13/11/2015 |
| Wells Fargo Bank | 6,740  | 0.93 | USD | 10/08/2015 | 05/08/2016 |
| Wells Fargo Bank | 13,634 | 0.45 | USD | 11/08/2015 | 08/12/2015 |
| Citibank N.A.    | 18,710 | 0.45 | USD | 18/08/2015 | 16/11/2015 |
| JP. Morgan Chase | 69,151 | 0.51 | USD | 02/09/2015 | 02/12/2015 |

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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              | 34,541          | 0.51      | USD      | 08/09/2015     | 08/12/2015       |
| JP. Morgan Chase              | 42,393          | 0.50      | USD      | 02/10/2015     | 05/01/2016       |
| Citibank N.A.                 | 17,092          | 0.50      | USD      | 05/10/2015     | 08/01/2016       |
| JP. Morgan Chase              | 17,092          | 0.50      | USD      | 05/10/2015     | 08/01/2016       |
| Merrill Lynch                 | 10,224          | 0.78      | USD      | 14/10/2015     | 11/07/2016       |
| Merrill Lynch                 | 13,829          | 0.65      | USD      | 04/11/2015     | 04/05/2016       |
| Merrill Lynch                 | 26,100          | 0.45      | USD      | 04/11/2015     | 03/02/2016       |
| Wells Fargo Bank              | 3,554           | 0.82      | USD      | 15/12/2015     | 13/06/2016       |
| Merrill Lynch                 | 4,249           | 1.10      | USD      | 17/12/2015     | 13/12/2016       |
| Total as of December 31, 2015 | 1,128,183       |           |          |                |                  |

As of December 31, 2015 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 2016 and 2015,

**23. Other Financial Obligations:**

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

|                           | June<br>2016<br>MCh\$ | December<br>2015<br>MCh\$ |
|---------------------------|-----------------------|---------------------------|
| Other Chilean obligations | 92,675                | 132,136                   |

|                           |                |                |
|---------------------------|----------------|----------------|
| Public sector obligations | 39,163         | 40,945         |
| <b>Total</b>              | <b>131,838</b> | <b>173,081</b> |

**24. Provisions:**

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

|  | <b>June<br/>2016<br/>MCh\$</b> | <b>December<br/>2015<br/>MCh\$</b> |
|--|--------------------------------|------------------------------------|
| Provision for minimum dividends                        | 142,975                        | 324,469                            |
| Provisions for personnel benefits and payroll expenses | 61,565                         | 74,791                             |
| Provisions for contingent loan risks                   | 50,795                         | 59,213                             |
| Provisions for contingencies:                          |                                |                                    |
| Additional loan provisions (*)                         | 213,252                        | 161,177                            |
| Country risk provisions                                | 5,637                          | 4,260                              |
| Other provisions for contingencies                     | 21,940                         | 15,133                             |
| <b>Total</b>   | <b>496,164</b>                 | <b>639,043</b>                     |

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(\*) On June 30th, 2016 additional provision has been made for Ch\$52,075 million (Ch\$30,921 million during period 2015). See Note No. 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 six-month period ended as of June 30, 2016 and December 31, 2015:

|                                  | 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, 2015   | 324,588                       | 81,515  | 54,077                            | 130,256                                   | 11,278  | 601,714        |
| Provisions established           | 175,579                       | 27,875  | 664                               |   | 2,744   | 206,862        |
| Provisions used                  | (324,588)                     | (53,059)                                      |                                   |   | (247)   | (377,894)      |
| Provisions released              |                               |   |                                   |   |   |                |
| Balances as of June 30, 2015     | 175,579                       | 56,331  | 54,741                            | 130,256                                   | 13,775  | 430,682        |
| Provisions established           | 148,890                       | 32,333  | 4,472                             | 30,921                                    | 5,618   | 222,234        |
| Provisions used                  |                               | (13,873)                                      |                                   |   |   | (13,873)       |
| Provisions released              |                               |   |                                   |   |   |                |
| Balances as of December 31, 2015 | 324,469                       | 74,791  | 59,213                            | 161,177                                   | 19,393  | 639,043        |
| Provisions established           | 142,975                       | 32,277  |                                   | 52,075                                    | 8,440   | 235,767        |
| Provisions used                  | (324,469)                     | (45,503)                                      |                                   |   | (256)   | (370,228)      |
| Provisions released              |                               |   | (8,418)                           |   |   | (8,418)        |
| Balances as of June 30, 2016     | 142,975                       | 61,565  | 50,795                            | 213,252                                   | 27,577  | 496,164        |

(c) Provisions for personnel benefits and payroll:

|                                    | June<br>2016<br>MCh\$ | December<br>2015<br>MCh\$ |
|------------------------------------|-----------------------|---------------------------|
| Vacation accrual                   | 25,710                | 25,480                    |
| Short-term personnel benefits      | 19,691                | 34,307                    |
| Pension plan- defined benefit plan | 9,280                 | 10,728                    |
| Other benefits                     | 6,884                 | 4,276                     |
| Total                              | 61,565                | 74,791                    |

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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:

|                                    | June<br>2016<br>MCh\$ | June<br>2015<br>MCh\$ |
|------------------------------------|-----------------------|-----------------------|
| Opening defined benefit obligation | 10,728                | 11,471                |
| Increase in provisions             | 211                   | 306                   |
| Benefit paid                       | (1,659)               | (1,142)               |
| Actuarial gains                    |                       |                       |
| Total                              | 9,280                 | 10,635                |

(ii) Net benefits expenses:

|                                       | June<br>2016<br>MCh\$ | June<br>2015<br>MCh\$ |
|---------------------------------------|-----------------------|-----------------------|
| Current service cost                  | (206)                 | (146)                 |
| Interest cost of benefits obligations | 417                   | 452                   |
| Effect of change in actuarial factors |                       |                       |
| Net benefit expenses                  | 211                   | 306                   |

(iii) Assumptions used to determine pension obligations:

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

| June | December |
|------|----------|
|------|----------|

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|                        | 2016<br>% | 2015<br>% |
|------------------------|-----------|-----------|
| Discount rate          | 4.60      | 4.60      |
| Annual salary increase | 5.41      | 5.41      |
| Payment probability    | 99.99     | 99.99     |

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

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

**24. Provisions, continued:**

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

|                           | June<br>2016<br>MCh\$ | June<br>2015<br>MCh\$ |
|---------------------------|-----------------------|-----------------------|
| Balances as of January 1, | 34,307                | 29,678                |
| Provisions established    | 17,447                | 14,748                |
| Provisions used           | (32,063)              | (28,422)              |
| Provisions release        |                       |                       |
| Total                     | 19,691                | 16,004                |

## (f) Movements in vacations accruals:

|                           | June<br>2016<br>MCh\$ | June<br>2015<br>MCh\$ |
|---------------------------|-----------------------|-----------------------|
| Balances as of January 1, | 25,480                | 23,727                |
| Provisions established    | 3,486                 | 2,872                 |
| Provisions used           | (3,256)               | (2,457)               |
| Provisions release        |                       |                       |
| Total                     | 25,710                | 24,142                |

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

As of June 30, 2016 and 2015, the Bank and its subsidiaries do not have a stock-based compensation plan.

## (h) Contingent loan provisions:



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As of June 30, 2016 and December 31, 2015, the Bank and its subsidiaries maintain contingent loan provisions by an amount of Ch\$50,795 million (Ch\$59,213 million as of December 31, 2015). See Note No. 26 (d).

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

**25. Other Liabilities:**

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

|                                | <b>June<br/>2016<br/>MCh\$</b> | <b>December<br/>2015<br/>MCh\$</b> |
|--------------------------------|--------------------------------|------------------------------------|
| Accounts and notes payable (*) | 154,393                        | 121,419                            |
| Unearned income                | 5,983                          | 6,644                              |
| Dividends payable              | 1,395                          | 1,255                              |
| <b>Other liabilities</b>       |                                |                                    |
| Cobranding                     | 49,843                         | 54,006                             |
| Documents intermediated (**)   | 49,274                         | 39,735                             |
| Securities unliquidated        | 20,110                         | 3,429                              |
| VAT debit                      | 12,767                         | 13,235                             |
| Leasing deferred gains         | 5,249                          | 6,040                              |
| Insurance payments             | 1,961                          | 634                                |
| Transactions in progress       | 784                            | 767                                |
| Others                         | 11,915                         | 12,148                             |
| Total                          | 313,674                        | 259,312                            |

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

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

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

**26. Contingencies and Commitments:**

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

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

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

|   | <b>June<br/>2016<br/>MCh\$</b> | <b>December<br/>2015<br/>MCh\$</b> |
|---|--------------------------------|------------------------------------|
| <b>Contingent loans</b>                                   |                                |                                    |
| Guarantees and surety bonds                               | 298,978                        | 389,727                            |
| Confirmed foreign letters of credit                       | 32,661                         | 33,871                             |
| Issued letters of credit                                  | 166,189                        | 122,060                            |
| Bank guarantees   | 2,079,148                      | 2,058,813                          |
| Immediately available credit lines                        | 7,248,733                      | 7,224,242                          |
| Other commitments   | 176,505                        | 204,862                            |
| <b>Transactions on behalf of third parties</b>            |                                |                                    |
| Collections   | 130,823                        | 217,479                            |
| Third-party resources managed by the Bank:                |                                |                                    |
| Financial assets managed on behalf of third parties       | 9,841                          | 18,563                             |
| Other Financial assets managed on behalf of third parties |                                |                                    |
| Financial assets acquired on its own behalf               | 183,504                        | 151,375                            |
| Other Financial assets acquired on its own behalf         |                                |                                    |
| <b>Fiduciary activities</b>                               |                                |                                    |
| Securities held in safe custody in the Bank               | 9,223,165                      | 8,248,416                          |
| Securities held in safe custody in other entities         | 5,100,818                      | 5,006,510                          |
| Total   | 24,650,365                     | 23,675,918                         |

The prior 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 June 30, 2016 the Bank has established provisions for this concept in the amount of Ch\$21,680 million (Ch\$14,877 million as of December 31, 2015), recorded within Provisions in the Interim Condensed Consolidated Statement of Financial Position.

Among these actions, there is the following:

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

well as the responsibility they have in case of disclosure to third parties, and the use by such third parties of them.

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

|                     | <b>2016</b>  | <b>2017</b>  | <b>As of June 30, 2016</b> | <b>2019</b>  | <b>Total</b> |
|---------------------|--------------|--------------|----------------------------|--------------|--------------|
|                     | <b>MCh\$</b> | <b>MCh\$</b> | <b>2018</b>                | <b>MCh\$</b> | <b>MCh\$</b> |
|                     |              |              | <b>MCh\$</b>               |              |              |
| Legal contingencies | 21,269       | 89           | 322                        |              | 21,680       |

(b.2) Contingencies for significant lawsuits:

As of June 30, 2016 and December 31, 2015 there are not any significant lawsuits, where the Bank is involved, that affect or may affect these consolidated financial statements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

26. Contingencies and Commitments, continued:

(c) Guarantees granted:

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

In compliance with Article No, 12 of Law No, 20,712, Banchile Administradora General de Fondos S.A., has designated Banco de Chile as the representative of the beneficiaries of the guarantees it has established and in that character the Bank has issued bank guarantees totaling UF 2,716,000, maturing January 10, 2017 (UF 2,603,000, maturing on January 8, 2016 as of December 31, 2015). The subsidiary took a policy with Mapfre Seguros Generales S.A. for the Real State Funds by a guaranteed amount of UF 179,000.

As of June 30, 2016 and December 31, 2015 the Bank has not guaranteed mutual funds.

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 250,000, with maturity on January 10, 2017.

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

For the purposes of ensuring correct and complete compliance with all of its obligations as Stock Brokerage entity, in conformity with the provisions of Article 30 and subsequent Articles of Law 18,045 on Securities Markets, the subsidiary established a guarantee in an insurance policy for UF 20,000, insured by Mapfre Seguros Generales S.A., that matures April 22, 2018, whereby the Securities Exchange of the Santiago Stock Exchange was appointed as the subsidiary s creditor representative.

| June<br>2016<br>MCh\$ | December<br>2015<br>MCh\$ |
|-----------------------|---------------------------|
|-----------------------|---------------------------|

**Guarantees:**

Shares to secure short-sale transactions in:

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|  |        |        |
|--|--------|--------|
| Securities Exchange of the Santiago, Stock Exchange  | 13,270 | 14,628 |
| Securities Exchange of the Electronic, Stock Exchange of Chile                                       | 22,539 | 27,981 |
| Fixed income securities to ensure system CCLV, Securities Exchange of the Santiago, Stock Exchange   | 2,934  | 2,995  |
| Fixed income securities to secure loans of shares, Chilean Electronic Stock Exchange, Stock Exchange |        | 80     |
| Shares delivered to ensure equity loan, Chilean Electronic Stock Exchange, Stock Exchange            | 2,086  |        |
| Total  | 40,829 | 45,684 |



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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

(c) Guarantees granted, continued:

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

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

Banchile Corredores de Bolsa S.A. keeps an insurance policy current with AIG Chile Compañía de Seguros Generales S.A. that expires January 2, 2017, and that covers employee fidelity, physical losses, falsification or adulteration, and currency fraud with a coverage amount equivalent to US\$10,000,000.

According to disposition of Chilean Central Bank, it was constituted a bank guarantee corresponding to 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. 379031-1 corresponds to UF 215,000, 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 10, 2017.

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

iii. **In subsidiary Banchile Corredores de Seguros Ltda.:**

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According to established in article No. 58, letter D of D.F.L. 251, as of June 30, 2016 the entity maintains two insurance policies that protect it in the face of possible damages that it could affect it, due to infractions of the law, regulations and complementary rules that regulate insurance brokers, and when the non-compliance is from acts, mistakes or omissions of the brokers, its represents, agent or dependent that participate in the intermediation for Banchile Corredores de Bolsa S.A.

The policies contracted are the following:

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

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

## (d) Provisions for contingencies loans:

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

|                             | <b>June<br/>2016<br/>MCh\$</b> | <b>December<br/>2015<br/>MCh\$</b> |
|-----------------------------|--------------------------------|------------------------------------|
| Free credit lines available | 27,900                         | 36,743                             |
| Bank guarantees             | 18,723                         | 18,474                             |
| Guarantees and surety bonds | 2,942                          | 3,314                              |
| Letters of credit           | 1,001                          | 393                                |
| Other commitments           | 229                            | 289                                |
| Total                       | 50,795                         | 59,213                             |

(e) Before the Eleventh Civil Court of Santiago, Banchile Corredores de Bolsa S.A., claimed against Exempt Resolution No. 270 of October 30, 2014 of the Superintendency of Securities and Insurance (SVS), under which the SVS fined the Company to pay a fine of 50,000 UF, considering that it would have violated paragraph 2 of Article 53 of the Securities Act by acting as an intermediary in a share purchase operations SQM-A. To make such a claim Banchile appropriated 25% of the amount of the fine. Under the claim is intended to annul the fine. That complaint was accumulated trial Case N° 25.795-2014, of the 22nd Civil Court of Santiago, issued the order test. To date the replacement resources submitted have not been resolved by the parties on the resolution that received the case to trial. The procedure is suspended by the application for joinder filed by another claimant.

According to the provisioning policy, the company has not made provisions because this trial has not yet been ruled as also considering that the legal position of the same advisers estimate that there are solid grounds for that hosting the claim.

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

**27. Equity:**

(a) Capital:

(i) Authorized, subscribed and paid shares:

As of June 30, 2016, the paid-in capital of Banco de Chile is represented by 96,129,146,433 registered shares (96,129,146,433 shares as of December 31, 2015), with no par value, fully paid and distributed.

(ii) Shares:

(ii.1) On March 24, 2016 the Extraordinary Shareholders approved the capitalization of 30% of the distributable net income obtained during the fiscal year ending as of December 31, 2015. At the end of this present financial statement it has not issued fully-paid in shares.

(ii.2) The following table shows the share movements from December 31, 2014 to June 30, 2016:

|  | <b>Total<br/>Ordinary Shares</b> |
|--|----------------------------------|
| As of December 31, 2014                                  | 94,655,367,544                   |
| Total shares as of June 30, 2015                         | 94,655,367,544                   |
| Capitalization of earning Issue fully paid-in shares (*) | 1,473,778,889                    |
| Total shares as of December 31, 2015                     | 96,129,146,433                   |
| Total shares as June 30, 2016                            | 96,129,146,433                   |

(\*) Capitalization on July 23, 2015.



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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 between Banco de Chile and Sociedad Matriz del Banco de Chile S.A.- Banco de Chile's distributable net income will be determined by subtracting or adding to net income the correction of the value of the paid-in capital and reserves according to the variation of the Consumer Price Index between November of the fiscal year prior to the one in which the calculation is made and November of the fiscal year in which the calculation is made. Provisional Article four shall be in force until the obligation of Law No. 19,396 owed by Sociedad Matriz del Banco de Chile S.A., directly or through its subsidiary SAOS has been fully paid. The 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.

The distributable income for the six-month period ended as of June 30, 2016 ascend to Ch\$238,291million (Ch\$463,528 million as of December 31, 2015).

As stated, the retention of earnings for the year ended as of December 31, 2015, made in March of 2016, ascend to Ch\$95,467 million (Ch\$127,383 million of income for the year ended as of December 31, 2014, retained in March of 2015).

(c) Approval and payment of dividends:

At the Ordinary Shareholders Meeting held on March 24, 2016, the Bank's shareholders agreed to distribute and pay dividend No. 204 amounting to Ch\$3.37534954173 per common share of Banco de Chile, with charge to distributable net income for the year ended as of December 31, 2015. The dividend of period 2016 amounted Ch\$366,654 million.

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

(d) Provision for minimum dividends:

According to established in Note No. 5 Relevant events, the Board of Directors established that since January 1, 2016, a minimum dividend, where the Bank has to record a provision of 60% of distributable net income. Accordingly, the Bank recorded a liability under the line item Provisions for an amount of Ch\$142,975 million (Ch\$324,469 million as of December 31, 2015, corresponding to 70%) 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, excluding the average number of own shares maintained at the long period.

## (ii) Diluted earnings per share:

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

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

|   | June<br>2016   | June<br>2015   |
|---|----------------|----------------|
| <b>Basic earnings per share:</b>  |                |                |
| Net profits attributable to ordinary equity holders of the bank (in millions) | 283,512        | 285,097        |
| Weighted average number of ordinary shares                                    | 96,129,146,433 | 96,129,146,433 |
| Earning per shares (in Chilean pesos) (*)                                     | 2.95           | 2.97           |
| <b>Diluted earnings per share:</b>  |                |                |
| Net profits attributable to ordinary equity holders of the bank (in millions) | 283,512        | 285,097        |
| Weighted average number of ordinary shares                                    | 96,129,146,433 | 96,129,146,433 |
| Assumed conversion of convertible debt  |                |                |
| Adjusted number of shares   | 96,129,146,433 | 96,129,146,433 |
| Diluted earnings per share (in Chilean pesos) (*)                             | 2.95           | 2.97           |



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

As of June 30, 2016 and 2015, 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:

The cumulative translation adjustment is generated from the Bank's translation of its investments in foreign companies, as it records the effects of foreign currency translation for these items in equity. During the period 2016 there were made a charge to equity to Ch\$59 million of cumulative translation adjustment (there was not cumulative translation adjustment in 2015).

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 2016 it was made a net debit to equity for an amount of Ch\$42,518 million (net credit to equity for Ch\$5,249 million as of June 30, 2015).

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 2016 it was made a net debit to equity for an amount of Ch\$4,860 million (credit to equity for Ch\$2,756 million as of June 30, 2015).

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

**28. Interest Revenue and Expenses:**

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

|                             | June 2016      |                  |                    |             | June 2015      |                  |                    |             |
|-----------------------------|----------------|------------------|--------------------|-------------|----------------|------------------|--------------------|-------------|
|                             | Interest MCh\$ | Adjustment MCh\$ | Prepaid fees MCh\$ | Total MCh\$ | Interest MCh\$ | Adjustment MCh\$ | Prepaid fees MCh\$ | Total MCh\$ |
| Commercial loans            | 351,176        | 82,586           | 1,211              | 434,973     | 321,320        | 64,815           | 2,089              | 388,224     |
| Consumer loans              | 296,585        | 856              | 4,602              | 302,043     | 276,593        | 1,178            | 4,469              | 282,240     |
| Residential mortgage loans  | 128,420        | 105,856          | 2,032              | 236,308     | 113,389        | 78,920           | 2,275              | 194,584     |
| Financial investment        | 14,725         | 3,874            |                    | 18,599      | 26,013         | 5,916            |                    | 31,929      |
| Repurchase agreements       | 778            |                  |                    | 778         | 635            |                  |                    | 635         |
| Loans and advances to banks | 16,421         |                  |                    | 16,421      | 12,888         |                  |                    | 12,888      |
| Other interest revenue      | 693            | 1,042            |                    | 1,735       | 316            | 699              |                    | 1,015       |
| Total                       | 808,798        | 194,214          | 7,845              | 1,010,857   | 751,154        | 151,528          | 8,833              | 911,515     |

The amount of interest revenue recognized on a received basis for impaired portfolio as of June 30, 2016 was Ch\$2,962 million (Ch\$4,356 million in June 2015).

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

|                            | June 2016      |                  |             | June 2015      |                  |             |
|----------------------------|----------------|------------------|-------------|----------------|------------------|-------------|
|                            | Interest MCh\$ | Adjustment MCh\$ | Total MCh\$ | Interest MCh\$ | Adjustment MCh\$ | Total MCh\$ |
| Commercial loans           | 7,309          | 3,366            | 10,675      | 9,318          | 2,524            | 11,842      |
| Residential mortgage loans | 2,363          | 2,145            | 4,508       | 1,820          | 1,661            | 3,481       |
| Consumer loans             | 64             | 12               | 76          | 251            |                  | 251         |
| Total                      | 9,736          | 5,523            | 15,259      | 11,389         | 4,185            | 15,574      |



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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

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

|  | Interest<br>MCh\$ | June<br>2016<br>Adjustment<br>MCh\$ | Total<br>MCh\$ | Interest<br>MCh\$ | June<br>2015<br>Adjustment<br>MCh\$ | Total<br>MCh\$ |
|--|-------------------|-------------------------------------|----------------|-------------------|-------------------------------------|----------------|
| Savings accounts and time deposits     | 158,375           | 33,028                              | 191,403        | 132,479           | 20,847                              | 153,326        |
| Debt issued                            | 95,851            | 72,075                              | 167,926        | 77,906            | 53,091                              | 130,997        |
| Other financial obligations            | 822               | 177                                 | 999            | 870               | 562                                 | 1,432          |
| Repurchase agreements                  | 2,722             |                                     | 2,722          | 3,317             | 260                                 | 3,577          |
| Borrowings from financial institutions | 6,577             |                                     | 6,577          | 4,274             |                                     | 4,274          |
| Demand deposits                        | 345               | 3,565                               | 3,910          | 352               | 1,421                               | 1,773          |
| Other interest expenses                |                   | 299                                 | 299            |                   | 393                                 | 393            |
| Total                                  | 264,692           | 109,144                             | 373,836        | 219,198           | 76,574                              | 295,772        |

(d) As of June 30, 2016 and 2015, the Bank uses cross currency and interest rate swaps to hedge its position on the fair value of corporate bonds and commercial loans and cross currency swaps to hedge its obligations with foreign banks and bonds issued abroad.

|  | Income<br>MCh\$ | June<br>2016<br>Expense<br>MCh\$ | Total<br>MCh\$ | Income<br>MCh\$ | June<br>2015<br>Expense<br>MCh\$ | Total<br>MCh\$ |
|--|-----------------|----------------------------------|----------------|-----------------|----------------------------------|----------------|
| Gain from fair value accounting hedges |                 |                                  |                |                 |                                  |                |
| Loss from fair value accounting hedges | (9,090)         |                                  | (9,090)        | 477             |                                  | 477            |
| Gain from cash flow accounting hedges  | 118,336         | 124,346                          | 242,682        | 12,435          | 14,619                           | 27,054         |
| Loss from cash flow accounting hedges  | (157,813)       | (112,676)                        | (270,489)      | (47,028)        | (5,064)                          | (52,092)       |
| Net gain on hedge items                | 6,148           |                                  | 6,148          | (3,438)         |                                  | (3,438)        |
| Total                                  | (42,419)        | 11,670                           | (30,749)       | (37,554)        | 9,555                            | (27,999)       |

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

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|  | <b>June<br/>2016<br/>MCh\$</b> | <b>June<br/>2015<br/>MCh\$</b> |
|--|--------------------------------|--------------------------------|
| Interest revenue                       | 1,010,857                      | 911,515                        |
| Interest expense                       | (373,836)                      | (295,772)                      |
| Subtotal interest income               | 637,021                        | 615,743                        |
| Net gain (loss) from accounting hedges | (30,749)                       | (27,999)                       |
| Total net interest income              | 606,272                        | 587,744                        |

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

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

|   | June<br>2016<br>MCh\$ | June<br>2015<br>MCh\$ |
|---|-----------------------|-----------------------|
| <b>Income from fees and commission</b>    |                       |                       |
| Card services                             | 71,055                | 58,535                |
| Investments in mutual funds and others    | 38,954                | 37,040                |
| Collections and payments                  | 24,432                | 25,819                |
| Portfolio management                      | 20,586                | 19,275                |
| Fees for insurance transactions           | 13,350                | 10,442                |
| Guarantees and letters of credit          | 10,262                | 9,978                 |
| Use of distribution channel               | 9,094                 | 10,873                |
| Trading and securities management         | 7,727                 | 9,066                 |
| Usage Banchile s brand                    | 7,051                 | 6,741                 |
| Lines of credit and overdrafts            | 3,115                 | 8,932                 |
| Financial advisory services               | 1,382                 | 2,879                 |
| Other fees earned                         | 9,595                 | 6,038                 |
| Total income from fees and commissions    | 216,603               | 205,618               |
| <b>Expenses from fees and commissions</b> |                       |                       |
| Credit card transactions                  | (48,803)              | (45,490)              |
| Interbank transactions                    | (4,680)               | (6,667)               |
| Collections and payments                  | (3,211)               | (3,312)               |
| Securities transactions                   | (1,595)               | (1,499)               |
| Sales force fees                          | (327)                 | (708)                 |
| Sale of mutual fund                       | (40)                  | (1,863)               |
| Other fees                                | (190)                 | (285)                 |
| Total expenses from fees and commissions  | (58,846)              | (59,824)              |

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

**30. Net Financial Operating Income:**

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

|  | <b>June<br/>2016<br/>MCh\$</b> | <b>June<br/>2015<br/>MCh\$</b> |
|--|--------------------------------|--------------------------------|
| Sale of available-for-sale instruments | 60,822                         | 9,605                          |
| Financial assets held-for-trading      | 32,460                         | 9,361                          |
| Trading derivative                     | 2,881                          | 10,637                         |
| Sale of loan portfolios                | 2,367                          | 271                            |
| Net income on other transactions       | 730                            | 1,699                          |
| Total                                  | 99,260                         | 31,573                         |

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

Net foreign exchange transactions are detailed as follows:

|                               | <b>June<br/>2016<br/>MCh\$</b> | <b>June<br/>2015<br/>MCh\$</b> |
|-------------------------------|--------------------------------|--------------------------------|
| Indexed foreign currency, net | 73,220                         | (90,780)                       |
| Translation difference, net   | (6,440)                        | 7,668                          |
| Gain from accounting hedges   | (60,377)                       | 104,011                        |
| Total                         | 6,403                          | 20,899                         |



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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

## 32. Provisions for Loan Losses:

The movement during the six-month period ended as of June 2016 and June 2015 is the following:

|                                       | Loans and advance<br>to banks |              | Loans to customers |              |              |              | Subtotal     |              | Contingent Loans |              | Total        |              |           |           |
|---------------------------------------|-------------------------------|--------------|--------------------|--------------|--------------|--------------|--------------|--------------|------------------|--------------|--------------|--------------|-----------|-----------|
|                                       | June<br>2016                  | June<br>2015 | June<br>2016       | June<br>2015 | June<br>2016 | June<br>2015 | June<br>2016 | June<br>2015 | June<br>2016     | June<br>2015 | June<br>2016 | June<br>2015 |           |           |
|                                       | MCh\$                         | MCh\$        | MCh\$              | MCh\$        | MCh\$        | MCh\$        | MCh\$        | MCh\$        | MCh\$            | MCh\$        | MCh\$        | MCh\$        |           |           |
| Provisions established:               |                               |              |                    |              |              |              |              |              |                  |              |              |              |           |           |
| - Individual provisions               |                               | (43)         |                    | (14,742)     |              |              |              |              | (14,742)         |              | (456)        | (15,241)     |           |           |
| - Group provisions                    |                               |              | (20,656)           | (21,554)     | (1,784)      | (4,608)      | (126,622)    | (109,194)    | (149,062)        | (135,356)    | (208)        | (149,062)    | (135,564) |           |
| Provisions established, net           |                               | (43)         | (20,656)           | (36,296)     | (1,784)      | (4,608)      | (126,622)    | (109,194)    | (149,062)        | (150,098)    | (664)        | (149,062)    | (150,805) |           |
| Provisions released:                  |                               |              |                    |              |              |              |              |              |                  |              |              |              |           |           |
| - Individual provisions               | 167                           |              | 13,726             |              |              |              |              |              | 13,726           |              | 1,839        | 15,732       |           |           |
| - Group provisions                    |                               |              |                    |              |              |              |              |              |                  |              | 6,579        | 6,579        |           |           |
| Provisions released, net              | 167                           |              | 13,726             |              |              |              |              |              | 13,726           |              | 8,418        | 22,311       |           |           |
| <b>Provision, net</b>                 | 167                           | (43)         | (6,930)            | (36,296)     | (1,784)      | (4,608)      | (126,622)    | (109,194)    | (135,336)        | (150,098)    | 8,418        | (664)        | (126,751) | (150,805) |
| <b>Additional provision</b>           |                               |              | (52,075)           |              |              |              |              |              | (52,075)         |              |              |              | (52,075)  |           |
| <b>Recovery of written-off assets</b> |                               |              | 4,836              | 9,985        | 1,208        | 779          | 15,023       | 15,232       | 21,067           | 25,996       |              |              | 21,067    | 25,996    |
| <b>Provision for loan losses, net</b> | 167                           | (43)         | (54,169)           | (26,311)     | (576)        | (3,829)      | (111,599)    | (93,962)     | (166,344)        | (124,102)    | 8,418        | (664)        | (157,759) | (124,809) |

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



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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

33. **Personnel Expenses:**

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

|                             | <b>June<br/>2016<br/>MCh\$</b> | <b>June<br/>2015<br/>MCh\$</b> |
|-----------------------------|--------------------------------|--------------------------------|
| Salaries                    | 113,249                        | 106,371                        |
| Bonuses and incentives      | 24,636                         | 18,522                         |
| Variable compensation       | 19,945                         | 16,818                         |
| Lunch and health benefits   | 13,682                         | 12,482                         |
| Gratifications              | 12,346                         | 11,578                         |
| Staff severance indemnities | 9,458                          | 7,069                          |
| Training expenses           | 1,469                          | 1,160                          |
| Other personnel expenses    | 11,835                         | 10,066                         |
| <b>Total</b>                | <b>206,620</b>                 | <b>184,066</b>                 |

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

**34. Administrative Expenses:**

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

|   | June<br>2016<br>MCh\$ | June<br>2015<br>MCh\$ |
|---|-----------------------|-----------------------|
| <b>General administrative expenses</b>                        |                       |                       |
| Information technology and communications                     | 33,073                | 28,914                |
| Maintenance and repair of property and equipment              | 17,971                | 15,421                |
| Office rental and equipment                                   | 12,640                | 11,974                |
| Securities and valuables transport services                   | 6,715                 | 5,576                 |
| External advisory services and professional fees and services | 4,543                 | 4,189                 |
| Office supplies   | 4,319                 | 3,238                 |
| Rent ATM area   | 3,475                 | 3,148                 |
| P,O, box mail , postage and home delivery services            | 3,238                 | 1,996                 |
| Energy, heating and other utilities                           | 2,934                 | 2,541                 |
| Insurance premiums  | 2,305                 | 1,955                 |
| Representation and transferring of personnel                  | 2,130                 | 2,355                 |
| Legal and notary  | 1,757                 | 2,056                 |
| External service of financial information                     | 1,577                 | 1,443                 |
| Outsourcing of custody and filing                             | 1,366                 | 1,293                 |
| Donations   | 957                   | 1,091                 |
| Other general administrative expenses                         | 10,528                | 7,454                 |
| Subtotal  | 109,528               | 94,644                |
| <b>Outsources services</b>                                    |                       |                       |
| Credit pre-evaluation services                                | 8,315                 | 9,949                 |
| Data processing   | 5,617                 | 4,727                 |
| External technological developments expenses                  | 4,188                 | 3,704                 |
| Certification and testing technology                          | 2,906                 | 2,596                 |
| Other   | 1,693                 | 1,790                 |
| Subtotal  | 22,719                | 22,766                |
| <b>Board expenses</b>   |                       |                       |
| Board remunerations   | 1,234                 | 1,113                 |
| Other Board expenses  | 302                   | 282                   |
| Subtotal  | 1,536                 | 1,395                 |
| <b>Marketing expenses</b>                                     |                       |                       |
| Advertising   | 17,035                | 14,400                |
| Subtotal  | 17,035                | 14,400                |

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| <b>Taxes, payroll taxes and contributions</b> |         |         |
|---|---------|---------|
| Contribution to the Superintendency of Banks  | 4,388   | 3,986   |
| Real estate contributions                     | 1,394   | 1,255   |
| Patents                                       | 677     | 665     |
| Other taxes                                   | 681     | 274     |
| Subtotal                                      | 7,140   | 6,180   |
| Total   | 157,958 | 139,385 |

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

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

|  | <b>June<br/>2016<br/>MCh\$</b> | <b>June<br/>2015<br/>MCh\$</b> |
|--|--------------------------------|--------------------------------|
| <b>Depreciation and amortization</b>                     |                                |                                |
| Depreciation of property and equipment (Note No. 16 (b)) | 12,289                         | 10,394                         |
| Amortization of intangibles assets (Note No. 15 (b))     | 4,277                          | 4,298                          |
| Total  | 16,566                         | 14,692                         |

(b) As of June 30, 2016 and 2015 the composition of impairment expenses is the following:

|  | <b>June<br/>2016<br/>MCh\$</b> | <b>June<br/>2015<br/>MCh\$</b> |
|--|--------------------------------|--------------------------------|
| <b>Impairment</b>  |                                |                                |
| Impairment of financial instruments                      |                                |                                |
| Impairment of properties and equipment (Note No. 16 (b)) | 4                              | 58                             |
| Impairment of intangible assets (Note No. 15 (b))        |                                |                                |
| Total  | 4                              | 58                             |

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

**36. Other Operating Income:**

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

|  | June<br>2016<br>MCh\$ | June<br>2015<br>MCh\$ |
|--|-----------------------|-----------------------|
| <b>Income for assets received in lieu of payment</b>   |                       |                       |
| Income from sale of assets received in lieu of payment | 2,845                 | 1,394                 |
| Other income   | 30                    | 8                     |
| Subtotal   | 2,875                 | 1,402                 |
| <b>Release of provisions for contingencies</b>         |                       |                       |
| Country risk provisions                                |                       |                       |
| Other provisions for contingencies                     | 70                    | 238                   |
| Subtotal   | 70                    | 238                   |
| <b>Other income</b>                                    |                       |                       |
| Rental income  | 4,295                 | 4,185                 |
| Credit card income                                     | 4,224                 | 1,987                 |
| Expense recovery                                       | 1,822                 | 2,692                 |
| Recovery from external branches                        | 1,453                 | 1,334                 |
| Revaluation of prepaid monthly payments                | 264                   | 274                   |
| Income from differences sale leased assets             | 186                   | 229                   |
| Fiduciary and trustee commissions                      | 116                   | 99                    |
| Income from sale of leased assets                      | 85                    | 459                   |
| Gain on sale of property and equipment                 | 60                    | 59                    |
| Others   | 1,289                 | 1,170                 |
| Subtotal   | 13,794                | 12,488                |
| Total  | 16,739                | 14,128                |

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

**37. Other Operating Expenses:**

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

|   | June<br>2016<br>MCh\$ | June<br>2015<br>MCh\$ |
|---|-----------------------|-----------------------|
| <b>Provisions and expenses for assets received in lieu of payment</b> |                       |                       |
| Charge-off assets received in lieu of payment                         | 2,516                 | 865                   |
| Provisions for assets received in lieu of payment                     | 394                   | 77                    |
| Expenses to maintain assets received in lieu of payment               | 221                   | 212                   |
| Subtotal  | 3,131                 | 1,154                 |
| <b>Provisions for contingencies</b>                                   |                       |                       |
| Country risk provisions   | 1,377                 | 2,732                 |
| Other provisions for contingencies                                    | 6,877                 | 4                     |
| Subtotal  | 8,254                 | 2,736                 |
| <b>Other expenses</b>   |                       |                       |
| Credit cards administration   | 2,248                 | 1,418                 |
| Write-offs for operating risks  | 1,605                 | 2,395                 |
| Provisions and charge-offs of other assets                            | 1,356                 | 3,062                 |
| Operations expenses and charge-offs leasing                           | 447                   | 861                   |
| Provision for leased assets recoveries                                | 359                   | 277                   |
| Contribution to other organisms                                       | 138                   | 127                   |
| Credit life insurance   | 117                   | 94                    |
| Civil lawsuits  | 24                    | 264                   |
| Others  | 913                   | 1,269                 |
| Subtotal  | 7,207                 | 9,767                 |
| Total   | 18,592                | 13,657                |



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

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

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

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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 accounts receivable, contingent loans and assets related to trading and investments securities, corresponding to related entities.

|                                       | Production Companies (*) |                        | Investment Companies (**) |                        | Individuals (***)  |                        | Total              |                        |
|---------------------------------------|--------------------------|------------------------|---------------------------|------------------------|--------------------|------------------------|--------------------|------------------------|
|                                       | June 2016<br>MCh\$       | December 2015<br>MCh\$ | June 2016<br>MCh\$        | December 2015<br>MCh\$ | June 2016<br>MCh\$ | December 2015<br>MCh\$ | June 2016<br>MCh\$ | December 2015<br>MCh\$ |
| <b>Loans and accounts receivable:</b> |                          |                        |                           |                        |                    |                        |                    |                        |
| Commercial loans                      | 286,230                  | 289,803                | 27,818                    | 40,916                 | 7,499              | 7,570                  | 321,547            | 338,289                |
| Residential mortgage loans            |                          |                        |                           |                        | 28,443             | 27,678                 | 28,443             | 27,678                 |
| Consumer loans                        | 7                        |                        |                           |                        | 5,491              | 5,682                  | 5,498              | 5,682                  |
| Gross loans                           | 286,237                  | 289,803                | 27,818                    | 40,916                 | 41,433             | 40,930                 | 355,488            | 371,649                |
| Provision for loan losses             | (792)                    | (921)                  | (34)                      | (79)                   | (184)              | (248)                  | (1,010)            | (1,248)                |
| <b>Net loans</b>                      | <b>285,445</b>           | <b>288,882</b>         | <b>27,784</b>             | <b>40,837</b>          | <b>41,249</b>      | <b>40,682</b>          | <b>354,478</b>     | <b>370,401</b>         |
| <b>Off balance sheet accounts:</b>    |                          |                        |                           |                        |                    |                        |                    |                        |
| Guarantees                            | 15,161                   | 11,501                 | 43                        | 46                     |                    |                        | 15,204             | 11,547                 |
| Letters of credits                    | 695                      | 487                    |                           |                        |                    |                        | 695                | 487                    |
| Foreign letters of credits            |                          |                        |                           |                        |                    |                        |                    |                        |
| Banks guarantees                      | 59,864                   | 63,247                 | 672                       | 2,473                  |                    |                        | 60,536             | 65,720                 |
| Immediately available credit lines    | 41,851                   | 60,002                 | 23,862                    | 24,470                 | 15,163             | 15,319                 | 80,876             | 99,791                 |
| Total off balance sheet account       | 117,571                  | 135,237                | 24,577                    | 26,989                 | 15,163             | 15,319                 | 157,311            | 177,545                |
| Provision for contingencies loans     | (100)                    | (117)                  |                           | (1)                    |                    |                        | (100)              | (118)                  |
| <b>Off balance sheet account, net</b> | <b>117,471</b>           | <b>135,120</b>         | <b>24,577</b>             | <b>26,988</b>          | <b>15,163</b>      | <b>15,319</b>          | <b>157,211</b>     | <b>177,427</b>         |
| <b>Amount covered by Collateral</b>   |                          |                        |                           |                        |                    |                        |                    |                        |
| Mortgage                              | 91,037                   | 88,140                 | 7,381                     | 7,619                  | 43,336             | 39,657                 | 141,754            | 135,416                |
| Warrant                               |                          |                        |                           |                        |                    |                        |                    |                        |
| Pledge                                |                          |                        |                           |                        | 3                  | 3                      | 3                  | 3                      |

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|                                   |                |                |               |               |               |               |                |                |
|-----------------------------------|----------------|----------------|---------------|---------------|---------------|---------------|----------------|----------------|
| Others(****)                      | 83,644         | 84,913         | 9,044         | 11,873        | 1,568         | 1,704         | 94,256         | 98,490         |
| <b>Total collateral</b>           | <b>174,681</b> | <b>173,053</b> | <b>16,425</b> | <b>19,492</b> | <b>44,907</b> | <b>41,364</b> | <b>236,013</b> | <b>233,909</b> |
| <b>Acquired Instruments</b>       |                |                |               |               |               |               |                |                |
| For trading purposes              |                |                |               |               |               |               |                |                |
| For investing purposes            | 7,491          | 7,454          | 20,634        |               |               |               | 28,125         | 7,454          |
| <b>Total acquired instruments</b> | <b>7,491</b>   | <b>7,454</b>   | <b>20,634</b> |               |               |               | <b>28,125</b>  | <b>7,454</b>   |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

(a) Loans with related parties, continued:

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

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

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

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

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

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

(b) Other assets and liabilities with related parties:

|  | June<br>2016<br>MCh\$ | December<br>2015<br>MCh\$ |
|--|-----------------------|---------------------------|
| <b>Assets</b>  |                       |                           |
| Cash and due from banks  | 65,399                | 222                       |
| Transactions in the course of collection                                 | 478                   |                           |
| Cash collateral on securities borrowed and reverse repurchase agreements | 1,930                 |                           |

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|                        |         |         |
|------------------------|---------|---------|
| Derivative instruments | 169,083 | 112,370 |
| Other assets           | 57,424  | 32,028  |
| Total                  | 294,314 | 144,620 |

**Liabilities**

|  |           |         |
|--|-----------|---------|
| Demand deposits  | 180,338   | 139,313 |
| Transactions in the course of payment                        | 2,281     |         |
| Cash collateral on securities lent and repurchase agreements | 22,462    |         |
| Savings accounts and time deposits                           | 308,046   | 300,868 |
| Derivative instruments                                       | 208,566   | 101,433 |
| Borrowings from financial institutions                       | 280,447   | 321,374 |
| Other liabilities  | 40,222    | 11,617  |
| Total  | 1,042,362 | 874,605 |

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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                 | June 2016       |                  | June 2015       |                  |
|--|-----------------|------------------|-----------------|------------------|
|  | Income<br>MCh\$ | Expense<br>MCh\$ | Income<br>MCh\$ | Expense<br>MCh\$ |
| Interest and revenue expenses                        | 9,406           | 8,131            | 8,679           | 6,636            |
| Fees and commission income                           | 23,338          | 22,538           | 27,779          | 18,977           |
| Financial operating (**)                             | 289,011         | 296,330          | 62,918          | 68,742           |
| Released or established of provision for credit risk | 299             |                  | 309             |                  |
| Operating expenses                                   |                 | 37,674           |                 | 42,945           |
| Other income and expenses                            | 236             | 1,962            | 243             | 1,073            |

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

(\*\*) The increase is explained by derivatives operations that are affected by the clearing through Comder Contraparte Central S.A. (related entity), which began to work in July 2015, this process that has implied that a portion of derivative contracts that are closed with a local banking counterparty (not related) have been novated to that entity, with the purpose of make a centralized clearing of them.

(d) Related party contracts:

There are no contracts entered as of June 30, 2016 and 2015 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.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

(e) Payments to key management personnel:

|  | June<br>2016<br>MCh\$ | June<br>2015<br>MCh\$ |
|--|-----------------------|-----------------------|
| Remunerations  | 1,882                 | 1,770                 |
| Short-term benefits                                    | 4,422                 | 3,420                 |
| Contract termination indemnity<br>Paid based on shares | 1,863                 |                       |
| <b>Total</b>   | <b>8,167</b>          | <b>5,190</b>          |

Composition of key personnel:

|                      | N° of executives |              |
|----------------------|------------------|--------------|
|                      | June<br>2016     | June<br>2015 |
| <b>Position</b>      |                  |              |
| CEO                  | 1                | 1            |
| CEOs of subsidiaries | 7                | 7            |
| Division Managers    | 14               | 11           |
| <b>Total</b>         | <b>22</b>        | <b>19</b>    |

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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     |           |
|---------------------------------|---------------|-----------|-----------------------------------|-----------|---|-----------|------------|-----------|-----------|-----------|
|                                 | June 2016     | June 2015 | June 2016                         | June 2015 | June 2016   | June 2015 | June 2016  | June 2015 | June 2016 | June 2015 |
|                                 | MCh\$         | MCh\$     | MCh\$                             | MCh\$     | MCh\$   | MCh\$     | MCh\$      | MCh\$     | MCh\$     | MCh\$     |
| Pablo Granifo Lavín             | 269(*)        | 195(*)    | 23                                | 24        | 187   | 174       |            |           | 479       | 393       |
| Andrónico Luksic Craig          | 84            | 80        | 6                                 | 6         |   |           |            |           | 90        | 86        |
| Jorge Awad Mehech               | 28            | 27        | 13                                | 11        | 48  | 52        |            |           | 89        | 90        |
| Gonzalo Menéndez Duque          | 28            | 27        | 12                                | 10        | 63  | 58        | 14         | 13        | 117       | 108       |
| Jaime Estévez Valencia          | 28            | 27        | 13                                | 12        | 72  | 56        |            |           | 113       | 95        |
| Rodrigo Manubens Moltedo        | 28            | 27        | 12                                | 12        | 26  | 26        |            |           | 66        | 65        |
| Jorge Ergas Heymann             | 28            | 27        | 9                                 | 9         | 29  | 24        |            |           | 66        | 60        |
| Francisco Pérez Mackenna        | 28            | 27        | 10                                | 10        | 34  | 36        |            |           | 72        | 73        |
| Thomas Fürst Freiwirth          | 28            | 27        | 9                                 | 11        | 19  | 21        |            |           | 56        | 59        |
| Jean-Paul Luksic Fontbona       | 28            | 27        | 5                                 | 3         |   |           |            |           | 33        | 30        |
| Other directors of subsidiaries |               |           |                                   |           | 67  | 77        |            |           | 67        | 77        |
| Total                           | 577           | 491       | 112                               | 108       | 545   | 524       | 14         | 13        | 1,248     | 1,136     |

(1) It includes fees paid to members of the Advisory Committee of Banchile Corredores de Seguros Ltda, of Ch\$8 million (Ch\$8 million as of June 30, 2015).

(\*) It includes a provision of Ch\$185 million (Ch\$115 million as of June 30, 2015) for an incentive subject to achieving the Bank's forecasted earnings.

Fees paid for advisory services to the Board of Directors amount to Ch\$237 million (Ch\$195 million as of June 30, 2015).

Travel and other related expenses amount to Ch\$40 million (Ch\$53 million as of June 30, 2015).





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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.

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

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

(i) Industry standards of fair value measurements

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

(ii) Quoted prices in active markets

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

(iii) Valuation techniques

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

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

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

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

(v) Fair value control

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

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

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



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

(a) Fair value hierarchy:

Banco de Chile and subsidiaries, classify all the financial instruments among the following levels:

**Level 1:** Observable, quoted price in an active markets for the same instrument or specific type of transaction to be evaluated (return internal rates, quote value, price).

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

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

For currency futures as well as mutual funds and equity, to determine fair value, the multiplication of closing prices by the number of instruments is used. For Chilean Central Bank and Treasury securities the internal rate of return is used to discount every cash flow and obtain the fair value of each instrument. For mutual funds and equity, the current price multiplied by the quantity of instruments is used to calculate the fair value.

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, *continued*

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

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

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

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

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

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





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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

Valuation Techniques and Inputs:

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

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|                        |                |  |
|------------------------|----------------|--|
| Cross Currency Swaps,  |                | 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. |
| Interest Rate Swaps,   |                |  |
| FX Forwards, Inflation |                | Offshore rates and spreads are obtained from third party price providers that are widely used in the Chilean market.   |
| Forwards               |                |  |
| FX Options             | Black-Scholes  | Forward Points, Inflation forecast and local swap rates are provided by market brokers that are widely used in the Chilean market.   |
|                        | Option Pricing | Prices for volatility surface estimates are obtained from market brokers that are widely used in the Chilean market.   |
|                        | Model          |  |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

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

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

Valuation Techniques and Inputs:

| <b>Type of Financial Instrument</b> | <b>Valuation Method</b> | <b>Description: Inputs and Sources</b>  |
|-------------------------------------|-------------------------|---|
| Local Bank and                      | Discounted cash         | Prices are provided by third party price providers that are widely used in the Chilean market, (input is not observable by the market). |
| Corporate Bonds                     | flows model             |   |

Model is based on a Base Yield (Central Bank Bonds) and issuer spread.

|                                   |  |  |
|-----------------------------------|--|--|
| Offshore Bank and Corporate Bonds |  | The model is based on daily prices and risk/maturity similarities between instruments. Prices are provided by third party price providers that are widely used in the Chilean market, (input is not observable by the market). |
|-----------------------------------|--|--|

Model is based on daily prices.

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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                 |                           |
|--|-----------------------|---------------------------|-----------------------|---------------------------|-----------------------|---------------------------|-----------------------|---------------------------|
|  | June<br>2016<br>MCh\$ | December<br>2015<br>MCh\$ | June<br>2016<br>MCh\$ | December<br>2015<br>MCh\$ | June<br>2016<br>MCh\$ | December<br>2015<br>MCh\$ | June<br>2016<br>MCh\$ | December<br>2015<br>MCh\$ |
| <b>Financial Assets</b>                      |                       |                           |                       |                           |                       |                           |                       |                           |
| Financial assets held-for-trading            |                       |                           |                       |                           |                       |                           |                       |                           |
| From the Chilean Government and Central Bank | 313,245               | 122,920                   | 311,650               | 126,996                   |                       |                           | 624,895               | 249,916                   |
| Other instruments issued in Chile            | 41                    | 10,420                    | 752,262               | 565,210                   | 13                    | 18,028                    | 752,316               | 593,658                   |
| Instruments issued abroad                    |                       |                           |                       |                           |                       |                           |                       |                           |
| Mutual fund investments                      | 64,161                | 23,080                    |                       |                           |                       |                           | 64,161                | 23,080                    |
| Subtotal                                     | 377,447               | 156,420                   | 1,063,912             | 692,206                   | 13                    | 18,028                    | 1,441,372             | 866,654                   |
| Derivative contracts for trading purposes    |                       |                           |                       |                           |                       |                           |                       |                           |
| Forwards                                     |                       |                           | 223,343               | 180,616                   |                       |                           | 223,343               | 180,616                   |
| Swaps  |                       |                           | 762,032               | 739,777                   |                       |                           | 762,032               | 739,777                   |
| Call Options                                 |                       |                           | 921                   | 1,878                     |                       |                           | 921                   | 1,878                     |
| Put Options                                  |                       |                           | 3,845                 | 680                       |                       |                           | 3,845                 | 680                       |
| Futures                                      |                       |                           |                       |                           |                       |                           |                       |                           |
| Subtotal                                     |                       |                           | 990,141               | 922,951                   |                       |                           | 990,141               | 922,951                   |
| Hedge accounting derivative contracts        |                       |                           |                       |                           |                       |                           |                       |                           |
| Fair value hedge (Swap)                      |                       |                           |                       | 279                       |                       |                           |                       | 279                       |
| Cash flow hedge (Swap)                       |                       |                           | 130,722               | 203,892                   |                       |                           | 130,722               | 203,892                   |
| Subtotal                                     |                       |                           | 130,722               | 204,171                   |                       |                           | 130,722               | 204,171                   |
| Financial assets available-for-sale (1)      |                       |                           |                       |                           |                       |                           |                       |                           |
| From the Chilean Government and              | 15,307                | 15,321                    | 55,849                | 71,187                    |                       |                           | 71,156                | 86,508                    |

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|   |         |           |           |           |        |           |           |           |
|---|---------|-----------|-----------|-----------|--------|-----------|-----------|-----------|
| Central Bank                              |         |           |           |           |        |           |           |           |
| Other instruments issued in Chile         |         | 369,468   | 735,724   | 80,010    | 96,125 | 449,478   | 831,849   |           |
| Instruments issued abroad                 | 81,644  | 62,656    |           |           |        | 62,656    | 81,644    |           |
| Subtotal                                  | 15,307  | 96,965    | 487,973   | 806,911   | 80,010 | 96,125    | 583,290   | 1,000,001 |
| Total                                     | 392,754 | 253,385   | 2,672,748 | 2,626,239 | 80,023 | 114,153   | 3,145,525 | 2,993,777 |
| <b>Financial Liabilities</b>              |         |           |           |           |        |           |           |           |
| Derivative contracts for trading purposes |         |           |           |           |        |           |           |           |
| Forwards                                  |         | 222,132   | 207,961   |           |        | 222,132   | 207,961   |           |
| Swaps                                     |         | 863,279   | 897,513   |           |        | 863,279   | 897,513   |           |
| Call Options                              |         | 1,559     | 3,689     |           |        | 1,559     | 3,689     |           |
| Put Options                               |         | 1,349     | 549       |           |        | 1,349     | 549       |           |
| Futures                                   |         |           |           |           |        |           |           |           |
| Subtotal                                  |         | 1,088,319 | 1,109,712 |           |        | 1,088,319 | 1,109,712 |           |
| Hedge derivative contracts                |         |           |           |           |        |           |           |           |
| Fair value hedge (Swap)                   |         | 19,890    | 14,549    |           |        | 19,890    | 14,549    |           |
| Cash flow hedge (Swap)                    |         | 17,900    | 3,666     |           |        | 17,900    | 3,666     |           |
| Subtotal                                  |         | 37,790    | 18,215    |           |        | 37,790    | 18,215    |           |
| Total                                     |         | 1,126,109 | 1,127,927 |           |        | 1,126,109 | 1,127,927 |           |

(1) As of June 30, 2016 a 88% of instruments of level 3 have denomination Investment Grade . 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 of<br>January 1, 2016<br>MCh\$ | Gain (Loss)<br>Recognized in<br>Income (1)<br>MCh\$ | Gain (Loss)<br>Recognized in<br>Equity (2)<br>MCh\$ | As of June 30, 2016 |                | Transfer from<br>Level 1 and 2<br>MCh\$ | Transfer to<br>Level 1 and 2<br>MCh\$ | Balance as of<br>June 30, 2016<br>MCh\$ |
|--------------------------------------|---|---|---|---------------------|----------------|---|---------------------------------------|---|
|                                      |   |   |   | Purchases<br>MCh\$  | Sales<br>MCh\$ |   |                                       |   |
| <b>Financial Assets</b>              |   |   |   |                     |                |   |                                       |   |
| Financial assets<br>held-for-trading |   |   |   |                     |                |   |                                       |   |
| Other instruments<br>issued in Chile | 18,028                                    | 27  |   |                     | (18,042)       |   |                                       | 13                                      |
| Subtotal                             | 18,028                                    | 27  |   |                     | (18,042)       |   |                                       | 13                                      |
| Available-for-Sale<br>Instruments    |   |   |   |                     |                |   |                                       |   |
| Other instruments<br>issued in Chile | 96,125                                    | (4,638)   | 148   | 4,802               | (13,723)       |   | (2,704)                               | 80,010                                  |
| Instruments issued<br>abroad         |   |   |   |                     |                |   |                                       |   |
| Subtotal                             | 96,125                                    | (4,638)   | 148   | 4,802               | (13,723)       |   | (2,704)                               | 80,010                                  |
| Total                                | 114,153                                   | (4,611)   | 148   | 4,802               | (31,765)       |   | (2,704)                               | 80,023                                  |

|                                      | Balance as of<br>January 1, 2015<br>MCh\$ | Gain (Loss)<br>Recognized in<br>Income (1)<br>MCh\$ | Gain (Loss)<br>Recognized in<br>Equity (2)<br>MCh\$ | As of December 31, 2015 |                | Transfer from<br>Level 1 and 2<br>MCh\$ | Transfer to<br>Level 1 and 2<br>MCh\$ | Balance as of<br>December<br>31, 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    |   |   |   |                         |                |   |                                       |  |
|                                      | 179,378                                   | 11,230  | (775)   | 213                     | (101,213)      | 13,336                                  | (6,044)                               | 96,125   |

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|                                   |         |        |       |        |           |        |         |         |
|-----------------------------------|---------|--------|-------|--------|-----------|--------|---------|---------|
| Other instruments issued in Chile |         |        |       |        |           |        |         |         |
| Instruments issued                |         |        |       |        |           |        |         |         |
| 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 |

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

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



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

|                                   | As of June 30, 2016                          |         | As of December 31, 2015                      |         |
|-----------------------------------|--|---------|--|---------|
|                                   | Sensitivity to changes in key assumptions of |         | Sensitivity to changes in key assumptions of |         |
|                                   | Level 3                                      | models  | Level 3                                      | models  |
|                                   | MCh\$  | MCh\$   | MCh\$  | MCh\$   |
| <b>Financial Assets</b>           |  |         |  |         |
| Financial assets held-for-trading |  |         |  |         |
| Other instruments issued in Chile | 13   |         | 18,028                                       | (445)   |
| Total                             | 13   |         | 18,028                                       | (445)   |
| Available-for-Sale Instruments    |  |         |  |         |
| Other instruments issued in Chile | 80,010                                       | (1,479) | 96,125                                       | (1,969) |
| Instruments issued abroad         |  |         |  |         |
| Total                             | 80,010                                       | (1,479) | 96,125                                       | (1,969) |
| Total                             | 80,023                                       | (1,479) | 114,153                                      | (2,414) |

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



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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            |                           | Estimated Fair Value  |                           |
|--|-----------------------|---------------------------|-----------------------|---------------------------|
|  | June<br>2016<br>MCh\$ | December<br>2015<br>MCh\$ | June<br>2016<br>MCh\$ | December<br>2015<br>MCh\$ |
| <b>Assets</b>  |                       |                           |                       |                           |
| Cash and due from banks  | 978,313               | 1,361,222                 | 978,313               | 1,361,222                 |
| Transactions in the course of collection                                 | 626,653               | 526,046                   | 626,653               | 526,046                   |
| Cash collateral on securities borrowed and reverse repurchase agreements | 39,116                | 46,164                    | 39,116                | 46,164                    |
| Subtotal   | 1,644,082             | 1,933,432                 | 1,644,082             | 1,933,432                 |
| Loans and advances to banks  |                       |                           |                       |                           |
| Domestic banks   | 156,719               | 45,186                    | 156,719               | 45,186                    |
| Central Bank of Chile  | 700,555               | 1,000,433                 | 700,555               | 1,000,433                 |
| Foreign banks  | 232,885               | 349,576                   | 232,885               | 349,576                   |
| Subtotal   | 1,090,159             | 1,395,195                 | 1,090,159             | 1,395,195                 |
| Loans to customers, net  |                       |                           |                       |                           |
| Commercial loans   | 13,903,050            | 14,046,119                | 13,711,782            | 13,859,949                |
| Residential mortgage loans   | 6,600,912             | 6,370,034                 | 6,922,353             | 6,625,557                 |
| Consumer loans   | 3,595,062             | 3,540,122                 | 3,578,918             | 3,525,034                 |
| Subtotal   | 24,099,024            | 23,956,275                | 24,213,053            | 24,010,540                |
| Total  | 26,833,265            | 27,284,902                | 26,947,294            | 27,339,167                |
| <b>Liabilities</b>   |                       |                           |                       |                           |
| Current accounts and other demand deposits                               | 7,859,630             | 8,327,048                 | 7,859,630             | 8,327,048                 |
| Transactions in the course of payment                                    | 379,423               | 241,842                   | 379,423               | 241,842                   |
| Cash collateral on securities lent and repurchase agreements             | 179,379               | 184,131                   | 179,379               | 184,131                   |
| Savings accounts and time deposits                                       | 10,605,357            | 9,907,692                 | 10,622,713            | 9,902,468                 |
| Borrowings from financial institutions                                   | 1,071,120             | 1,529,627                 | 1,066,100             | 1,522,667                 |
| Other financial obligations  | 131,838               | 173,081                   | 131,838               | 173,081                   |
| Subtotal   | 20,226,747            | 20,363,421                | 20,239,083            | 20,351,237                |
| Debt Issued  |                       |                           |                       |                           |
| Letters of credit for residential purposes                               | 33,974                | 39,568                    | 36,126                | 41,849                    |
| Letters of credit for general purposes                                   | 5,303                 | 6,813                     | 5,639                 | 7,206                     |

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|                   |            |            |            |            |
|-------------------|------------|------------|------------|------------|
| Bonds             | 5,333,419  | 5,270,214  | 5,439,480  | 5,302,742  |
| Subordinate bonds | 638,552    | 785,613    | 645,830    | 788,883    |
| Subtotal          | 6,011,248  | 6,102,208  | 6,127,075  | 6,140,680  |
| Total             | 26,237,995 | 26,465,629 | 26,366,158 | 26,491,917 |

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

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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:

The following chart shows fair value of financial assets and liabilities not valued at their fair value, as of June 30th 2016 and December 2015:

|   | Level 1              |           | Level 2              |          | Level 3              |            | Total                |            |
|---|----------------------|-----------|----------------------|----------|----------------------|------------|----------------------|------------|
|   | Estimated Fair Value |           | Estimated Fair Value |          | Estimated Fair Value |            | Estimated Fair Value |            |
|   | June                 | December  | June                 | December | June                 | December   | June                 | December   |
|   | 2016                 | 2015      | 2016                 | 2015     | 2016                 | 2015       | 2016                 | 2015       |
|   | MCh\$                | MCh\$     | MCh\$                | MCh\$    | MCh\$                | MCh\$      | MCh\$                | MCh\$      |
| <b>Assets</b>   |                      |           |                      |          |                      |            |                      |            |
| Cash and due from banks                                       | 978,313              | 1,361,222 |                      |          |                      |            | 978,313              | 1,361,222  |
| Transactions in the course of collection                      | 626,653              | 526,046   |                      |          |                      |            | 626,653              | 526,046    |
| Receivables from repurchase agreements and security borrowing | 39,116               | 46,164    |                      |          |                      |            | 39,116               | 46,164     |
| Subtotal  | 1,644,082            | 1,933,432 |                      |          |                      |            | 1,644,082            | 1,933,432  |
| Loans and advances to banks                                   |                      |           |                      |          |                      |            |                      |            |
| Domestic banks  | 156,719              | 45,186    |                      |          |                      |            | 156,719              | 45,186     |
| Central bank  | 700,555              | 1,000,433 |                      |          |                      |            | 700,555              | 1,000,433  |
| Foreign banks   | 232,885              | 349,576   |                      |          |                      |            | 232,885              | 349,576    |
| Subtotal  | 1,090,159            | 1,395,195 |                      |          |                      |            | 1,090,159            | 1,395,195  |
| Loans to customers, net                                       |                      |           |                      |          |                      |            |                      |            |
| Commercial loans  |                      |           |                      |          | 13,711,782           | 13,859,949 | 13,711,782           | 13,859,949 |
| Residential mortgage loans                                    |                      |           |                      |          | 6,922,353            | 6,625,557  | 6,922,353            | 6,625,557  |
| Consumer loans  |                      |           |                      |          | 3,578,918            | 3,525,034  | 3,578,918            | 3,525,034  |
| Subtotal  |                      |           |                      |          | 24,213,053           | 24,010,540 | 24,213,053           | 24,010,540 |
| Total   | 2,734,241            | 3,328,627 |                      |          | 24,213,053           | 24,010,540 | 26,947,294           | 27,339,167 |
| <b>Liabilities</b>  |                      |           |                      |          |                      |            |                      |            |
| Current accounts and other demand deposits                    | 7,859,630            | 8,327,048 |                      |          |                      |            | 7,859,630            | 8,327,048  |
|   | 379,423              | 241,842   |                      |          |                      |            | 379,423              | 241,842    |

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|  |           |           |           |            |            |            |            |            |
|--|-----------|-----------|-----------|------------|------------|------------|------------|------------|
| Transactions in the course of payment                    |           |           |           |            |            |            |            |            |
| Payables from repurchase agreements and security lending | 179,379   | 184,131   |           |            |            |            | 179,379    | 184,131    |
| Savings accounts and time deposits                       |           |           |           | 10,622,713 | 9,902,468  | 10,622,713 |            | 9,902,468  |
| Borrowings from financial institutions                   |           |           |           | 1,066,100  | 1,522,667  | 1,066,100  |            | 1,522,667  |
| Other financial obligations                              | 131,838   | 173,081   |           |            |            |            | 131,838    | 173,081    |
| Subtotal   | 8,550,270 | 8,926,102 |           | 11,688,813 | 11,425,135 | 20,239,083 |            | 20,351,237 |
| Debt Issued  |           |           |           |            |            |            |            |            |
| Letters of credit for residential purposes               |           |           | 36,126    | 41,849     |            |            | 36,126     | 41,849     |
| Letters of credit for general purposes                   |           |           | 5,639     | 7,206      |            |            | 5,639      | 7,206      |
| Bonds  |           |           | 5,439,480 | 5,302,742  |            |            | 5,439,480  | 5,302,742  |
| Subordinate bonds  |           |           |           | 645,830    | 788,883    | 645,830    |            | 788,883    |
| Subtotal   |           |           | 5,481,245 | 5,351,797  | 645,830    | 788,883    | 6,127,075  | 6,140,680  |
| Total  | 8,550,270 | 8,926,102 | 5,481,245 | 5,351,797  | 12,334,643 | 12,214,018 | 26,366,158 | 26,491,917 |

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

- Cash and due from banks
- Transactions in the course of collection
- Cash collateral on securities borrowed and reverse repurchase agreements
- Loans and advance to banks
- Current accounts and other demand deposits
- Transactions in the course of payments
- Cash collateral on securities lent and repurchase agreements
- 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 of contracts with right to offset |               | Positive Fair Value of contracts with right to offset |               | Financial Collateral |               | Net Fair Value |               |
|----------------------------------|------------|---------------|---|---------------|---|---------------|----------------------|---------------|----------------|---------------|
|                                  | June 2016  | December 2015 | June 2016   | December 2015 | June 2016   | December 2015 | June 2016            | December 2015 | June 2016      | December 2015 |
|                                  | MCh\$      | MCh\$         | MCh\$   | MCh\$         | MCh\$   | MCh\$         | MCh\$                | MCh\$         | MCh\$          | MCh\$         |
| Derivative financial assets      | 1,120,863  | 1,127,122     | (324,345)   | (258,213)     | (310,805)   | (244,064)     | (103,335)            | (148,023)     | 382,378        | 476,822       |
| Derivative financial liabilities | 1,126,109  | 1,127,927     | (324,345)   | (258,213)     | (310,805)   | (244,064)     | (152,797)            | (190,563)     | 338,162        | 435,087       |

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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 June 30, 2016 and December 31, 2015, respectively. Trading and available-for-sale instruments are included at their fair value:

|  | As of June 30, 2016       |  |   |  |  |                          | Total<br>MCh\$ |
|--|---------------------------|--|---|--|--|--------------------------|----------------|
|  | Up to 1<br>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<br>and up to 3<br>years<br>MCh\$ | Over 3 year<br>and up to 5<br>years<br>MCh\$ | Over 5<br>years<br>MCh\$ |                |
| <b>Assets</b>  |                           |  |   |  |  |                          |                |
| Cash and due from banks  | 978,313                   |  |   |  |  |                          | 978,313        |
| Transactions in the course of collection                                 | 626,653                   |  |   |  |  |                          | 626,653        |
| Financial Assets held-for-trading  | 1,441,372                 |  |   |  |  |                          | 1,441,372      |
| Cash collateral on securities borrowed and reverse repurchase agreements | 13,526                    | 23,340   | 2,250   |  |  |                          | 39,116         |
| Derivative instruments   | 100,806                   | 66,150   | 177,084   | 244,081                                      | 158,209                                      | 374,533                  | 1,120,863      |
| Loans and advances to banks (*)  | 862,967                   | 36,256   | 171,561   | 19,910                                       |  |                          | 1,090,694      |
| Loans to customers (*)   | 2,648,371                 | 2,990,407                                      | 4,477,810                                       | 4,840,714                                    | 2,953,994                                    | 6,787,020                | 24,698,316     |
| Financial assets available-for-sale                                      | 31,805                    | 49,988   | 76,889  | 64,848                                       | 111,076                                      | 248,684                  | 583,290        |
| Financial assets held-to-maturity  |                           |  |   |  |  |                          |                |
| Total assets   | 6,703,813                 | 3,166,141                                      | 4,905,594                                       | 5,169,553                                    | 3,223,279                                    | 7,410,237                | 30,578,617     |

|  | As of December 31, 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 month<br>and up to 12<br>months<br>MCh\$ | Over 1 year<br>and up to 3<br>years<br>MCh\$ | Over 3 year<br>and up to 5<br>years<br>MCh\$ | Over 5 years<br>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        |
| Cash collateral on securities borrowed and reverse repurchase agreements | 35,909                    | 8,704  | 1,551   |  |  |                       | 46,164         |

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|  |           |           |           |           |           |           |            |
|--|-----------|-----------|-----------|-----------|-----------|-----------|------------|
| Derivative instruments                 | 74,809    | 75,895    | 160,886   | 323,580   | 171,498   | 320,454   | 1,127,122  |
| Loans and advances to banks<br>(*)     | 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<br>available-for-sale | 124,174   | 73,409    | 343,350   | 76,834    | 121,680   | 260,554   | 1,000,001  |
| Financial assets<br>held-to-maturity   |           |           |           |           |           |           |            |
| Total assets                           | 6,722,068 | 3,171,394 | 5,316,856 | 5,303,935 | 3,136,568 | 7,230,326 | 30,881,147 |

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(\*) The respective provisions, which amount to Ch\$599,292 million (Ch\$601,766 million as of December 31, 2015) for loans to customers and Ch\$535 million (Ch\$702 million as of December 31, 2015) for borrowings from financial institutions, have not been deducted from these balance.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

## 40. Maturity of Assets and Liabilities, continued:

|  | As of June 30, 2016       |  |   |  |  |                       | Total<br>MCh\$ |
|--|---------------------------|--|---|--|--|-----------------------|----------------|
|  | Up to 1<br>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<br>and up to 3<br>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                   | 7,859,630                 |  |   |  |  |                       | 7,859,630      |
| Transactions in the course of payment                        | 379,423                   |  |   |  |  |                       | 379,423        |
| Cash collateral on securities lent and repurchase agreements | 170,653                   | 8,726  |   |  |  |                       | 179,379        |
| Savings accounts and time deposits (**)                      | 4,803,602                 | 2,689,776                                      | 2,570,837                                       | 325,367                                      | 364  | 198                   | 10,390,144     |
| Derivative instruments                                       | 79,700                    | 63,106   | 213,490   | 205,873                                      | 159,765                                      | 404,175               | 1,126,109      |
| Borrowings from financial institutions                       | 235,430                   | 229,142  | 526,123   | 80,425                                       |  |                       | 1,071,120      |
| Debt issued:   |                           |  |   |  |  |                       |                |
| Mortgage bonds   | 2,651                     | 3,180  | 6,690   | 13,198                                       | 7,820  | 5,738                 | 39,277         |
| Bonds  | 300,383                   | 156,525  | 267,712   | 814,865                                      | 769,801                                      | 3,024,133             | 5,333,419      |
| Subordinate bonds  | 2,855                     | 1,845  | 36,333  | 54,268                                       | 42,175                                       | 501,076               | 638,552        |
| Other financial obligations                                  | 93,391                    | 2,343  | 10,050  | 19,956                                       | 5,268  | 830                   | 131,838        |
| Total liabilities  | 13,927,718                | 3,154,643                                      | 3,631,235                                       | 1,513,952                                    | 985,193                                      | 3,936,150             | 27,148,891     |

|  | As of December 31, 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 month<br>and up to 12<br>months<br>MCh\$ | Over 1 year<br>and up to 3<br>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        |
| Cash collateral on securities lent and repurchase agreements | 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         |

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|                             |            |           |           |           |           |           |            |
|-----------------------------|------------|-----------|-----------|-----------|-----------|-----------|------------|
| 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 |

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(\*\*) Excluding term saving accounts, which amount to Ch\$215,213 million (Ch\$205,171 million as of December 31, 2015).

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

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**41. Subsequent Events:**

On July 8, 2016 it was reported that the Register of Companies of Hong Kong formally said that from 5 July, 2016 Banchile Trade Services Limited was dissolved.

In Management's opinion, there are no other significant subsequent events that affect or could affect the Interim Condensed Consolidated Financial Statements of the Bank and its subsidiaries between June 30, 2016 and the date of issuance of these Interim Condensed Consolidated Financial Statements.

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**Héctor Hernández G,  
General Accounting Manager**

**Eduardo Ebensperger O,  
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: July 29, 2016

By: Banco de Chile  
/S/ Eduardo Ebensperger O.  
Eduardo Ebensperger O.  
CEO