

BANK OF CHILE
Form 6-K
October 28, 2016
[Table of Contents](#)

FORM 6-K
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Private Issuer

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

For the month of October, 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.

Edgar Filing: BANK OF CHILE - Form 6-K

Form 20-F Form 40-F

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

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

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

Yes No

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

Table of Contents

BANCO DE CHILE
REPORT ON FORM 6-K

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

Table of Contents

BANCO DE CHILE AND SUBSIDIARIES

CONSOLIDATED INTERMEDIATE

FINANCIAL STATEMENTS

**For the periods ended as of
September 30, 2016 and 2015 and
December 31, 2015.**

Table of Contents

BANCO DE CHILE AND SUBSIDIARIES

INDEX

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

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

Table of Contents

BANCO DE CHILE AND SUBSIDIARIES

INDEX

	Page
<u>Interim Condensed Consolidated Statement of Financial Position</u>	4
Interim Condensed Consolidated Statements of Income	5
<u>Interim Condensed Consolidated Statements of Comprehensive Income</u>	6
<u>Interim Condensed Consolidated Statement of Changes in Equity</u>	7
<u>Interim Condensed Consolidated Statements of Cash Flows</u>	8
<u>1. Corporate information:</u>	9
<u>2. Legal regulations, basis of preparation and other information:</u>	9
<u>3. New Accounting Pronouncements:</u>	13
<u>4. Changes in Accounting policies and Disclosures:</u>	16
<u>5. Relevant Events:</u>	17
<u>6. Segment Reporting:</u>	20
<u>7. Cash and Cash Equivalents:</u>	23
<u>8. Financial Assets Held-for-trading:</u>	24
<u>9. Cash collateral on securities borrowed and reverse repurchase agreements:</u>	25
<u>10. Derivative Instruments and Accounting Hedges:</u>	27
<u>11. Loans and advances to Banks:</u>	32
<u>12. Loans to Customers, net:</u>	33
<u>13. Investment Securities:</u>	40
<u>14. Investments in Other Companies:</u>	42
<u>15. Intangible Assets:</u>	44
<u>16. Property and equipment:</u>	46
<u>17. Current Taxes and Deferred Taxes:</u>	49
<u>18. Other Assets:</u>	53
<u>19. Current accounts and Other Demand Deposits:</u>	54
<u>20. Savings accounts and Time Deposits:</u>	54
<u>21. Borrowings from Financial Institutions:</u>	55
<u>22. Debt Issued:</u>	56
<u>23. Other Financial Obligations:</u>	60
<u>24. Provisions:</u>	60
<u>25. Other Liabilities:</u>	64
<u>26. Contingencies and Commitments:</u>	65
<u>27. Equity:</u>	70
<u>28. Interest Revenue and Expenses:</u>	74
<u>29. Income and Expenses from Fees and Commissions:</u>	76
<u>30. Net Financial Operating Income:</u>	77
<u>31. Foreign Exchange Transactions, net:</u>	77
<u>32. Provisions for Loan Losses:</u>	78
<u>33. Personnel Expenses:</u>	79
<u>34. Administrative Expenses:</u>	80
<u>35. Depreciation, Amortization and Impairment:</u>	81
<u>36. Other Operating Income:</u>	82
<u>37. Other Operating Expenses:</u>	83
<u>38. Related Party Transactions:</u>	84
<u>39. Fair Value of Financial Assets and Liabilities:</u>	90
<u>40. Maturity of Assets and Liabilities:</u>	104
<u>41. Subsequent Events:</u>	106

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

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

(Free translation of financial statements originally issued in Spanish)

(Expressed in million of Chilean pesos)

	Notes	September 2016 MCh\$	December 2015 MCh\$
ASSETS			
Cash and due from banks	7	1,161,938	1,361,222
Transactions in the course of collection	7	485,580	526,046
Financial assets held-for-trading	8	1,411,245	866,654
Cash collateral on securities borrowed and reverse repurchase agreements	9	46,534	46,164
Derivative instruments	10	1,055,574	1,127,122
Loans and advances to banks	11	1,081,945	1,395,195
Loans to customers, net	12	24,414,881	23,956,275
Financial assets available-for-sale	13	399,517	1,000,001
Financial assets held-to-maturity	13		
Investments in other companies	14	31,815	28,126
Intangible assets	15	28,170	26,719
Property and equipment	16	217,213	215,671
Current tax assets	17	1,939	3,279
Deferred tax assets	17	286,758	255,972
Other assets	18	395,729	484,498
TOTAL ASSETS		31,018,838	31,292,944
LIABILITIES			
Current accounts and other demand deposits	19	7,629,008	8,327,048
Transactions in the course of payment	7	297,673	241,842
Cash collateral on securities lent and repurchase agreements	9	221,271	184,131
Savings accounts and time deposits	20	10,572,835	9,907,692
Derivative instruments	10	1,067,561	1,127,927
Borrowings from financial institutions	21	1,123,190	1,529,627
Debt issued	22	6,165,344	6,102,208
Other financial obligations	23	165,436	173,081
Current tax liabilities	17	6,437	27,993
Deferred tax liabilities	17	27,114	32,953
Provisions	24	580,122	639,043
Other liabilities	25	309,670	259,312
TOTAL LIABILITIES		28,165,661	28,552,857
EQUITY			
	27		
Attributable to Bank's Owners:			
Capital		2,138,047	2,041,173
Reserves		486,083	390,616
Other comprehensive income		1,894	57,709
Retained earnings:			
Retained earnings from previous periods		16,060	16,060
Income for the period		428,215	558,995

Edgar Filing: BANK OF CHILE - Form 6-K

Less:		
Provision for minimum dividends	(217,123)	(324,469)
Subtotal	2,853,176	2,740,084
Non-controlling interests	1	3
TOTAL EQUITY	2,853,177	2,740,087
TOTAL LIABILITIES AND EQUITY	31,018,838	31,292,944

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

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

For the nine-month ended September 30, 2016 and 2015

(Free translation of financial statements originally issued in Spanish)

(Expressed in million of Chilean pesos)

	Notes	September 2016 MCh\$	September 2015 MCh\$
Interest revenue	28	1,446,143	1,396,266
Interest expense	28	(530,885)	(489,714)
Net interest income		915,258	906,552
Income from fees and commissions	29	327,648	320,520
Expenses from fees and commissions	29	(87,501)	(97,361)
Net fees and commission income		240,147	223,159
Net financial operating income	30	128,574	36,923
Foreign exchange transactions, net	31	7,131	44,598
Other operating income	36	23,474	20,742
Total operating revenues		1,314,584	1,231,974
Provisions for loan losses	32	(222,454)	(229,051)
OPERATING REVENUES, NET OF PROVISIONS FOR LOAN LOSSES		1,092,130	1,002,923
Personnel expenses	33	(311,234)	(278,386)
Administrative expenses	34	(237,653)	(214,171)
Depreciation and amortization	35	(24,915)	(21,999)
Impairment	35	(4)	(144)
Other operating expenses	37	(23,614)	(23,591)
TOTAL OPERATING EXPENSES		(597,420)	(538,291)
NET OPERATING INCOME		494,710	464,632
Income attributable to associates	14	3,373	2,705
Income before income tax		498,083	467,337
Income tax	17	(69,868)	(48,439)
NET INCOME FOR THE PERIOD		428,215	418,898
Attributable to:			
Bank's Owners		428,215	418,897
Non-controlling interests			1

Ch\$

Ch\$

Edgar Filing: BANK OF CHILE - Form 6-K

Net income per share attributable to Bank's Owners:			
Basic net income per share	27	4.39	4.29
Diluted net income per share	27	4.39	4.29

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

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

For the nine-month ended September 30, 2016 and 2015

(Free translation of financial statements originally issued in Spanish)

(Expressed in million of Chilean pesos)

	Notes	September 2016 MCh\$	September 2015 MCh\$
NET INCOME FOR THE PERIOD		428,215	418,898
Other comprehensive income that will be reclassified subsequently to profit or loss			
Net change in unrealized gains (losses) on available for sale instruments	13	(50,830)	3,527
Gains and losses on derivatives held as cash flow hedges	10	(22,535)	(5,122)
Cumulative translation adjustment	27	(59)	1
Subtotal Other comprehensive income before income taxes		(73,424)	(1,594)
Income tax		17,609	359
Total other comprehensive income items that will be reclassified subsequently to profit or loss		(55,815)	(1,235)
Other comprehensive income that will not be reclassified subsequently to profit or loss			
Loss in defined benefit plans			
Subtotal other comprehensive income before income taxes			
Income taxes			
Total other comprehensive income items that will not be reclassified subsequently to profit or loss			
TOTAL CONSOLIDATED COMPREHENSIVE INCOME FOR THE PERIOD		372,400	417,663
Attributable to:			
Bank's Owners		372,400	417,662
Non-controlling interests			1
		Ch\$	Ch\$
Net income per share attributable to Bank's Owners:			
Basic net income per share		3.81	4.28
Diluted net income per share		3.81	4.28

Edgar Filing: BANK OF CHILE - Form 6-K

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

Table of Contents**BANCO DE CHILE AND SUBSIDIARIES****INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

For the nine-month ended September 30, 2016 and 2015

(Free 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	con in M	
		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\$
Balances as of December 31, 2014		1,944,920	31,834	231,424	33,962	10,086	57	16,379	591,080	(324,588)	2,535,154	
Capitalization of retained earnings		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							1					1
Derivatives cash flow hedge, net						(3,970)						(3,970)
Valuation adjustment on available-for-sale instruments (net)					2,734							2,734
Income for the period 2015									418,897		418,897	
Equity adjustment investment in other companies			(1)					(319)			(320)	
Provision for minimum dividends										(241,823)	(241,823)	
Balances as of September 30, 2015		2,041,173	31,833	358,807	36,696	6,116	58	16,060	418,897	(241,823)	2,667,817	
Dividends distribution and paid												
Defined benefit plans adjustment			(24)									(24)
Other comprehensive												

Edgar Filing: BANK OF CHILE - Form 6-K

income:										
Cumulative translation adjustment						1				1
Derivatives cash flow hedge, net					11,698					11,698
Valuation adjustment on available-for-sale instruments (net)			3,140							3,140
Income for the period 2015								140,098		140,098
Provision for minimum dividends								(82,646)		(82,646)
Balances as of December 31, 2015	2,041,173	31,809	358,807	39,836	17,814	59	16,060	558,995	(324,469)	2,740,084
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					(17,127)					(17,127)
Valuation adjustment on available-for-sale instruments (net)				(38,629)						(38,629)
Income for the period 2016								428,215		428,215
Provision for minimum dividends	27							(217,123)		(217,123)
Balances As of September 30, 2016	2,138,047	31,809	454,274	1,207	687		16,060	428,215	(217,123)	2,853,176

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

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

For the nine-month ended September 30, 2016 and 2015

(Free translation of financial statements originally issued in Spanish)

(Expressed in million of Chilean pesos)

	Notes	September 2016 MCh\$	September 2015 MCh\$
OPERATING ACTIVITIES:			
Net income for the period		428,215	418,898
Items that do not represent cash flows:			
Depreciation and amortization	35	24,915	21,999
Impairment of intangible assets and property and equipment	35	4	144
Provision for loan losses	32	211,572	232,686
Provision of contingent loans	32	(8,382)	5,055
Additional provisions	32	52,075	30,921
Fair value adjustment of financial assets held-for-trading		(1,995)	215
(Gain) loss attributable to investments in other companies	14	(2,934)	(2,337)
(Gain) loss from sales of assets received in lieu of payment net	36	(3,698)	(2,568)
(Gain) loss on sales of property and equipment	36-37	(101)	(124)
(Increase) decrease in other assets and liabilities		109,553	(216,911)
Charge-offs of assets received in lieu of payment	37	2,935	1,220
Other charges (credits) to income that do not represent cash flows		(13,102)	(873)
Net changes from foreign exchange transactions of other assets and other liabilities		38,362	(519,370)
Net interest variation, readjustment and accrued fees on assets and liabilities		(119,886)	178,213
Changes in assets and liabilities that affect operating cash flows:			
(Increase) decrease in loans and advances to banks, net		312,463	(406,619)
(Increase) decrease in loans to customers		(580,338)	(2,202,521)
(Increase) decrease in financial assets held-for-trading, net		(352,907)	57,098
(Increase) decrease in deferred taxes, net	17	(24,424)	(37,985)
Increase (decrease) in current account and other demand deposits		(696,892)	357,618
Increase (decrease) in payables from repurchase agreements and security lending		31,169	21,018
Increase (decrease) in savings accounts and time deposits		661,175	601,165
Proceeds from sale of assets received in lieu of payment		8,601	5,775
Total cash flows from operating activities		76,380	(1,457,283)
INVESTING ACTIVITIES:			
(Increase) decrease in financial assets available-for-sale, net		425,730	98,172
Purchases of property and equipment	16	(19,754)	(23,098)
Proceeds from sales of property and equipment		122	191
Purchases of intangible assets	15	(7,905)	(5,751)
Purchases of investments in other companies	14	(1,129)	(314)
Dividends received from investments in other companies	14	640	632
Total cash flows from investing activities		397,704	69,832
FINANCING ACTIVITIES:			

Edgar Filing: BANK OF CHILE - Form 6-K

Redemption of mortgage finance bonds		(6,330)	(10,248)
Proceeds from bond issuances	22	1,196,672	1,839,964
Redemption of bond issuances		(1,085,078)	(788,049)
Subscription and payment of shares			
Dividends paid	27	(366,654)	(367,444)
Increase (decrease) in borrowings from foreign financial institutions		(406,248)	469,802
Increase (decrease) in other financial obligations		(5,121)	(31,205)
Increase (decrease) in borrowings from Central Bank of Chile		(2)	(2)
Other borrowings long-term		17,796	13,764
Payment of other borrowings long-term		(20,035)	(16,255)
Total cash flows from financing activities		(675,000)	1,110,327
TOTAL NET POSITIVE (NEGATIVE) CASH FLOWS FOR THE PERIOD		(200,916)	(277,124)
Net effect of exchange rate changes on cash and cash equivalents		(38,362)	67,539
Cash and cash equivalents at beginning of year		2,093,908	1,825,578
Cash and cash equivalents at end of period	7	1,854,630	1,615,993

	September 2016 MCh\$	September 2015 MCh\$
Operational Cash flow interest:		
Interest received	1,366,028	1,255,570
Interest paid	(570,656)	(170,805)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

The Interim Condensed Consolidated Financial Statements of Banco de Chile, for the period ended September 30, 2016 were approved for issuance in accordance with the directors on October 27, 2016.

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

(a) Legal regulations:

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

Edgar Filing: BANK OF CHILE - Form 6-K

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

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

(b) Basis of preparation:

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

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

RUT	Subsidiaries	Country	Functional Currency	Direct		Interest Owned Indirect		Total	
				September 2016 %	December 2015 %	September 2016 %	December 2015 %	September 2016 %	December 2015 %
44,000,213-7	Banchile Trade Services Limited (*)	Hong Kong	US\$	100.00	100.00			100.00	100.00
96,767,630-6	Banchile Administradora General de Fondos S.A.	Chile	Ch\$	99.98	99.98	0.02	0.02	100.00	100.00
96,543,250-7	Banchile Asesoría Financiera S.A.	Chile	Ch\$	99.96	99.96			99.96	99.96
77,191,070-K	Banchile Corredores de Seguros Ltda.	Chile	Ch\$	99.83	99.83	0.17	0.17	100.00	100.00
96,571,220-8	Banchile Corredores de Bolsa S.A.	Chile	Ch\$	99.70	99.70	0.30	0.30	100.00	100.00
96,932,010-K	Banchile Securizadora 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.5 (i)).

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

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

1. Useful lives of intangible assets and property and equipment (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.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

(c) Use of estimates and judgments, 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 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 non-complying, according the Circular No. 3,584 of June 22nd, 2015, which requested calibration of models of group provision (specifically the probability of non-complying and the loss produced by the non-complying). The above implied a charge to income of Ch\$13,443 million.

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 September 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 nine-month ended September 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.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

2. Legal regulations, 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, effective January 1, 2016.

This modification implied the reclassification of higher education loans from Consumer Loans to Commercial Loans by an amount of Ch\$42,970 million, as of September 30, 2016. See Note No. 12 (a.i).

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

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

3. New Accounting Pronouncements:

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

Edgar Filing: BANK OF CHILE - Form 6-K

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.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

Edgar Filing: BANK OF CHILE - Form 6-K

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.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, *continued*

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

IFRS 2 Share-based payments

In June 2016, the IASB made amendments to IFRS 2 related to the classification and measurement of transactions of share-based payment.

The amendments address the following areas:

- Compliance conditions when share-based payments are settled in cash.
- Classification of share-based transactions, net of withholding of income tax.
- Accounting for changes made to the terms of the contracts which modify the classification of cash-settled payments or settled in equity shares.

The date of application of these amendments is from *January 1, 2018*, earlier application is permitted.

Banco de Chile and its subsidiaries will have no impact on the consolidated financial statements result of the adoption of this legislation.

IFRS 4 Insurance contracts

In September 2016, the IASB issued an amendment to IFRS 4 Insurance Contracts to address concerns arising from the application of new pronouncements included in IFRS 9, before implementing the new standard insurance contracts.

The amendments introduce the following two approaches to those entities that issue insurance contracts:

- An overlay approach, will give to all companies that issue insurance contracts the option to recognize in other comprehensive income rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new contract insurance norm is issued; and
- A postponement approach, will give to companies whose activities are largely connected with insurances an optional temporary exemption to the application of IFRS 9 until 2021. The Entities who defer the application of IFRS 9 will continue applying the existing financial instruments norm.

Banco de Chile and its subsidiaries will have no impact on the consolidated financial statements result of the adoption of this legislation.

4. Changes in Accounting policies and Disclosures:

During the period ended September 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).

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

5. Relevant Events, continued:

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

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

f) The board meeting held on May 23, 2016, the Board of the subsidiary Socofin S.A. accepted the resignation of the Director Arturo Tagle Quiroz, proceeding to appoint as his replacement Mr. Eduardo Ebensperger Orrego.

g) 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 No.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.

Edgar Filing: BANK OF CHILE - Form 6-K

The issue of bonus shares was registered in the Securities Registry of the aforementioned Superintendency under No. 4/2016, dated June 16, 2016.

- 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.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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.

h) 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).

i) On July 8, 2016 it is reported that Banco de Chile has learned that the Registrar of Companies of Hong Kong said, from 5 July 2016, formally dissolved the company Banchile Trade Services Limited, which was wholly owned by Banco de Chile and developed support activities to foreign trade with Asian markets.

j) On July 14, 2016 it was reported that Banco de Chile signed with Citigroup Inc. an extension to the contract entitled Master Services Agreement held on September 25, 2009. The referred extension lasts six months from July 1, 2016, expiring consequently on January 1, 2017.

k) The board meeting held on July 22, 2016, the Board of the subsidiary Socofin S.A. accepted the resignation of the Director Mauricio Baeza Letelier, proceeding to appoint as his replacement Mr. Héctor Castagnoli Aracena.

l) During the month of August 2016 it was carried out the processes of collective bargaining between the subsidiary Banchile Administradora General de Fondos and the trade union of Banchile ADM General de Fondos S.A., underwriting with them a collective agreement for a period of three years (2016-2019).

m) During the current exercise was carried out the processes of collective bargaining between the subsidiary Banchile Corredores de Bolsa S.A. and the trade union of Banchile Corredores de Bolsa S.A., underwriting with them a collective agreement for a period of three years (2016-2019).

n) On September 1, 2016, the Extraordinary Shareholders Meeting of the subsidiary Socofin S.A. agreed: 1) the increase capital of two billion pesos through the issue of shares for payment; 2) the amendment of Article 5 of the corporate bylaws about share capital; and 3) the incorporation of a transitional article over payment method of capital. The capital increase was fully subscribed and paid by its shareholders on September 29, 2016.

o) The board meeting held on September 26, 2016, the Board of the subsidiary Banchile Corredores de Bolsa S.A. appointed as new General Manager to Mr. Hernán Arellano Salas.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

6. Segment Reporting:

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

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

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

Treasury and money market operations:

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

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

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

Entity

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

(*) See Note No. 5 (i).

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

6. Segment Reporting, continued:

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

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

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

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

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

6. Segment Reporting, continued:

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

	Retail		Wholesale		Treasury		Subsidiaries		Subtotal		Consolidation adjustment	
	September 2016	September 2015	September 2016	September 2015	September 2016	September 2015	September 2016	September 2015	September 2016	September 2015	September 2016	September 2015
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Net interest income	649,518	623,657	254,312	264,922	13,853	21,724	(3,203)	(5,048)	914,480	905,255	778	1,297
Net fees and commissions income (loss)	123,635	109,284	30,588	33,617	(1,775)	(1,608)	101,000	94,064	253,448	235,357	(13,301)	(12,198)
Other operating income	80,866	17,691	26,632	48,744	36,124	19,882	18,231	19,071	161,853	105,388	(2,674)	(3,125)
Total operating revenue	854,019	750,632	311,532	347,283	48,202	39,998	116,028	108,087	1,329,781	1,246,000	(15,197)	(14,026)
Credit risk provisions (*)	(213,428)	(179,129)	(8,936)	(50,033)			(90)	111	(222,454)	(229,051)		
Depreciation and amortization	(18,131)	(15,832)	(4,302)	(4,046)	(188)	(196)	(2,294)	(1,925)	(24,915)	(21,999)		
Other operating expenses	(377,998)	(343,206)	(114,233)	(105,123)	(4,762)	(4,396)	(90,709)	(77,593)	(587,702)	(530,318)	15,197	14,026
Income attributable to associates	2,293	1,955	638	386	56	15	386	349	3,373	2,705		
Income before income taxes	246,755	214,420	184,699	188,467	43,308	35,421	23,321	29,029	498,083	467,337		
Income taxes												
Income after income taxes												

(*) At 30 September 2016, the retail and wholesale segments include additional provisions assigned according to their risk-weighted assets.

Edgar Filing: BANK OF CHILE - Form 6-K

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

	Retail		Wholesale		Treasury		Subsidiaries		Subtotal		Consolidation adjustment	
	September	December	September	December	September	December	September	December	September	December	September	December
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Assets	14,973,021	14,431,003	11,417,546	11,866,488	3,942,164	4,362,051	544,953	523,080	30,877,684	31,182,622	(147,543)	(148,929)
Current and deferred taxes												
Total assets												
Liabilities	9,837,215	9,726,434	9,991,968	9,934,304	8,049,640	8,605,278	400,830	374,824	28,279,653	28,640,840	(147,543)	(148,929)
Current and deferred taxes												
Total liabilities												

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

7. Cash and Cash Equivalents:

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

	September 2016 MCh\$	December 2015 MCh\$
Cash and due from banks:		
Cash (*)	657,509	672,253
Current account with the Chilean Central Bank (*)	57,998	111,330
Deposits in other domestic banks	7,423	9,676
Deposits abroad	439,008	567,963
Subtotal - Cash and due from banks	1,161,938	1,361,222
Net transactions in the course of collection		
Highly liquid financial instruments	187,907	284,204
Repurchase agreements	469,012	407,111
Total cash and cash equivalents	35,773	41,371
	1,854,630	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:

	September 2016 MCh\$	December 2015 MCh\$
Assets		
Documents drawn on other banks (clearing)	191,521	293,908
Funds receivable	294,059	232,138
Subtotal transactions in the course of collection	485,580	526,046

Edgar Filing: BANK OF CHILE - Form 6-K

Liabilities

Funds payable	(297,673)	(241,842)
Subtotal transactions in the course of payment	(297,673)	(241,842)
Net transactions in the course of collection	187,907	284,204

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

8. Financial Assets Held-for-trading:

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

	September 2016 MCh\$	December 2015 MCh\$
Instruments issued by the Chilean Government and Central Bank of Chile:		
Central Bank bonds	35,243	46,068
Central Bank promissory notes	450,292	103,832
Other instruments issued by the Chilean Government and Central Bank	27,611	100,016
Other instruments issued in Chile		
Bonds from domestic banks		21
Deposits in domestic banks	868,808	583,217
Other instruments issued in Chile	7	10,420
Instruments issued by foreign institutions		
Instruments from foreign governments or central banks		
Other instruments issued abroad	340	
Mutual fund investments:		
Funds managed by related companies	28,944	23,080
Funds managed by thirds		
Total	1,411,245	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\$24,356 million as of September 30, 2016 (Ch\$9,244 million as of December 31, 2015). Repurchase agreements have an average expiration of 5 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\$148,905 million as of September 30, 2016 (Ch\$149,333 million as of December 31, 2015). Agreements to repurchase have an average expiration of 11 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\$20,968 million as of September 30, 2016 (Ch\$25,303 million as of December 31, 2015), which are presented as a reduction of the liability line item Debt issued .

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

(a) 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 September 30, 2016 and December 31, 2015, the Bank has the following receivables resulting from such transactions:

	Up to 1 month		Over 1 month and up to 3 months		Over 3 months and up to 12 months		Over 1 year and up to 3 years		Over 3 years and up to 5 years		Over 5 years		September 2016
	September 2016	December 2015	September 2016	December 2015	September 2016	December 2015	September 2016	December 2015	September 2016	December 2015	September 2016	December 2015	
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Instruments issued by the Chilean Governments and Central Bank of Chile													
Central Bank bonds													
Central Bank promissory notes													
Other instruments issued by the Chilean Government and Central Bank													
Other Instruments issued in Chile													
Deposit promissory notes from domestic banks													
Mortgage bonds from domestic banks													
	2,001												

Bonds from domestic banks								
Deposits in domestic banks		3,461						
Bonds from other Chilean companies								
Other instruments issued in Chile	18,137	32,448	23,232	8,704	3,164	1,551		44
Instruments issued by foreign institutions								
Instruments from foreign governments or central bank								
Other instruments								
Total	20,138	35,909	23,232	8,704	3,164	1,551		46

Securities received:

The Bank has received securities that it is allowed to sell or pledge in the absence of default by the owner. As of September 30, 2016 the Bank and its subsidiaries held securities on resell agreements with a fair value of Ch\$46,353 million (Ch\$46,324 million as of December, 2015).

Table of Contents

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 September 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		September 2015
	September 2016	December 2015	September 2016	December 2015	September 2016	December 2015	September 2016	December 2015	September 2016	December 2015	September 2016	December 2015	
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Instruments issued by the Chilean Governments and Central Bank of Chile													
Central Bank bonds	1,120	3,052											
Central Bank promissory notes	24,349	7,301											
Other instruments issued by the Chilean Government and Central Bank		1,942											
Other Instruments Issued in Chile													
Deposit promissory notes from domestic banks													
Mortgage bonds from domestic banks													

Bonds from domestic banks					
Deposits in domestic banks	177,212	158,156	9,650	13,680	180,000
Bonds from other Chilean companies					
Other instruments issued in Chile	8,940				8,940
Instruments issued by foreign institutions					
Instruments from foreign governments or central bank					
Other instruments					
Total	211,621	170,451	9,650	13,680	221,000

Securities given:

The fair value of securities lent and of Payables from Repurchase Agreements and Security Lending as of September 30, 2016 is Ch\$212,317 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.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

10. Derivative Instruments and Accounting Hedges:

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

	Notional amount of contract with final expiration date in												Sept 2015	
	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 year and up to 5 years		Over 5 years			
	September 2016	December 2015	September 2016	December 2015	September 2016	December 2015	September 2016	December 2015	September 2016	December 2015	September 2016	December 2015		
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	
Derivatives held for hedging purposes														
Cross currency swap													18,155	19,222
Interest rate swap			13,872		10,517	14,947	22,283	11,332	46,342	66,504	40,559	81,271		
Total derivatives held for hedging purposes			13,872		10,517	14,947	22,283	11,332	46,342	66,504	58,714	100,493		
Derivatives held as cash flow hedges														
Interest rate swap and cross currency swap			65,889	103,638	137,500	201,723	449,826	441,930	190,499	318,240	313,702	306,582		
Total derivatives held as cash flow hedges			65,889	103,638	137,500	201,723	449,826	441,930	190,499	318,240	313,702	306,582		
Derivatives held-for-trading purposes														
Currency forward	4,375,175	6,361,172	4,643,106	5,658,682	9,279,968	6,392,029	773,462	1,097,148	51,077	79,217	6,573			1
Interest rate swap	1,156,127	1,444,510	2,790,873	3,626,015	8,180,013	8,414,998	10,271,304	9,190,933	5,099,320	5,063,262	6,631,320	5,676,905		3
Cross currency swap	199,319	1,283,607	630,089	835,357	1,723,391	1,369,605	1,883,573	2,370,091	1,717,559	1,513,471	3,007,244	2,394,036		4
Call currency options	49,959	25,127	86,624	69,802	65,753	77,364	789	35						
Put currency options	51,257	16,503	50,457	50,578	47,121	66,038	789	35						
Total derivatives of negotiation	5,831,837	9,130,919	8,201,149	10,240,434	19,296,246	16,320,034	12,929,917	12,658,242	6,867,956	6,655,950	9,645,137	8,070,941		9
Total	5,831,837	9,130,919	8,280,910	10,344,072	19,444,263	16,536,704	13,402,026	13,111,504	7,104,797	7,040,694	10,017,553	8,478,016		1,0

Table of ContentsNOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, *continued***10. Derivative Instruments and Accounting Hedges, continued:****(b) Fair value Hedges:**

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

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

	September 2016 MCh\$	December 2015 MCh\$
Hedge element		
Commercial loans	18,155	19,222
Corporate bonds	133,573	174,054
Hedge instrument		
Cross currency swap	18,155	19,222
Interest rate swap	133,573	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.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

10. Derivative Instruments and Accounting Hedges, continued:

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

Hedge 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		September 2016 MCh\$
	September 2016 MCh\$	December 2015 MCh\$	September 2016 MCh\$	December 2015 MCh\$	September 2016 MCh\$	December 2015 MCh\$	September 2016 MCh\$	December 2015 MCh\$	September 2016 MCh\$	December 2015 MCh\$	September 2016 MCh\$	December 2015 MCh\$	
Outflows:													
Corporate Bond EUR			(576)			(602)	(1,153)	(1,207)	(1,153)	(1,207)	(37,582)	(39,340)	(40,000)
Corporate Bond HKD	(4,087)				(7,818)	(12,852)	(23,773)	(25,658)	(67,981)	(79,631)	(340,258)	(368,924)	(443,000)
Corporate Bond PEN	(297)				(297)	(636)	(14,840)	(16,219)					(15,000)
Corporate Bond CHF		(255)	(1,776)	(108,678)	(88,519)	(166,473)	(261,299)	(279,477)	(120,171)	(217,702)			(471,000)
Obligation USD	(515)	(678)			(67,070)	(1,736)	(145,818)	(229,377)					(213,000)
Corporate Bond JPY			(72,423)	(314)	(806)	(66,316)	(52,485)	(1,901)	(33,224)	(76,302)	(32,779)	(29,853)	(191,000)
Hedge instrument													
Inflows:													
Corporate Bond EUR			576			602	1,153	1,207	1,153	1,207	37,582	39,340	40,000
Cross Currency Swap HKD	4,087				7,818	12,852	23,773	25,658	67,981	79,631	340,258	368,924	443,000
Cross Currency Swap PEN	297				297	636	14,840	16,219					15,000
Cross Currency Swap CHF		255	1,776	108,678	88,519	166,473	261,299	279,477	120,171	217,702			471,000
Cross Currency Swap USD	515	678			67,070	1,736	145,818	229,377					213,000

Edgar Filing: BANK OF CHILE - Form 6-K

Cross Currency Swap JPY	72,423	314	806	66,316	52,485	1,901	33,224	76,302	32,779	29,853	191
Net cash flows											

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

10. Derivative Instruments and Accounting Hedges, continued:

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

Hedge 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		September 2016
	September 2016	December 2015	September 2016	December 2015	September 2016	December 2015	September 2016	December 2015	September 2016	December 2015	September 2016	December 2015	
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Hedge element													
Inflows:													
Cash flows in CLF	5,440	2,961	72,461	107,007	156,790	231,948	494,524	494,015	209,769	345,015	365,688	359,902	1,304
Hedge instrument													
Outflows:													
Cross Currency Swap HKD	(3,212)		(627)		(5,381)	(9,062)	(18,436)	(17,999)	(61,020)	(63,301)	(293,325)	(288,281)	(382)
Cross Currency Swap PEN	(252)				(252)	(493)	(16,257)	(16,135)					(16)
Cross Currency Swap JPY			(67,225)	(1,024)	(2,317)	(68,015)	(52,031)	(5,660)	(32,724)	(79,042)	(31,026)	(30,716)	(185)
Cross Currency Swap USD	(1,976)				(62,882)	(3,866)	(158,973)	(216,820)					(223)
Cross Currency Swap CHF		(2,961)	(4,092)	(105,983)	(85,441)	(149,493)	(246,755)	(235,376)	(113,948)	(200,642)			(450)
Cross Currency Swap EUR			(517)		(517)	(1,019)	(2,072)	(2,025)	(2,077)	(2,030)	(41,337)	(40,905)	(46)
Net cash flows													

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, *continued*

10. Derivative Instruments and Accounting Hedges, continued:

(c) Cash flow Hedges, continued:

Respect to in assets denominated in Unidad de Fomento (CLF) 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\$22,535 million charge to equity (Ch\$5,122 million charge to equity as of September 30, 2015) generated from hedging instruments, which has been recorded in equity. The accumulated net effect for deferred taxes as of September 30, 2016 was a charge to equity of Ch\$17,127 million (Ch\$3,970 million charge to equity as of September 30, 2015).

The accumulated amount for this concept net of deferred taxes as of September 30, 2016 correspond to a credit to equity amounted Ch\$687 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\$105,648 million charged to income in 2016 (Ch\$153,188 million credit to income as of September 30, 2015).

(c.5) As of September 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 September 30, 2016 and 2015, the Bank has not hedges of net investments in foreign business.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

11. Loans and advances to Banks:

(a) Amounts are detailed as follows:

	September 2016 MCh\$	December 2015 MCh\$
Domestic Banks		
Interbank loans of liquidity	120,000	20,000
Interbank loans	8,291	25,258
Provisions for loans to domestic banks	(61)	(72)
Subtotal	128,230	45,186
Foreign Banks		
Interbank loans	173,247	211,573
Credits with third countries	75,590	91,278
Chilean exports trade loans	65,172	47,355
Provisions for loans to foreign banks	(516)	(630)
Subtotal	313,493	349,576
Central Bank of Chile		
Non-available Central Bank deposits	640,000	1,000,000
Other Central Bank credits	222	433
Subtotal	640,222	1,000,433
Total	1,081,945	1,395,195

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

Detail	Bank s Location		Total MCh\$
	Chile MCh\$	Abroad MCh\$	
Balance as of January 1, 2015	61	755	816
Charge-offs			
Provisions established	73	204	277
Provisions released			
Balance as of September 30, 2015	134	959	1,093
Charge-offs			
Provisions established			
Provisions released	(62)	(329)	(391)
Balance as of December 31, 2015	72	630	702
Charge-offs			
Provisions established			

Edgar Filing: BANK OF CHILE - Form 6-K

Provisions released	(11)	(114)	(125)
Balance as of September 30, 2016	61	516	577

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

12. Loans to Customers, net:

(a.i) Loans to Customers:

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

	As of September 30, 2016							Net assets MCh\$
	Normal Portfolio MCh\$	Assets before allowances Substandard Portfolio MCh\$	Non-Complying Portfolio MCh\$	Total MCh\$	Individual Provisions MCh\$	Group Provisions MCh\$	Total MCh\$	
Commercial loans								
Commercial loans	10,363,075	140,795	306,986	10,810,856	(133,315)	(81,256)	(214,571)	10,596,285
Foreign trade loans	1,288,362	58,604	46,440	1,393,406	(71,139)	(3,077)	(74,216)	1,319,190
Current account debtors	220,178	2,193	2,225	224,596	(3,076)	(4,482)	(7,558)	217,038
Factoring transactions	457,381	872	819	459,072	(7,817)	(1,646)	(9,463)	449,609
Student loans	41,895		1,075	42,970		(1,296)	(1,296)	41,674
Commercial lease transactions (1)	1,345,316	10,038	23,172	1,378,526	(6,743)	(10,821)	(17,564)	1,360,962
Other loans and accounts receivable	57,934	284	5,180	63,398	(921)	(3,672)	(4,593)	58,805
Subtotal	13,774,141	212,786	385,897	14,372,824	(223,011)	(106,250)	(329,261)	14,043,563
Mortgage loans								
Mortgage bonds	40,340		2,950	43,290		(57)	(57)	43,233
Transferable mortgage loans	70,048		1,965	72,013		(95)	(95)	71,918
Other residential real estate mortgage loans	6,514,354		119,573	6,633,927		(34,095)	(34,095)	6,599,832
Credits from ANAP	14			14				14
Residential lease transactions								
Other loans and accounts receivable	7,518			7,518		(59)	(59)	7,459
Subtotal	6,632,274		124,488	6,756,762		(34,306)	(34,306)	6,722,456
Consumer loans								

Edgar Filing: BANK OF CHILE - Form 6-K

Consumer loans in installments	2,274,648		211,851	2,486,499		(184,513)	(184,513)	2,301,986
Current account debtors	313,580		3,292	316,872		(5,412)	(5,412)	311,460
Credit card debtors	1,048,360		22,076	1,070,436		(35,458)	(35,458)	1,034,978
Consumer lease transactions								
Other loans and accounts receivable	27		833	860		(422)	(422)	438
Subtotal	3,636,615		238,052	3,874,667		(225,805)	(225,805)	3,648,862
Total	24,043,030	212,786	748,437	25,004,253	(223,011)	(366,361)	(589,372)	24,414,881

(1) In this item, the Bank finances its customers purchases of assets, including real estate and other personal property, through finance lease agreements. As of September 30, 2016 Ch\$645,068 million correspond to finance leases for real estate and Ch\$733,458 million correspond to finance leases for other assets.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

12. Loans to Customers net, continued:

(a.i) Loans to Customers, continued:

	As of December 31, 2015							Net assets MCh\$
	Normal Portfolio MCh\$	Assets before allowances Substandard Portfolio MCh\$	Non- Complying Portfolio MCh\$	Total MCh\$	Individual Provisions MCh\$	Group Provisions MCh\$	Total MCh\$	
Commercial loans								
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
Mortgage loans								
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
Consumer loans								
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

Edgar Filing: BANK OF CHILE - Form 6-K

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.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

12. Loans to Customers net, continued:

(a.i) Loans to Customers, continued:

The variation of volumes of non-complying loans it was produced by the adoption of new rule issued by the SBIF.

As of December 31, 2015 the Bank included inside the non-complying loans, with group evaluation, all those operations whose clients meet the following conditions:

- Past due greater than or equal to 90 days
- Overdraft no agreed in current account greater than 30 days
- Client managed by collection area or, in judicial collection
- To exit of non-complying category is required 6 months of good behavior (past due < 30 days)

Product of new standard (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 clients who meet the following:

- The portfolio in default includes all loans and the 100% of the amount of contingent loans, of all the debtors, that at the end of one month have an overdue by more than 90 days on payment of interest or capital of a credit. It will also include debtors who are granted a credit to overrule an operation that had more than 60 days overdue on payment, as also to those debtors who have undergone forced restructuring or partial debt condonation.
- To remove a debtor of the portfolio in default, once were exceeded the circumstances that led to its classification in this portfolio under these norms, must be complied with at least the following copulative conditions:

Edgar Filing: BANK OF CHILE - Form 6-K

- No obligation of the debtor with the bank with more than 30 calendar days overdue.
- No new refinancings granted to pay its obligations.
- At least one of the payments include amortization of capital.
- If the debtor has a credit with partial payment periods less than six months, has already made two payments.
- If the debtor must pay monthly fees for one or more credits, has paid four consecutive dues.
- The debtor does not appear with unpaid debts direct according to the information recast by SBIF, except for insignificant amounts.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

12. Loans to Customers, net, continued:

(a.ii) Impaired Portfolio

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

	Normal Portfolio		Assets before Allowances Impaired Portfolio		Total		Individual Provisions		Allowances established Group Provisions		Total	
	September	December	September	December	September	December	September	December	September	December	September	December
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Commercial												
loans	13,899,643	13,871,526	473,181	545,392	14,372,824	14,416,918	(223,011)	(263,719)	(106,250)	(107,080)	(329,261)	(370,799)
Mortgage												
loans	6,632,274	6,287,820	124,488	117,166	6,756,762	6,404,986			(34,306)	(34,952)	(34,306)	(34,952)
Consumer												
loans	3,636,615	3,473,296	238,052	262,841	3,874,667	3,736,137			(225,805)	(196,015)	(225,805)	(196,015)
Total	24,168,532	23,632,642	835,721	925,399	25,004,253	24,558,041	(223,011)	(263,719)	(366,361)	(338,047)	(589,372)	(601,766)

The variation in impaired portfolio between periods September 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.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

12. Loans to Customers, continued:

(b) Credit risk provisions:

Movements in credit risk provisions during periods 2016 and 2015 are as follows:

	Individual MCh\$	Allowances Group MCh\$	Total MCh\$
Balance as of January 1, 2015	206,022	322,593	528,615
Charge-offs:			
Commercial loans	(11,449)	(33,099)	(44,548)
Mortgage loans		(2,079)	(2,079)
Consumer loans		(152,184)	(152,184)
Total charge-offs	(11,449)	(187,362)	(198,811)
Sales or transfers of credit	(2,690)		(2,690)
Purchase of loans	12,329		12,329
Allowances established	38,245	194,164	232,409
Balance as of September 30, 2015	242,457	329,395	571,852
Charge-offs:			
Commercial loans	(1,778)	(11,660)	(13,438)
Mortgage loans		(475)	(475)
Consumer loans		(43,833)	(43,833)
Total charge-offs	(1,778)	(55,968)	(57,746)
Allowances established	23,040	64,620	87,660
Balance as of December 31, 2015	263,719	338,047	601,766
Charge-offs:			
Commercial loans	(9,958)	(33,218)	(43,176)
Mortgage loans		(3,030)	(3,030)
Consumer loans		(152,960)	(152,960)
Total charge-offs	(9,958)	(189,208)	(199,166)
Sales or transfers of credit	(24,925)		(24,925)
Allowances established		217,522	217,522
Allowances released	(5,825)		(5,825)
Balance as of September 30, 2016	223,011	366,361	589,372

In addition to these credit risk provisions, 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).

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

1. As of September 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 September 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 (*)	
	September 2016 MCh\$	December 2015 MCh\$	September 2016 MCh\$	December 2015 MCh\$	September 2016 MCh\$	December 2015 MCh\$
Due within one year	465,459	460,004	(54,392)	(54,353)	411,067	405,651
Due after 1 year but within 2 years	335,570	333,374	(40,668)	(39,913)	294,902	293,461
Due after 2 years but within 3 years	225,180	218,308	(27,050)	(27,287)	198,130	191,021
Due after 3 years but within 4 years	150,976	152,329	(18,569)	(19,090)	132,407	133,239
Due after 4 years but within 5 years	101,371	106,806	(13,300)	(13,652)	88,071	93,154
Due after 5 years	278,501	281,489	(30,627)	(30,492)	247,874	250,997
Total	1,557,057	1,552,310	(184,606)	(184,787)	1,372,451	1,367,523

(*) The net balance receivable does not include past-due portfolio totaling Ch\$6,075 million as of September 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 2 and 17 years.

(d) Purchase of credits:

During the period ended September 30, 2016 the Bank acquired loan portfolio, whose nominal value amounted to Ch\$54,969 million. The transaction related to the purchase of portfolio made to a local bank (CorpBanca and Rabobank).

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).

Table of Contents

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 September 30, 2016

	Carrying amount MCh\$	Allowances MCh\$	Sale price MCh\$	Effect on income (loss) gain MCh\$
Sale of outstanding loans	130,045	(24,925)	110,050	4,930
Sale of write off loans				
Total	130,045	(24,925)	110,050	4,930

As of September 30, 2015

	Carrying amount MCh\$	Allowances MCh\$	Sale price MCh\$	Effect on income (loss) gain MCh\$
Sale of outstanding loans	89,085	(2,690)	89,085	2,690
Sale of write off loans				
Total	89,085	(2,690)	89,085	2,690

(f) Securitization of own assets:

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

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

13, Investment Securities:

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

	Available- for-sale MCh\$	September 2016 Held to maturity MCh\$	Total MCh\$	Available- for -sale MCh\$	December 2015 Held to maturity MCh\$	Total MCh\$
Instruments issued by the Chilean Government and Central Bank of Chile						
Bonds issued by the Chilean Government and Central Bank	20,835		20,835	36,258		36,258
Promissory notes issued by the Chilean Government and Central Bank						
Other instruments	46,651		46,651	50,250		50,250
Other instruments issued in Chile						
Deposit promissory notes from domestic banks						
Mortgage bonds from domestic banks	112,098		112,098	87,610		87,610
Bonds from domestic banks	8,011		8,011	83,960		83,960
Deposits from domestic banks	51,453		51,453	450,976		450,976
Bonds from other Chilean companies	6,835		6,835	17,766		17,766
Promissory notes issued by other Chilean companies						
Other instruments	153,634		153,634	191,537		191,537
Instruments issued abroad						
Instruments from foreign governments or Central Banks						
Other instruments				81,644		81,644
Total	399,517		399,517	1,000,001		1,000,001

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

13. Investment Securities, continued:

Instruments issued by the Chilean Government and Central Bank include instruments with repurchase agreements sold to clients and financial institutions; totaling Ch\$1,122 million as of September 30, 2016 (Ch\$3,054 million as of December 31, 2015). The repurchase agreements have an average maturity of 28 days as of September 30, 2016 (6 days in December 2015).

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

As of September 30, 2016, the portfolio of financial assets available-for-sale includes a net unrealized gain of Ch\$1,207 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 September 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 nine-month period ended as of September 30, 2016 and 2015 are as follows:

	September 2016 MCh\$	September 2015 MCh\$
Unrealized (losses)/gains during the period	12,656	12,626
Realized losses/gains (reclassified)	(63,486)	(9,099)
Subtotal	(50,830)	3,527

Edgar Filing: BANK OF CHILE - Form 6-K

Income tax	12,201	(793)
Total unrealized (losses)/gains during the period	(38,629)	2,734

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

14. Investments in Other Companies:

(a) This item includes investments in other companies for an amount of Ch\$31,815 million as of September 30, 2016 (Ch\$28,126 million as of December 31, 2015), which is detailed as follows:

Company	Shareholder	%	%	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Associates									
Transbank S.A. (*)	Banco de Chile	26.16	26.16	48,116	40,302	12,586	10,542	955	1,176
Administrador Financiero del Transantiago S.A.	Banco de Chile	20.00	20.00	13,698	12,758	2,740	2,552	188	211
Soc. Operadora de Tarjetas de Crédito Nexus S.A.	Banco de Chile	25.81	25.81	10,601	9,472	2,736	2,444	416	327
Redbanc S.A.	Banco de Chile	38.13	38.13	6,319	5,419	2,410	2,066	343	239
Sociedad Imerc OTC S.A. (**)	Banco de Chile	12.33	11.48	10,662	9,823	1,306	1,128	96	(166)
Centro de Compensación Automatizado S.A.	Banco de Chile	33.33	33.33	3,673	3,252	1,224	1,084	133	157
Sociedad Interbancaria de Depósitos de Valores S.A.	Banco de Chile	26.81	26.81	3,230	2,656	866	712	156	29
Soc. Operadora de la Cámara de Compensación de Pagos de Alto Valor S.A.	Banco de Chile	15.00	15.00	5,409	4,955	811	743	80	77
Subtotal Associates				101,708	88,637	24,679	21,271	2,367	2,050
Joint Ventures									
Servipag Ltda.	Banco de Chile	50.00	50.00	8,414	7,778	4,207	3,889	318	123
Artikos Chile S.A.	Banco de Chile	50.00	50.00	1,311	1,378	656	689	249	164
Subtotal Joint Ventures				9,725	9,156	4,863	4,578	567	287
Subtotal				111,433	97,793	29,542	25,849	2,934	2,337
Investments valued at cost									
(1)									
Bolsa de Comercio de Santiago S.A.						1,646	1,646	393	325
Banco Latinoamericano de Comercio Exterior S.A.						309	309	46	43

Edgar Filing: BANK OF CHILE - Form 6-K

(Bladex)				
Bolsa Electrónica de Chile S.A.	257	257		
Sociedad de Telecomunicaciones Financieras Interbancarias Mundiales (Swift)	53	57		
CCLV Contraparte Central S.A.	8	8		
Subtotal	2,273	2,277	439	368
Total	31,815	28,126	3,373	2,705

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

(*) During the period 2016 Transbank S.A. carried out a capital increase for an amount equivalent to MCh \$ 9,041 through the capitalization of profits, greater value in the placement of shares and issue of shares for payment. Banco de Chile made the subscription and payment of shares for a total amount of MCh \$ 1,046 (amount does not include adjustment of MCh \$ 9). The shareholding of Banco de Chile in Transbank S.A. was not changed by this capital increase.

(**) During the month of July 2016, Banco de Chile increased its stake in share capital of the Company Servicio de Infraestructura de Mercado OTC.S.A. through the acquisition of 82 shares.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

14. Investments in Other Companies, continued:

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

	September 2016 MCh\$	September 2015 MCh\$
Initial book value	28,126	25,312
Acquisition of investments	1,129	314
Participation in net income	2,934	2,337
Dividends receivable	(272)	(221)
Dividends received	(640)	(632)
Payment of dividends	538	460
Total	31,815	27,570

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

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

15. Intangible Assets:

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

	Years				Gross balance		Accumulated Amortization		Net balance	
	Useful Life		Remaining amortization		September	December	September	December	September	December
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
				MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Other Intangible Assets:										
Software or computer programs	6	6	5	4	106,805	100,000	(78,635)	(73,281)	28,170	26,719
Total					106,805	100,000	(78,635)	(73,281)	28,170	26,719

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

15. Intangible Assets, continued:

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

	September 2016	
	Software or computer programs MCh\$	Total MCh\$
<u>Gross Balance</u>		
Balance as of January 1, 2016	100,000	100,000
Acquisition	7,905	7,905
Disposals/ write-downs	(1,100)	(1,100)
Impairment loss		
Total	106,805	106,805
<u>Accumulated Amortization</u>		
Balance as of January 1, 2016	(73,281)	(73,281)
Amortization for the period (*)	(6,454)	(6,454)
Disposals/ write-downs	1,100	1,100
Total	(78,635)	(78,635)
Balance as of September 30, 2016	28,170	28,170

	December 2015	
	Software or computer programs MCh\$	Total MCh\$
<u>Gross Balance</u>		
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
<u>Accumulated Amortization</u>		
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)
Balance as of December 31, 2015	26,719	26,719

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

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

Detail	Amount of Commitment	
	September 2016 MCh\$	December 2015 MCh\$
Software and licenses	3,680	5,779

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

16. Property and equipment:

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

	Gross balance		Accumulated depreciation		Net Balance	
	September 2016 MCh\$	December 2015 MCh\$	September 2016 MCh\$	December 2015 MCh\$	September 2016 MCh\$	December 2015 MCh\$
<u>Type Property and equipment:</u>						
Land and Buildings	299,204	292,166	(132,866)	(126,568)	166,338	165,598
Equipment	177,841	167,874	(137,113)	(127,644)	40,728	40,230
Others	49,431	47,960	(39,284)	(38,117)	10,147	9,843
Total	526,476	508,000	(309,263)	(292,329)	217,213	215,671

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

16. Property and equipment, continued:

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

	September 2016			
	Land and Buildings MCh\$	Equipment MCh\$	Others MCh\$	Total MCh\$
Gross Balance				
Balance as of January 1, 2016	292,166	167,874	47,960	508,000
Reclassifications				
Additions	7,101	10,454	2,199	19,754
Disposals/write-downs	(63)	(483)	(728)	(1,274)
Transfers				
Impairment loss (*)		(4)		(4)
Total	299,204	177,841	49,431	526,476
Accumulated Depreciation				
Balance as of January 1, 2016	(126,568)	(127,644)	(38,117)	(292,329)
Reclassifications		(4)	4	
Depreciation charges in the period (*) (**)	(6,361)	(9,935)	(1,890)	(18,186)
Sales and disposals in the period	63	484	705	1,252
Transfers		(14)	14	
Total	(132,866)	(137,113)	(39,284)	(309,263)
Balance as of September 30, 2016	166,338	40,728	10,147	217,213

	December 2015			
	Land and Buildings MCh\$	Equipment MCh\$	Other MCh\$	Total MCh\$
Gross Balance				
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)
Total	292,166	167,874	47,960	508,000
Accumulated Depreciation				
Balance as of January 1, 2015	(120,084)	(119,842)	(36,110)	(276,036)
Reclassifications	(110)		(882)	(992)

Edgar Filing: BANK OF CHILE - Form 6-K

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
Transfers		1	(1)	
Total	(126,568)	(127,644)	(38,117)	(292,329)
Balance as of December 31, 2015	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\$275 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.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

16. Property and equipment, continued:

(c) As of September 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 for the period MCh\$	Up to 1 month MCh\$	Over 1 month and up to 3 months MCh\$	Over 3 months and up to 12 months MCh\$	September 2016			Total MCh\$
					Over 1 year and up to 3 years MCh\$	Over 3 years and up to 5 years MCh\$	Over 5 years MCh\$	
Lease Agreements	24,937	2,514	5,017	17,405	37,718	26,700	41,183	130,537

	Expense for the period MCh\$	Up to 1 month MCh\$	Over 1 month and up to 3 months MCh\$	Over 3 months and up to 12 months MCh\$	September 2015			Total MCh\$
					Over 1 year and up to 3 years MCh\$	Over 3 years and up to 5 years MCh\$	Over 5 years MCh\$	
Lease Agreements	23,046	2,325	4,619	16,766	31,949	23,798	42,404	121,861

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

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

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

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

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

	September 2016 MCh\$	December 2015 MCh\$
Income taxes	85,486	121,585
Tax on non-deductible expenses (35%)	2,621	2,805
Less:		
Monthly prepaid taxes (PPM)	(83,017)	(94,813)
Credit for training expenses	(82)	(1,931)
Contributions Real Estate		(896)
Others	(510)	(2,036)
Total	4,498	24,714
Tax rate	24.0%	22.5%

	September 2016 MCh\$	December 2015 MCh\$
Current tax assets	1,939	3,279
Current tax liabilities	(6,437)	(27,993)
Total tax receivable (payable)	(4,498)	(24,714)

(b) **Income Tax:**

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

September September

Edgar Filing: BANK OF CHILE - Form 6-K

	2016 MCh\$	2015 MCh\$
Income tax expense:		
Current year taxes	90,894	86,826
Tax from previous period	1,051	(1,854)
Subtotal	91,945	84,972
Credit (charge) for deferred taxes:		
Origin and reversal of temporary differences	(17,142)	(27,818)
Effect of exchange rates on deferred tax	(7,282)	(10,167)
Subtotal	(24,424)	(37,985)
Non-deductible expenses (Art. 21 Income Tax Law)	2,621	2,225
Others	(274)	(773)
Net charge to income for income taxes	69,868	48,439

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

17. Current and Deferred Taxes, continued:

(c) Reconciliation of effective tax rate:

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

	September 2016		September 2015	
	Tax rate %	MCh\$	Tax rate %	MCh\$
Income tax calculated on net income before tax	24.00	119,540	22.50	105,151
Additions or deductions	(0.28)	(1,410)	(0.04)	(209)
Subordinated debt (*)	(5.21)	(25,943)	(5.05)	(23,578)
Price-level restatement	(4.24)	(21,109)	(4.39)	(20,524)
Tax from previous period	0.21	1,051	(0.40)	(1,854)
Non-deductible expenses tax	0.53	2,621	0.48	2,225
Effect in deferred taxes (changes in tax rate)	(1.46)	(7,282)	(2.18)	(10,167)
Other	0.48	2,400	(0.56)	(2,605)
Effective rate and income tax expense	14.03	69,868	10.36	48,439

(*) The tax benefit associated with the dividend payment made to SAOS, as payment of the subordinated debt held with the Central Bank, should disappear as the liability of SM-Chile with the Central Bank is completely paid off.

The effective rate for income tax for the period ended as of September 30, 2016 is 14.03% (10.36% in September 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.

Edgar Filing: BANK OF CHILE - Form 6-K

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. For this scheme, the law 20,780 establishes a gradual increase of tax rates first category according to the following table:

Year	Rate
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\$7,282 million (Ch\$10,167 million in 2015).

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

17. Current and Deferred Taxes, continued:

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

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

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

	Balances as of December 31, 2015 MCh\$	Income MCh\$	Effect on Equity MCh\$	Balances as of September 30, 2016 MCh\$
Debit Differences:				
Allowances for loan losses	178,168	15,477		193,645
Personnel provisions	7,867	(411)		7,456
Staff vacation	6,268	498		6,766
Accrued interests and indexation adjustments from impaired loans	4,024	(437)		3,587
Staff severance indemnities provisions	1,352	1,113		2,465
Provision of credit cards expenses	13,628	(1,215)		12,413
Provision of accrued expenses	11,788	4,226		16,014
Leasing	18,239	11,120		29,359
Other adjustments	14,638	415		15,053
Total debit differences	255,972	30,786		286,758
Credit Differences:				
Depreciation and price-level restatement of property and equipment	13,163	1,053		14,216
Adjustment for valuation of financial assets available-for-sale	12,582		(12,201)	381
Transitory assets	2,640	2,905		5,545
Loans accrued to effective rate	2,565	(299)		2,266
Other adjustments	2,003	2,703		4,706
Total credit differences	32,953	6,362	(12,201)	27,114
Deferred tax assets (liabilities), net	223,019	24,424	12,201	259,644

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

17. Current Taxes and Deferred Taxes, continued:

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

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

	Balance as of December 31, 2014 MCh\$	Effect on Income MCh\$	Equity MCh\$	Balance as of September 30, 2015 MCh\$	Effect on Income MCh\$	Equity MCh\$	Balance as of December 31, 2015 MCh\$
Debit differences:							
Allowances for loan losses	146,562	18,075		164,637	13,531		178,168
Personnel provisions	9,314	(3,298)		6,016	1,851		7,867
Staff vacations	5,489	485		5,974	294		6,268
Accrued interest and indexation adjustments from impaired loans	3,738	434		4,172	(148)		4,024
Staff severance indemnities provision	1,460	(152)		1,308	35	9	1,352
Provisions of credit card expenses	10,637	2,396		13,033	595		13,628
Provisions of accrued expenses	11,466	2,838	101	14,405	(2,617)		11,788
Leasing		12,518		12,518	5,721		18,239
Other adjustments	14,203	2,258		16,461	(1,823)		14,638
Total debit differences	202,869	35,554	101	238,524	17,439	9	255,972
Credit differences:							
Depreciation of property and equipment and investment properties	14,304	(1,013)		13,291	(128)		13,163
Adjustment for valuation financial assets available-for-sale	9,860		793	10,653		1,929	12,582
Leasing equipment	2,992	(2,992)					
Transitory assets	2,478	1,235		3,713	(1,073)		2,640
Derivative instruments adjustment	13	(13)					
Accrued interest to effective rate	2,308	83		2,391	174		2,565
Other adjustments	3,074	269		3,343	(1,340)		2,003
Total credit differences	35,029	(2,431)	793	33,391	(2,367)	1,929	32,953
Total Assets (Liabilities) net	167,840	37,985	(692)	205,133	19,806	(1,920)	223,019

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

18. Other Assets:

(a) Item detail:

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

	September 2016 MCh\$	December 2015 MCh\$
Assets held for leasing (*)	86,888	117,332
Assets received or awarded as payment (**)		
Assets awarded in judicial sale	4,301	5,644
Assets received in lieu of payment	678	785
Provision for assets received in lieu of payment	(192)	(176)
Subtotal	4,787	6,253
Other Assets		
Deposits by derivatives margin	154,684	226,213
Other accounts and notes receivable	38,231	21,644
Documents intermediated (***)	26,127	30,729
Prepaid expenses	15,893	6,915
Investment properties	14,766	15,041
Servipag available funds	12,243	13,922
VAT receivable	10,476	10,143
Recoverable income taxes	7,566	8,718
Commissions receivable	6,487	7,558
Pending transactions	2,144	3,472
Rental guarantees	1,813	1,743
Materials and supplies	781	643
Recovered leased assets for sale	707	625
Accounts receivable for sale of assets received in lieu of payment	21	752
Others	12,115	12,795
Subtotal	304,054	360,913
Total	395,729	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 0.0183% (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.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

18. Other Assets, continued:

(b) Movements in the provision for assets received in lieu of payment during the nine-month period ended as of September 30, 2016 and 2015 are detailed as follows:

Provision for assets	MCh\$
Balance as of January 1, 2015	207
Provisions used	(60)
Provisions established	75
Provisions released	
Balance as of September 30, 2015	222
Provisions used	(128)
Provisions established	82
Provisions released	
Balance as of December 31, 2015	176
Provisions used	(483)
Provisions established	499
Provisions released	
Balance as of September 30, 2016	192

19. Current accounts and Other Demand Deposits:

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

	September 2016 MCh\$	December 2015 MCh\$
Current accounts	6,339,999	6,900,590
Other demand deposits	799,824	892,485
Other demand deposits and accounts	489,185	533,973
Total	7,629,008	8,327,048

20. Savings accounts and Time Deposits:

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

	September 2016 MCh\$	December 2015 MCh\$
Time deposits	10,254,302	9,529,974
Term savings accounts	215,042	205,171
Other term balances payable	103,491	172,547
Total	10,572,835	9,907,692

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

21. Borrowings from Financial Institutions:

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

	September 2016 MCh\$	December 2015 MCh\$
Domestic banks		
Foreign banks		
Foreign trade financing		
Citibank N.A.	268,516	283,803
Bank of America	152,516	150,208
The Bank of New York Mellon	138,206	149,617
HSBC Bank	112,209	121,027
Wells Fargo Bank	98,943	112,933
Sumitomo Mitsui Banking	65,761	35,421
Mizhuo Bank Ltda	59,161	
Standard Chartered Bank	34,553	56,975
ING Bank	29,882	31,873
Bank of Nova Scotia	26,325	94,298
Zuercher Kantonalbank	13,830	22,011
Toronto Dominion Bank	9,863	63,788
Commerzbank A.G.	2,743	1,446
Canadian Imperial Bank of Commerce		166,918
Bank of Montreal		92,096
Others	1,009	840
Borrowings and other obligations		
Wells Fargo Bank	98,889	106,463
Deutsche Bank AG	5,036	
Citibank N.A.	3,028	37,571
Others	2,716	2,333
Subtotal foreign trade financing	1,123,186	1,529,621
Chilean Central Bank	4	6
Total	1,123,190	1,529,627

(b) Chilean Central Bank Obligations

Edgar Filing: BANK OF CHILE - Form 6-K

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

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

	September 2016 MCh\$	December 2015 MCh\$
Borrowings and other obligations		
Total credit lines for the renegotiation of loans	4	6
Total	4	6

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

22. Debt Issued:

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

	September 2016 MCh\$	December 2015 MCh\$
Mortgage bonds	36,103	46,381
Bonds	5,405,951	5,270,214
Subordinated bonds	723,290	785,613
Total	6,165,344	6,102,208

During the period ended as of September 30, 2016, Banco de Chile issued bonds by an amount of Ch\$1,196,672 million, of which corresponds to Unsubordinated bonds, Commercial papers and Subordinated Bonds by an amount of Ch\$646,290 million, Ch\$468,177 million and Ch\$82,205 million respectively, according to the following details:

Bonds

Serie	Amount MCh\$	Terms Years	Rate %	Currency	Issue date	Maturity date
BCHIAR0613	8,497					