BANK OF CHILE
Form 6-K
January 30, 2018
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FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16

of the Securities Exchange Act of 1934

For the month of January, 2018

Commission File Number 001-15266

BANK OF CHILE

(Translation of registrant s name into English)

Paseo Ahumada 251

Santiago, Chile

(Address of principal executive offices)

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

Form 20-F x Form 40-F o

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): o

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): o

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 o No x

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

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BANCO DE CHILE

REPORT ON FORM 6-K

Attached Banco de Chile s Interim Consolidated Financial Statements with notes as of December 31, 2017.

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BANCO DE CHILE AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

As of December 31, 2017 and 2016

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BANCO DE CHILE AND SUBSIDIARIES

(Free translation of consolidated financial statements originally issued in Spanish)

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

MCh$	=	Millions of Chilean pesos
ThUS$	=	Thousands of U.S. dollars
UF or CLF	=	Unidad de Fomento (The UF 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. dollar
JPY	=	Japanese yen
EUR	=	Euro
HKD	=	Hong Kong dollar
PEN	=	Peruvian Sol
CHF	=	Swiss Franc
IFRS	=	International Financial Reporting Standards
IAS	=	International Accounting Standards
RAN	=	Compilation of Standards of the Chilean Superintendency of Banks (SBIF)
IFRIC	=	International Financial Reporting Interpretations Committee
SIC	=	Standards Interpretation Committee

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BANCO DE CHILE AND SUBSIDIARIES

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BANCO DE CHILE AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

For the years ended December 31, 2017 and 2016

(Free translation of financial statements originally issued in Spanish)

(Expressed in million of Chilean pesos)

	Notes	2017 MCh$	2016 MCh$
ASSETS			
Cash and due from banks	7	1,057,393	1,408,167
Transactions in the course of collection	7	521,809	376,252
Financial assets held-for-trading	8	1,616,647	1,405,781
Cash collateral on securities borrowed and reverse repurchase agreements	9	91,641	55,703
Derivative instruments	10	1,247,829	939,634
Loans and advances to banks	11	759,702	1,172,917
Loans to customers, net	12	24,881,353	24,775,543
Financial assets available-for-sale	13	1,516,063	367,985
Financial assets held-to-maturity	13		
Investments in other companies	14	38,041	32,588
Intangible assets	15	39,045	29,341
Property and equipment	16	216,259	219,082
Current tax assets	17	23,032	6,792
Deferred tax assets	17	267,400	281,713
Other assets	18	547,974	462,185
TOTAL ASSETS		**32,824,188**	**31,533,683**
LIABILITIES			
Current accounts and other demand deposits	19	8,915,706	8,321,148
Transactions in the course of payment	7	295,712	194,982
Cash collateral on securities lent and repurchase agreements	9	195,392	216,817
Savings accounts and time deposits	20	10,067,778	10,552,901
Derivative instruments	10	1,414,237	1,002,087
Borrowings from financial institutions	21	1,195,028	1,040,026
Debt issued	22	6,488,975	6,177,927
Other financial obligations	23	137,163	186,199
Current tax liabilities	17	3,453	135
Deferred tax liabilities	17		
Provisions	24	695,868	662,024
Other liabilities	25	309,161	292,026
TOTAL LIABILITIES		**29,718,473**	**28,646,272**
EQUITY	27		
Attributable to Bank s Owners:			
Capital		2,271,401	2,138,047
Reserves		563,188	486,208
Other comprehensive income		(8,040)	(19,921)
Retained earnings:			
Retained earnings from previous years		16,060	16,060
Income for the year		576,012	552,249

Less:		
Provision for minimum dividends	(312,907)	(285,233)
Subtotal	**3,105,714**	**2,887,410**
Non-controlling interests	**1**	**1**
TOTAL EQUITY	**3,105,715**	**2,887,411**
TOTAL LIABILITIES AND EQUITY	**32,824,188**	**31,533,683**

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

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BANCO DE CHILE AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

For the years ended December 31, 2017 and 2016

(Free translation of financial statements originally issued in Spanish)

(Expressed in million of Chilean pesos)

	Notes	2017 MCh$	2016 MCh$
Interest revenue	28	1,881,443	1,911,628
Interest expense	28	(652,005)	(690,259)
Net interest income		**1,229,438**	**1,221,369**
Income from fees and commissions	29	471,702	441,043
Expenses from fees and commissions	29	(124,028)	(119,772)
Net fees and commission income		**347,674**	**321,271**
Net financial operating income	30	(8,250)	148,883
Foreign exchange transactions, net	31	104,875	12,405
Other operating income	36	35,533	30,866
Total operating revenues		**1,709,270**	**1,734,794**
Provisions for loan losses	32	(234,982)	(309,735)
OPERATING REVENUES, NET OF PROVISIONS FOR LOAN LOSSES		**1,474,288**	**1,425,059**
Personnel expenses	33	(409,331)	(417,918)
Administrative expenses	34	(311,455)	(306,344)
Depreciation and amortization	35	(35,251)	(33,289)
Impairment	35	(166)	(274)
Other operating expenses	37	(33,095)	(30,458)
TOTAL OPERATING EXPENSES		**(789,298)**	**(788,283)**
NET OPERATING INCOME		**684,990**	**636,776**
Income attributable to associates	14	6,057	4,513
Income before income tax		**691,047**	**641,289**
Income tax	17	(115,034)	(89,040)
NET INCOME FOR THE YEAR		**576,013**	**552,249**
Attributable to:			
Bank s Owners	27	576,012	552,249
Non-controlling interests		1	
		Ch$	**Ch$**
Net income per share attributable to Bank s Owners:			

Basic net income per share	27	5.79	5.55
Diluted net income per share	27	5.79	5.55

The accompanying notes 1 to 42 are an integral consolidated financial statements

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BANCO DE CHILE AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2017 and 2016

(Free translation of financial statements originally issued in Spanish)

(Expressed in million of Chilean pesos)

	Notes	2017 MCh$	2016 MCh$
NET INCOME FOR THE YEAR		**576,013**	**552,249**
OTHER COMPREHENSIVE INCOME THAT WILL BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS			
Net gains (losses) on available-for-sale instruments valuation	13	1,004	(51,571)
Net gains (losses) on derivatives held as cash flow hedges	10	14,979	(50,481)
Gains (losses) on cumulative translation adjustment	27		(59)
Subtotal Other comprehensive income before income taxes		**15,983**	**(102,111)**
Income tax relating to the components of other comprehensive income that are reclassified in income for the year		(4,102)	24,481
Total other comprehensive income items that will be reclassified subsequently to profit or loss		**11,881**	**(77,630)**
OTHER COMPREHENSIVE INCOME THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS			
Adjustment for defined benefit plans		164	169
Subtotal other comprehensive income before income taxes		**164**	**169**
Income tax relating to the components of other comprehensive income that will not be reclassified to income for the year		(45)	(45)
Total other comprehensive income items that will not be reclassified subsequently to profit or loss		**119**	**124**
CONSOLIDATED COMPREHENSIVE INCOME FOR THE YEAR		**588,013**	**474,743**
Attributable to:			
Bank s Owners		588,012	474,743
Non-controlling interests		1	

The accompanying notes 1 to 42 are an integral consolidated financial statements

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BANCO DE CHILE AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2017 and 2016

(Free translation of financial statements originally issued in Spanish)

(Expressed in millions of Chilean pesos)

			Reserves		**Other comprehensive income**				**Retained earnings**			
	Notes	**Paid-in Capital MCh$**	**Other non-earnings reserves MCh$**	**Reserves from earnings MCh$**	**Unrealized gains (losses) on available-for-sale MCh$**	**Derivatives cash flow hedge MCh$**	**Cumulative translation adjustment MCh$**	**Income Tax MCh$**	**Retained earnings from previous years MCh$**	**Income (losses) for the year MCh$**	**Provision for minimum dividends MCh$**	**Attributable to equity holders of the parent MCh$**
Balances as of December 31, 2015		**2,041,173**	**31,809**	**358,807**	**52,418**	**22,951**	**59**	**(17,719)**	**16,060**	**558,995**	**(324,469)**	**2,740,084**
Capitalization of retained earnings		96,874								(96,874)		
Retention (released) of profits according to bylaws	27			95,467						(95,467)		
Dividends distributions and paid	27									(366,654)	324,469	(42,185)
Capital increase in other companies			1									1
Defined benefit plans adjustment			124									124
Other comprehensive income:	27											
Cumulative translation adjustment							(59)					(59)
Cash flow hedge adjustment, net						(50,481)		12,115				(38,366)
Valuation adjustment on available-for-sale instruments (net)					(51,571)			12,366				(39,205)
Income for the year 2016	27									552,249		552,249
Provision for minimum dividends	27										(285,233)	(285,233)
Balances as of December 31,		**2,138,047**	**31,934**	**454,274**	**847**	**(27,530)**		**6,762**	**16,060**	**552,249**	**(285,233)**	**2,887,410**

2016											
Capitalization of retained earnings	27	133,354							(133,354)		
Retention (release) of profits according to bylaws	27			76,861					(76,861)		
Dividends distributions and paid	27								(342,034)	285,233	(56,801)
Defined benefit plans adjustment			119								119
Other comprehensive income:	27										
Derivatives cash flow hedge, net						14,979	(3,820)				11,159
Valuation adjustment on available-for- sale instruments (net)					1,004		(282)				722
Income for the year 2017	27								576,012		576,012
Provision for minimum dividends	27									(312,907)	(312,907)
Balances as of December 31, 2017		**2,271,401**	**32,053**	**531,135**	**1,851**	**(12,551)**	**2,660**	**16,060**	**576,012**	**(312,907)**	**3,105,714**

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

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BANCO DE CHILE AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2017 and 2016

(Free translation of financial statements originally issued in Spanish)

(Expressed in million of Chilean pesos)

	Notes	2017 MCh$	2016 MCh$
OPERATING ACTIVITIES:			
Net income for the year		576,013	552,249
Items that do not represent cash flows:			
Depreciation and amortization	35	35,251	33,289
Impairment	35	166	274
Provision for loans and accounts receivable from customers and owed by banks	32	280,109	310,034
Provision of contingent loans	32	4,350	(5,532)
Additional provisions	32		52,075
Fair value adjustment of financial assets held-for-trading		1,614	(2,394)
Changes in assets and liabilities by deferred taxes	17	13,987	(46,374)
(Gain) loss attributable to investments in companies with significant influence, net	14	(5,511)	(4,019)
(Gain) loss from sales of assets received in lieu of payment,net	36	(6,212)	(5,269)
(Gain) loss on sales of property and equipment, net	36-37	(623)	(183)
Charge-offs of assets received in lieu of payment	37	7,550	3,329
Other charges (credits) to income that do not represent cash flows		(473)	(14,203)
Change in the exchange rate of assets and liabilities		38,374	28,892
Net interest variation, readjustment and accrued fees on assets and liabilities		(54,294)	(142,279)
Changes in assets and liabilities that affect operating cash flows:			
(Increase) decrease in loans and advances to banks, net		413,572	221,396
(Increase) decrease in loans to customers		(464,748)	(1,037,132)
(Increase) decrease in financial assets held-for-trading, net		36,398	(348,675)
(Increase) decrease in other assets and liabilities		41,348	77,547
Increase (decrease) in current account and other demand deposits		594,306	(4,536)
Increase (decrease) in payables from repurchase agreements and security lending		(20,474)	21,725
Increase (decrease) in savings accounts and time deposits		(441,173)	635,155
Sale of assets received in lieu of payment or adjudicated		17,950	14,513
Total cash flows from operating activities		**1,067,480**	**339,882**
INVESTING ACTIVITIES:			
(Increase) decrease in financial assets available-for-sale, net		(1,139,029)	442,487
Purchases of property and equipment	16	(23,224)	(27,819)
Sales of property and equipment		652	220
Acquisition of intangible assets	15	(18,779)	(11,248)
Acquisition of investments in companies	14		(1,129)
Dividends received from investments in companies		1,030	1,166
Total cash flows from investing activities		**(1,179,350)**	**403,677**
FINANCING ACTIVITIES:			
Redemption of letters of credit		(5,818)	(8,552)

Issuance of bonds	22	1,399,001	1,420,037
Redemption of bonds		(1,024,758)	(1,281,182)
Dividends paid	27	(342,034)	(366,654)
Increase (decrease) in borrowings from foreign financial institutions		154,552	(489,157)
Increase (decrease) in other financial obligations		(44,938)	17,467
Increase (decrease) in other obligations with Central Bank of Chile		(2)	(3)
Other long-term borrowings		8	17,808
Payment of other long-term borrowings		(3,349)	(21,359)
Total cash flows from financing activities		**132,662**	**(711,595)**
TOTAL NET POSITIVE (NEGATIVE) CASH FLOWS FOR THE YEAR		**20,792**	**31,964**
Effect of exchange rate changes		**(38,374)**	**(28,892)**
Cash and cash equivalents at beginning of year		**2,096,980**	**2,093,908**
Cash and cash equivalents at end of year	7	**2,079,398**	**2,096,980**

	2017 MCh$	**2016 MCh$**
Operational Cash flow interest:		
Interest received	1,928,523	1,816,477
Interest paid	(753,379)	(737,387)

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

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BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of December 31, 2017 and 2016

1. Corporate information:

Banco de Chile is authorized to operate as a commercial bank since September 17, 1996, being, in conformity with the stipulations of article 25 of Law No. 19,396, the legal continuation of Banco de Chile resulting from the merger of the Banco Nacional de Chile, Banco Agrícola and Banco de Valparaiso, which was constituted by public deed dated October 28, 1893, granted before the Notary Public of Santiago, Mr. Eduardo Reyes Lavalle, authorized by Supreme Decree of November 28, 1893.

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, it is subject to the supervision of the Securities and Exchange Commission of the United States of America (SEC), in consideration of the fact that the Bank is registered on the New York Stock Exchange (NYSE), through a program of American Depositary Receipt (ADR).

Banco de Chile offers a broad range of banking services to its customers, ranging from individuals to large corporations. The services are managed in the areas of corporations and large companies, medium and small companies and personal and consumer banking. Additionally, the Bank offers international as well as treasury banking services, in addition to those offered by subsidiaries that include securities brokerage, mutual fund and investment management, insurance brokerage, financial advisory services and securitization.

Banco de Chile s legal address is Paseo Ahumada 251, Santiago, Chile and its website is www.bancochile.cl.

The Consolidated Financial Statements of Banco de Chile, for the year ended December 31, 2017 were approved by the Directors on January 25, 2018.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Principles:

(a) Basis of preparation:

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

Based on the aforementioned laws, banks should use the criteria provided by the Superintendency in accordance with the Compendium of Accounting Standards (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.

(b) Basis of consolidation:

The financial statements of Banco de Chile as of December 31, 2017 and 2016 have been consolidated with its Chilean subsidiaries and foreign subsidiary using the global integration method (line-by-line). They include preparation of individual financial statements of the Bank and companies that participate in the consolidation, and it include adjustments and reclassifications necessary to homologue accounting policies and valuation criteria applied by the Bank. The Consolidated Financial Statements have been prepared using the same accounting policies for similar transactions and other events in equivalent circumstances.

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Principles, continued:

(b) Basis of consolidation, continued:

(i) Subsidiaries

Consolidated financial statements as of December 31, 2017 and 2016 incorporate financial statements of the Bank and its subsidiaries. According IFRS 10 Consolidated Financial Statements , control requires exposure or rights to variable returns and the ability to affect those returns through power over an investee. Specifically the Bank have power over the investee when has existing rights that give it the ability to direct the relevant activities of the investee.

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

- The amount of voting rights that the Bank has, related to the amount of voting rights of the others stakeholders.

- Potential voting rights maintained by the Bank, other holders of voting rights or other parties.

- Rights emanated from other contractual arrangements.

- Any additional circumstance that indicate that the Bank have or have not the ability to manage the relevant activities when that decisions need to be taken, including behavior patterns of vote in previous shareholders meetings.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Principles, continued:

(b) Basis of consolidation, continued:

(i) Subsidiaries, continued:

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

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

				Interest Owned					
				Direct		Indirect		Total	
RUT	Subsidiaries	Country	Functional Currency	2017 %	2016 %	2017 %	2016 %	2017 %	2016 %
96,767,630-6	Banchile Administradora General de Fondos S.A.	Chile	Ch$	99.98	99.98	0.02	0.02	100.00	100.00
96,543,250-7	Banchile Asesoría Financiera S.A.	Chile	Ch$	99.96	99.96			99.96	99.96
77,191,070-K	Banchile Corredores de Seguros Ltda.	Chile	Ch$	99.83	99.83	0.17	0.17	100.00	100.00
96,571,220-8	Banchile Corredores de Bolsa S.A.	Chile	Ch$	99.70	99.70	0.30	0.30	100.00	100.00
96,932,010-K	Banchile Securitizadora S.A.	Chile	Ch$	99.01	99.01	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

(ii) Associates and Joint Ventures

Associates

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Principles, continued:

(b) Basis of consolidation, continued:

(ii) Associates and Joint Ventures, continued:

Joint Ventures

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

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

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

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

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

- Artikos S.A.
- Servipag Ltda.

(iii) Shares or rights in other companies

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

(iv) Special purpose entities

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

As of December 31, 2017 and 2016 the Bank does not control and has not created any SPEs.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Principles, continued:

(b) Basis of consolidation, continued:

(v) Fund management

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

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

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

The Bank and its subsidiaries manage on behalf and for the benefit of investors, acting in that relationship only as Agent. Under this category, and as provided in the aforementioned rule, do not control these funds when they exercise their authority to make decisions. Therefore, as of December 31, 2017 and 2016 act as agent, and therefore do not consolidate any fund.

(c) Non-controlling interest:

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

(d) Use of estimates and judgment:

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 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).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Principles, continued:

(d) Use of estimates and judgments, continued:

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

During the year ended December 31, 2017 there have been no significant changes in the estimates made.

(e) Financial asset and liability valuation criteria:

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

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

(i) Initial recognition

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

(ii) Classification

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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2. Summary of Significant Accounting Principles, continued:

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

(iii) Derecognition of financial assets and financial liabilities

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

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

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

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

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

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

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Principles, continued:

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

(iv) Offsetting

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

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

(v) Valuation at amortized cost

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Principles, continued:

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

(vi) Fair value measurements

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

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

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

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

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. However, when transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognized in income.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Principles, continued:

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

(vi) Fair value measurements, continued:

On the other hand, it should be noted that the Bank has financial assets and liabilities offset each other s market risks, based on which average market prices are used as a basis for determining their fair value.

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

The Bank s fair value disclosures are included in Note No. 39.

(f) Functional currency:

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

(g) Transactions in foreign currency:

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

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2. Summary of Significant Accounting Principles, continued:

(g) Transactions in foreign currency, continued:

As of December 31, 2017, the Bank applied the exchange rate of accounting representation according to the standards issued by the Superintendency of Banks, where assets expressed in dollars are shown to their equivalent value in Chilean pesos calculated using the following exchange rate of Ch$615.43 US$1 (Ch$670.40 to US$1 in 2016).

The gain of Ch$104,875 million for net foreign exchange transactions, net (foreign exchange income of Ch$12,405 million in 2016) shown in the Consolidated Statement of Comprehensive Income, includes recognition of the effects of exchange rate variations on assets and liabilities in foreign currency or indexed to exchange rates, and the result of foreign exchange transactions conducted by the Bank and its subsidiaries.

(h) Business Segments:

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

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

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

(iii) That separate financial information is available.

(i) Cash and cash equivalents:

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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2. Summary of Significant Accounting Principles, continued:

(i) Cash and cash equivalents, continued:

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

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

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

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

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

(j) Financial assets held-for-trading:

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Principles, continued:

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

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

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

As of December 31, 2017 and 2016 it not exist operations corresponding to securities lending.

(l) Derivative instruments:

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

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

In addition, the Bank includes in the valorization of derivatives the Counterparty Valuation Adjustment (CVA), to reflect the counterparty risk in the determination of fair value. This valorization doesn t consider the Bank s own credit risk, known as Debit Valuation Adjustment (DVA) in conformity with standards issued by SBIF.

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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2. Summary of Significant Accounting Principles, continued:

(l) Derivative instruments, continued:

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

(1) A hedge of the fair value of existing assets or liabilities or firm commitments, or

(2) A hedge of cash flows related to existing assets or liabilities or forecasted transactions.

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

(a) at its inception, the hedge relationship has been formally documented;

(b) it is expected that the hedge will be highly effective;

(c) the effectiveness of the hedge can be measured in a reasonable manner; and

(d) the hedge is highly effective with respect to the hedged risk on an ongoing basis and throughout the entire hedge relationship.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Principles, continued:

(l) Derivative instruments, continued:

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

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

(m) Loans to customers:

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

(i) Valuation method

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Principles, continued:

(m) Loans to customers, continued:

(ii) Lease contracts

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

(iii) Factoring transactions

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

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

(iv) Impairment of loans

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

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

b) Debtors subject to assessment group evaluation, the impaired portfolio includes all credits of the Non-complying loans defined in letter m) v. iv).

(v) Allowance for loan losses

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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2. Summary of Significant Accounting Principles, continued:

(m) Loans to customers, continued:

(v) Allowance for loan losses, continued:

(v.i) Allowance for individual evaluations:

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

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

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

v.i.1 Normal Loans and Substandard Loans:

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

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

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

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

Classification	Category of the debtors	Probability of default (%)	Loss given default (%)	Expected loss (%)
Normal Loans	A1	0.04	90.0	0.03600
	A2	0.10	82.5	0.08250
	A3	0.25	87.5	0.21875
	A4	2.00	87.5	1.75000
	A5	4.75	90.0	4.27500
	A6	10.00	90.0	9.00000
Substandard Loans	B1	15.00	92.5	13.87500
	B2	22.00	92.5	20.35000
	B3	33.00	97.5	32.17500
	B4	45.00	97.5	43.87500

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Principles, continued:

(m) Loans to customers, continued:

(v) Allowance for loan losses, continued:

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

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

Allowances for Normal and Substandard Loans:

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

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

The banks must use the following equation:

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

Where:

ESA = Exposure subject to allowances

GE = Guaranteed exposure

ESA = (Loans + Contingent Loans) Financial Guarantees

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

v.i.2 Non-complying Loans

The non-complying loans corresponds to borrowers and its credits whose payment capacity is seriously at risk and who have obvious signs that the will not pay in the future. This category comprises all loans and contingent loans outstanding from debtors that have at least one installment payment of interest or principal overdue for 90 days or more.

This portfolio is composed of the debtors belonging to categories C1 to C6 of the rating scale and all credits, including 100% of the amount of contingent loans, held by those same debtors.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Principles, continued:

(m) Loans to customers, continued:

(v) Allowance for loan losses, continued:

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

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

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

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

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

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

Expected loss = (TE R) / TE

Allowance = TE x (AP/100)

Where:

TE = total exposure

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

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

All credits of the debtor must be kept in the Default Portfolio until there is a normalization of their ability or payment behavior, without prejudice to punishment of each particular credit that meets the condition indicated in point (vi) of this letter in order to remove a debtor from the Default Portfolio, once the circumstances that lead to classification in this portfolio according to the present rules have been overcome, at least the following copulative conditions must be met:

- No obligation of the debtor with the bank with more than 30 calendar days overdue.
- No new refinances granted to pay its obligations.
- At least one of the payments includes 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 have direct debts unpaid in the SBIF s recast information, except in the case of insignificant amounts.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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2. Summary of Significant Accounting Principles, continued:

(m) Loans to customers, continued:

(v) Allowance for loan losses, continued:

(v.ii) Allowances for group evaluations

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

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

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

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

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

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

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

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Principles, continued:

(m) Loans to customers, continued:

(iv) Allowance for loan losses, continued

(v.iii) Standard method of provisions for Mortgage Loans

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

Provision factor applicable according past due and CMG

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

Where:

PD : Probability of default

LGD : Loss given default

EAD : Exposure at default

CMG : Outstanding loan capital Mortgage Guarantee value

In the event that a single debtor maintains more than one home mortgage loan with the bank and one of them is 90 days or more behind, all such loans will be assigned to the defaulted portfolio, calculating the provisions for each one of them. They agree with their respective percentages of CMG.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Principles, continued:

(m) Loans to customers, continued:

(iv) Allowance for loan losses, continued

(v.iv) Portfolio in default

The portfolio in default includes all placements and 100% of the amount of the contingent loans, of the debtors that the closing of a month presents a delay equal to or greater than 90 days in the payment of the interest of the capital of any credit. It will also include debtors who are granted a credit to leave an operation that has more than 60 days of delay in their payment, as well as those debtors who were subject to forced restructuring or partial forgiveness of a debt.

They may exclude from the portfolio in default: a) mortgage loans for housing, which delinquent less than 90 days, unless the debtor has another loan of the same type with greater delinquency; and, b) credits for financing higher studies of Law No. 20,027, which do not yet present the non-compliance conditions indicated in Circular No. 3,454 of December 10, 2008.

All credits of the debtor must be kept in the Default Portfolio until there is a normalization of their ability or payment behavior, without prejudice to punishment of each particular credit that meets the condition indicated in point (vi) of this letter in order to remove a debtor from the Default Portfolio, once the circumstances that lead to classification in this portfolio according to the present rules have been overcome, at least the following copulative conditions must be met:

- No obligation of the debtor with the bank with more than 30 calendar days overdue.
- No new refinances granted to pay its obligations.
- At least one of the payments includes 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.

(vi) Charge-offs

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

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Principles, continued:

(m) Loans to customers, continued:

(vi) Charge-offs, continued:

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

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

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

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

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

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

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Principles, continued:

(m) Loans to customers, continued:

(vi) Charge-offs, continued:

(vi.ii) Charge-offs of lease operations

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

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

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

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

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

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

(vii) Loan loss recoveries

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

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

(viii) Renegotiations of charge-off transactions

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

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Principles, continued:

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

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

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

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

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

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

As of December 31, 2017 and 2016, the Bank does not held to maturity instruments.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Principles, continued:

(o) Intangible:

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

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

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

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

(p) Property and equipment:

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

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

Estimated useful lives for 2017 and 2016 are as follows:

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Principles, continued:

(q) Deferred taxes and income taxes:

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

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

Deferred tax assets are recognized only when it is likely that future tax profits will be sufficient to recover deductions for temporary differences. According to instructions from the Chilean Superintendency of Banks (SBIF), deferred taxes are presented in the the statement of financial position according to IAS 12 Income Tax .

(r) Assets received in lieu of payment:

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

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

(s) Investment properties:

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

(t) Debt issued:

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Principles, continued:

(u) Provisions and contingent liabilities:

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

i) a present obligation has arisen from a past event and,

ii) as of the date of the financial statements it is probable that the Bank or its subsidiaries have to disburse resources to settle the obligation and the amount can be reliably measured.

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

The following are classified as contingent in the complementary information:

i. Guarantees and sureties: Comprises guarantees, sureties and standby letters of credit. In addition it includes payment guarantees for purchases in factoring transactions.

ii. Confirmed foreign letters of credit: Corresponds to letters of credit confirmed by the Bank.

iii. Documentary letters of credit: Includes documentary letters of credit issued by the Bank which have not yet been negotiated.

iv. Documented guarantee: Guarantee with promissory notes.

v. Undrawn credit lines: The unused amount of credit lines that allow customers to draw without prior approval by the Bank (for example, using credit cards or overdrafts in checking accounts).

vi. Other credit commitments: Amounts not yet lent under committed loans, which must be disbursed at an agreed future date when events contractually agreed upon with the customer occur, such as in the case of lines of credit linked to the progress of a construction or similar projects.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Principles, continued:

(u) Provisions and contingent liabilities, continued:

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

Exposure to credit risk on contingent loans:

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

Type of contingent loan	**Exposure**
a) Guarantors and pledges	100%
b) Confirmed foreign letters of credit	20%
c) Documentary letters of credit issued	20%
d) Guarantee deposits	50%
e) Undrawn credit lines	35%
f) Other loan commitments:	
- College education loans Law No. 20,027	15%
- Others	100%
g) Other contingent loans	100%

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Principles, continued:

(v) Provisions for minimum dividends:

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

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

(w) Employee benefits:

(i) Staff accrued vacations

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

(ii) Short-term benefits

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

(iii) Staff severance indemnities

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Principles, continued:

(w) Employee benefits, continued:

(iii) Staff severance indemnities, continued:

Obligations for this defined benefits plan are valued according to the projected unit credit actuarial valuation method, using inputs such as staff turnover rates, expected salary growth in wages and probability that this benefit will be used, discounted at current long-term rates (4.53% as of December 31, 2017 and 4.29% as of December 31, 2016).

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

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

(x) Earnings per share:

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

Diluted earnings per share is determined in a similar manner as basic earnings per share, but the average weighted number of shares in circulation is adjusted to account for the dilutive effect of stock options, warrants and convertible debt. As of December 31, 2017 and 2016, the Bank does not have any instruments or contracts that could cause dilutions. Therefore, no adjustments have been made.

(y) Interest revenue and expense:

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

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Principles, continued:

(y) Interest revenue and expense, continued:

Loans with individual evaluation:

- Loans classified in categories C5 and C6: Accrual is suspended by the sole fact of being in the impaired portfolio.
- Loans classified in categories C3 and C4: The accrual is suspended after have fulfilled three months in the impaired portfolio.

Group evaluation loans:

- Any credit, with the exception of those that have guarantees that reach at least 80%: The accrual is suspended when the credit or one of its installments has reached six months of delay in its payment.

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

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

(z) Fees and commissions:

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

- Fees earned from an single act are recognized once the act has taken place.

- Fees earned from transactions or services provided over a longer period of time are recognized over the life of the transactions or services.

- Loan commitment fees for loans that are likely to be drawn down and other credit-related fees are deferred (together with incremental costs) and recognized as an adjustment to the effective interest rate of the loan. When it is unlikely that a loan is drawn down, the fees are recognized over the commitment period on a straight-line basis.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Principles, continued:

(aa) Identifying and measuring impairment:

Financial assets, different to loans to customers

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

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

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

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

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

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

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Principles, continued:

(aa) Identifying and measuring impairment, continued:

Non-financial assets

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

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

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Principles, continued:

(ab) Lease transactions:

(i) The Bank acting as lessor

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

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Principles, continued:

(ab) Lease transactions, continued:

(ii) The Bank acting as lessee

Assets held under finance leases are initially recognized on the balance sheet at an amount equal to the fair value of the leased property or, if lower, the present value of the minimum future payments guaranteed. As of December 31, 2017 and 2016, the Bank and its subsidiaries have not signed contracts of this nature.

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

(ac) Fiduciary activities:

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

(ad) Customer loyalty program:

The Bank maintains a customer loyalty programs as an incentive to its clients. The scheme grants its customers certain points depending on the value of credit card purchases they make. The so-collected points can be used to obtain services from a third party. The costs of the Bank s commitments with its customers derived from this program are recognized at current value on an accrual basis, considering the total of the points susceptible of being exchanged on the total accumulated prizes (Dolares-Premio), and also the probability of exchanging them.

(ae) Additional provisions:

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

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

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

As of December 31, 2017 and 2016 the additional provisions amounted Ch$213,252 million, which are presents in the item Provisions of the liability in the Consolidated Statement of Financial Position.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Principles, continued:

(af) Reclassifications:

According to instructions issued by the SBIF dated January 8, 2018, deferred taxes have been presented at the closing of these financial statements in accordance with the requirements of IAS 12 Income Tax . This standard establishes the clearance of deferred taxes when said concepts are related to taxes on the corresponding profits to the same fiscal administration, provided that the entity has the right to clearance the assets for current taxes with the current tax liabilities. The aforementioned generated a clearance of balances as of December 31, 2016 for Ch$24,317 million, according to the following:

	Balances as of December 31, 2017 MCh$	Clearance MCh$	Balances cleared in accordance with IAS 12 MCh$
Deferred tax assets	306,030	(24,317)	281,713
Deferred tax liabilities	24,317	(24,317)	

There have not been others significant reclassifications at the end of the year 2017.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

3. New Accounting Pronouncements:

3.1 Standards approved and/or modified by the International Accounting Standards Board (IASB) and by the Superintendency of Banks and Financial Institutions (SBIF):

3.1.1 Standards and interpretations that have been adopted in these Consolidated Financial Statements.

As of the date of issuance of these Consolidated Financial Statements, the new accounting pronouncements issued by both the International Accounting Standards Board and the Superintendency of Bank and Financial Institutions, which have been adopted by the Bank, are detailed below:

1. Accounting standards issued by IASB:

IAS 7 Statement of Cash Flows.

In January 2016, the IASB published amendments to IAS 7, which requires that entities provide additional disclosures to enable users of financial statements to evaluate changes in liabilities arising from financing activities, including changes from financing cash flows as well as changes that do not imply cash flows.

The date of application of these amendments is ***January 1, 2017***. This change has no impact on the Banco de Chile and subsidiaries

IAS 12 Income Taxes.

In January 2016, the IASB issued amendments to IAS 12, which clarify requirements regarding the recognition of deferred tax assets corresponding to debt instruments measured at fair value. Its recognition should be evaluated to the extent that it is probable that the entity has future taxable profits to use the deductible temporary difference.

The date of application of these modifications is ***January 1, 2017***. This modification had no impact for the Bank and its subsidiaries.

Annual improvements IFRS 2014-2016 cycle (IFRS 12 Disclosure of Interests in Other Entities)

In December 2016, the IASB issued the Annual Improvements to IFRS Cycle 2014-2016.

The amendment specifies the disclosure requirements set forth in IFRS 12 for holdings in entities that are within the scope of IFRS 5 Non-current Assets Held-for-Sale and Discontinued Operations .

The date of application of these amendments is ***January 1, 2017***. This change has no impact on the Banco de Chile and its subsidiaries.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

3. New Accounting Pronouncements, continued:

2. Accounting standards issued by the Chilean Superintendency of Banks and Financial Institutions (SBIF)

Circular No. 3,615. Compendium of Accounting Standards. Chapter C-2. Intermediate Financial Information Review Report.

On December 12, 2016, the SBIF issued Circular No. 3,615, which established that as from 2017, the financial statements referred to June 30 of each year must be submitted to the regulatory authority with the respective report issued by its external auditors in accordance with the Generally Accepted Auditing Standards (NAGA No. 63, section AU 930, or its international equivalent, SAS No. 122, section AU-C 930).

On July 31, 2017, the aforementioned interim financial statements were reported to the SBIF with the respective report of the external auditors.

3.1.2 New standards and interpretations that have been issued but its application date has not yet come into force:

The following is a summary of new standards, interpretations and improvements to the International Financial Reporting Standards issued by the International Accounting Standards Board and Superintendency of Banks and Financial Institutions that are not yet effective as of December 31, 2017:

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

3. New Accounting Pronouncements, continued:

1. Accounting standards issued by International Accounting Standards Board.

IFRS 9 Financial Instruments.

On July 24, 2014, the IASB concluded its improvement project on the accounting for financial instruments with the publication of IFRS 9 Financial Instruments.

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

The designation of the classification, determining how financial assets and liabilities are accounted for in the financial statements and, in particular, how they are measured. IFRS 9 introduces a new approach to the classification of financial assets, based on the entity s business model for the management of financial assets and the characteristics of 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.

This standard also established that the change in fair value that corresponds to own credit risk will be recorded in Other Comprehensive Income, thus reducing any eventual volatility that would be generated in the income of the entity as a result of its recognition. Earlier application of this improvement is permitted, prior to any other requirement of IFRS 9.

Mandatory adoption date is ***January 1, 2018***. However, for purposes of these financial statements, this standard has not been approved by the Chilean Superintendency of Banks and Financial Institutions, event required to its local application.

Notwithstanding the above, Banco de Chile in its capacity as issuer of securities on the New York Stock Exchange, during 2016 carried out a conceptual analysis related to the three aspects of IFRS 9. In order to comply with the new standards required for the preparation and presentation of the 20F Annual Report to the Securities and Exchange Commission (SEC), during 2017 the Bank and its subsidiaries initiated technological developments and other solutions to address the needs generated by the application of the new IFRS 9 accounting pronouncement, as are the implementation of models and procedures related to the Expected Loan Loss Model (ECL), the SPPI Test (Only Payment of Principal and Interest) and the Evaluation of the Business Model, among others. As of the date of issuance of these financial statements, the process of quantifying the impact on results that the application of this new standard will have for purposes of the Financial Statements published annually under full IFRS criteria has not been completed

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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 useful 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 standard replace the following current standard and interpretations: IAS 18 Revenue, IAS 11 Construction contracts, IFRIC 13 Customer Loyalty Programs, 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:

- Identify a performance obligation (the promise to transfer a good or service to a customer) in a contract;
- 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
- 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***.

Based on the evaluation conducted, in addition to providing more extensive disclosures about the Bank s and subsidiaries income transactions, it is estimated that the application of IFRS 15 will not have an impact on the financial condition or results of operations. Banco Chile and its

Subsidiaries will choose to apply the modified transition approach.

IFRS 16 - Leases.

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

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

The effective date of application is beginning ***January 1, 2019.*** Early adoption permitted but only if IFRS 15 - Revenue from contracts with customers is also applied.

Banco de Chile and its subsidiaries will implement IFRS 16 as of January 1, 2019 and are in the process of estimating the impact of the adoption of this standard.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

3. New Accounting Pronouncements, continued:

IAS 28 Investments in Associates and Join Venture and IFRS 10 - Consolidated Financial Statements.

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

During December 2015 the IASB agreed that the amendments should apply in the future, allowing its immediate application.

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

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***. Early adoption permitted.

For not having this kind of compensation, Banco de Chile and its subsidiaries will have no impacts on the consolidated financial statements as a result of the adoption of this standard.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

3. New Accounting Pronouncements, continued:

IAS 28 Investments in associates and joint ventures.

In December 2016, the IASB issued the Annual Improvements to IFRS Cycle 2014-2016, which included the amendment to IAS 28. This amended to clarify that a venture capital organization or a mutual fund, investment trust and similar entities may choose to account for their investments in joint ventures and associates at fair value or using the equity method. The amendment also makes it clear that the method chosen for each investment should be made at the initial time.

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

This change has no impact on the Consolidated Financial Statements of Banco de Chile and its subsidiaries.

IAS 40 Investment Property.

IAS 40 requires that an asset be transferred to (or from), investment property only when there is a change in its use.

The amendment, issued in December 2016, clarifies that a change in management s intentions for the use of a property does not provide, in isolation, evidence of a change in its use. An entity must, therefore, have taken observable actions to support such a change.

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

This change has no significant impact on the Consolidated Financial Statements of Banco de Chile and its subsidiaries.

3. New Accounting Pronouncements, continued:

IFRIC 22 Foreign Currency Transactions and Advance Consideration.

In December 2016, the IASB issued Interpretation IFRIC 22 Foreign Currency Transactions and Advance Consideration .

This Interpretation applies to a foreign currency transaction when an entity recognizes a non-financial asset or non-financial liability arising from the payment or collection of an early consideration before the entity recognizes the related asset, expense or income.

The IFRIC specifies that at the date of the transaction for the purpose of determining the exchange rate to be used in the initial recognition of the related asset, expense or income, it is the date on which the entity initially recognizes the non-monetary asset or non-monetary liability that Arising from the payment or collection of the anticipated consideration. That is, the related income, expenses or assets should not be re-evaluated with changes in the exchange rates between the date of the initial recognition of the early consideration and the date of recognition of the transaction to which said consideration relates.

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

This interpretation has no impact on the Consolidated Financial Statements of Banco de Chile and its subsidiaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

3. New Accounting Pronouncements, continued:

IFRIC 23 - Uncertainty over Income Tax Treatments.

In June 2017, the IASB published IFRIC 23, Uncertainty over Income Tax Treatments, developed by the IFRS Interpretations Committee. This interpretation indicates what disclosures should be made when there is uncertainty about the treatment followed by the entity to determine the income tax payable.

When it is not clear how the tax law applies to a particular transaction or circumstance, or if a tax authority accepts the tax treatment of a entity. IAS 12 Income Taxes specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. IFRIC 23 provides requirements in addition to the requirements of IAS 12 specifying how to reflect the effects of uncertainty in the accounting of income taxes.

The date of application of this interpretation is from ***January 1, 2019***.

The Bank and its subsidiaries are evaluating the impact of this amendment.

IAS 28 Investments in associates and joint ventures and IFRS 9 Financial instruments.

In October 2017, the IASB published the amendments to IFRS 9 Financial Instruments and IAS 28 Investments in Associated Entities and Joint Ventures.

The amendments to IFRS 9 allow entities to measure financial assets, prepaid with negative compensation at amortized cost or fair value, through other comprehensive income if a specific condition is met, instead of at fair value with effect on results.

Regarding IAS 28, the amendments clarify that entities must account for long-term results in an associate or joint venture, to which the equity method is not applied, using IFRS 9.

The IASB also released an example that illustrates how companies should apply the requirements of IFRS 9 and IAS 28 to long-term interests in an associated entity or joint venture.

The date of application of these amendments is ***January 1, 2019***.

This modification has no impact on the Consolidated Financial Statements of Banco de Chile and its subsidiaries.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

3. New Accounting Pronouncements, continued:

Annual improvements IFRS

In December 2017, the IASB issued the Annual Improvements to IFRS Cycle 2015-2017, which includes amendments to the following regulations:

- **IFRS 3 Business Combinations. Interests previously held in a joint operation.**

The amendment provides additional guidance for applying the procurement method to particular types of business combinations.

The amendment states that when a party to a joint arrangement obtains control of a business, which is a joint arrangement and had rights over the assets and liabilities for the liabilities related to this joint arrangement, immediately before the acquisition date, the transaction it is a business combination achieved in stages.

Therefore, the acquirer will apply the requirements for a business combination achieved in stages, including re-measuring its previously held interest in the joint operation. By doing so, the acquirer will re-measure its total value that it previously had in the joint operation.

The date of application of these amendments is ***January 1, 2019***. Early adoption is permitted.

The Bank and its subsidiaries are evaluating the impact of this amendment.

- **IFRS 11 Joint Agreements.**

The amendments to IFRS 11 relate to the accounting for acquisitions of interests in Joint Agreements.

The amendment establishes that a party that participates, but does not have control, in a joint agreement, can obtain control of the joint agreement. Given the above, the activity of the joint agreement would constitute a Business Combination as defined in IFRS 3, in such cases, the interests previously held in the joint agreement are not remeasured.

The date of application of these amendments is ***January 1, 2019***. Early adoption is permitted.

The Bank is evaluating the impact of this amendment.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

3. New Accounting Pronouncements, continued:

- **IAS 23 Costs for loans. Costs for loans that can be capitalized.**

The amendment to the standard is intended to clarify that, when an asset is available for use or sale, an entity will treat any outstanding loan taken specifically to obtain that asset, as part of the funds it has taken as current loans.

The date of application of these amendments is ***January 1, 2019***. Early adoption is permitted.

This modification has no impact on the Consolidated Financial Statements of Banco de Chile and its subsidiaries.

2. Accounting standards issued by the Superintendency of Banks and Financial Institutions.

On January 11, 2018, the SBIF published for consultation, amendments to the regulations contained in Chapter B-1 Provisions for Credit Risk of the Compendium of Accounting Standards. These modifications are related to the use of standard methods for calculating provisions of the commercial portfolio evaluated as of January 1, 2019. To date, the provisions for this type of portfolio are used through internal methods.

Without limiting the foregoing, banks must recognize minimum provisions in accordance with standard methodologies. The use of this minimum basis for provisions, in no case exempts financial institutions from their responsibility to have their own methodologies to determine provisions that are sufficient to protect the credit risk of each of their portfolios, and therefore must have both methods The constitution of provisions will be made considering the higher value obtained between the respective standard method and the internal method.

Notwithstanding the foregoing, the Superintendency may allow the establishment of provisions of the commercial group analysis portfolio based on the results of the application of internal models, provided that these have been duly approved within the normal process of reviewing the SBIF.

4. Changes in Accounting policies and Disclosures:

During the year ended December 31, 2017, there have been no accounting changes that may significantly affect these consolidated financial statements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

5. Relevant Events:

(a) On January 26, 2017 in the Ordinary Session No. BCH 2,853, the Board of Directors of the Bank of Chile resolved to call an Ordinary Shareholders Meeting to be held on March 23, 2017 with the purpose of proposing, among other matters, the distribution of the dividend No. 205 of $2.92173783704 pear each of the 97,624,347,430 shares, payable against net distributable income for the year ended December 31, 2016, corresponding to 60% of such income.

In addition, the Board of Directors resolved to convene an Extraordinary Shareholders Meeting to be held on the same date, in order to propose, among other matters, the capitalization of 40% of the Bank s net distributable income obtained during the fiscal year ending on December 31st, 2016, through the issuance of fully paid-in shares, without nominal value, determined at a value of $73.28 per share, which will be distributed among the shareholders at the rate of 0.02658058439 shares per share and adopting the necessary agreements subject to the exercise of the options provided for in article 31 of Law No. 19,396.

(b) On February 9, 2017 according to articles 19 et seq. of Law 19,913, the Financial Analysis Unit (Unidad de Analisis Financiero) that belongs to the Chilean Ministry of Finance imposed to Banco de Chile an administrative warning and fine of UF 500 on Banco de Chile in relation to the erroneous sending to that Unit, of the information contained in article 5 of the aforementioned law, for the period between April 2011 and June 2012.

(c) On March 21, 2017, due to changes in the comprises of the Board of Directors of the subsidiary Banchile Securitizadora S.A. in the course of the last year and in accordance with the law and the bylaws, the Board of Directors was completely renewed.

In accordance with the is established in articles seventh and eighth of the by-laws, the following persons were unanimously elected as Directors: Pablo Granifo Lavín, Juan Alberdi Monforte, Eduardo Ebensperger Orrego, José Miguel Quintana Malfanti and Marcos Frontaura De La Maza, who remains in office for the statutory period of three-years term, that is, until the Ordinary Shareholders Meeting to be held in 2020.

(d) On March 23, 2017, the Ordinary Shareholders Meeting approved the dividend No.205 corresponding to CLP$2.92173783704 per share, payable against net distributable income for the year 2016. In addition, at the Extraordinary Shareholders Meeting held on the same date, agreed to capitalize 40% of the net distributable profit for 2016, through the issuance of fully paid-in shares with no par value, with a value of Ch$73.28 per share.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

5. Relevant Events, continued:

(e) At the Ordinary Shareholders Meeting of this institution held on March 23, 2017, it was proceeded to the election of the Board of Directors, due to the end of the legal and statutory three years term with respect to the Board of Directors that has ceased in its functions.

After the corresponding voting at the aforesaid meeting, the following persons were appointed as Directors for a new three years term:

Directors:		
	Andrés Ergas Heymann	
	Alfredo Ergas Segal	(Independent)
	Jaime Estévez Valencia	(Independent)
	Jane Fraser	
	Pablo Granifo Lavín	
	Samuel Libnic	
	Andrónico Luksic Craig	
	Jean Paul Luksic Fontbona	
	Gonzalo Menéndez Duque	
	Francisco Pérez Mackenna	
	Juan Enrique Pino Visinteiner	
First Alternate Director:		
	Rodrigo Manubens Moltedo	
Second Alternate Director:		
	Thomas Fürst Freiwirth	(Independent)

Moreover, in Ordinary Session No.BCH 2,856 held on March 23, 2017, the Board of Directors of the Bank of Chile agreed the following nominations and appointments:

President:	Pablo Granifo Lavín
Vice President:	Andrónico Luksic Craig
Vice President:	Jane Fraser
Board advisor:	Hernán Büchi Buc

(f) On March 28, 2017, the Central Bank of Chile has communicated to Banco de Chile that the Board (Consejo) of such institution, in Special Session No. 2051E, held on March 27, 2017, considering the resolutions adopted by the shareholders meetings of Banco de Chile of March 23, 2017, regarding distribution of dividends and the increase of capital through the issuance of fully paid-in shares corresponding to the 40% of the net income obtained during the year ending on December 31, 2016, 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 the modification of the way of payment of the subordinated obligation and other applicable legislation.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

5. Relevant Events, continued:

(g) On July 13, 2017, and regarding the capitalization of 40% of the net distributable profit for the 2016 fiscal year, through the issuance of fully paid-in shares agreed at the Extraordinary Shareholders Meeting held on March 23, 2017, Banco de Chile reported as essential fact the following;

(a) At the referred Extraordinary Shareholders Meeting, it was agreed to increase the capital of the Bank in the amount of Ch$133,353,827,359 through the issuance of 1,819,784,762 fully paid-in shares, with no par value, payable against the net distributable profit of the fiscal year 2016 that was not distributed as a dividend, as agreed in the Ordinary Shareholders Meeting held on the same day.

The Superintendency of Banks and Financial Institutions approved the bylaws reform, through Resolution No. 260 of May 25 of this year, which was registered in the Commercial Registry of Santiago to fs. 43,218 No. 23,646 of the year 2017 and published in the Diario Oficial of Chile (equivalent to the Federal Register) of June 1, 2017.

The issue of the fully paid-in shares was recorded in the Securities Registry of the aforementioned Superintendency with No. 1/2017, dated July 11, 2017.

(b) The Board of Directors of Banco de Chile, in Session No. BCH 2,862, dated July 13, 2017, agreed to set as the date for issuing and distributing the fully paid-in shares on July 27, 2017.

(c) The shareholders who are registered in the Register of Shareholders of the Company at July 21, 2017 shall be entitled to receive the new shares, at the rate of 0.02658058439 fully paid-in shares for each share.

(d) The respective securities will be duly assigned to each shareholder, and will only be printed for those who subsequently request it in writing in the Stock Department of the Bank of Chile.

(e) As a result of the issue of fully paid-in shares, the Bank s capital is divided into 99,444,132,192 nominative shares, with no par value, fully subscribed and paid.

(h) On August 24, 2017, Banco de Chile informed that in conjunction with Citigroup Inc. they have agreed to extend the validity of the Cooperation Agreement signed on October 22, 2015. In accordance with said extension, the validity of the Cooperation Agreement extends from 1 January 2018 until 1 January 2020, the parties being entitled to agree before 31 August 2019 an extension for two years from 1 January 2020. If this does not occur, the contract will be extended once for a period of one year from 1 January 2020 until 1 January 2021. The same renewal procedure may be used as often as the parties may agree.

The aforementioned extension also extends to the Global Connectivity Contracts, License and Master Services Agreement that Banco de Chile has signed with Citigroup Inc.

The Board of Directors of Banco de Chile, in session No. BCH 2,865 of August 24, 2017, approved the extension referred to above, in the terms set forth in articles 146 et seq. of the Chilean Corporations Act.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

5. Relevant Events, continued:

(i) On November 30, 2017, the subsidiary Banchile Securitizadora SA, accepted the resignation presented to the position of Director of Mr. Marcos Frontaura De la Maza as of December 1, 2017.

6. Business Segments:

For management purposes, the Bank is organized into four segments, which are defined based on the types of products and services offered, and the type of client in which focuses as described below:

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

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

Treasury: This segment includes the associated revenues to the management of the investment portfolio and the business of financial transactions and currency trading.

Transactions with 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, though its management is related to the segments mentioned previously, the 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.
- Socofin S.A.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

6. Business Segments, continued:

The financial information used to measure the performance of the Bank s business segments is not comparable with similar information from other financial institutions because each institution relies on its own definitions. The accounting policies applied to the segments is the same as those described in the summary of accounting principles. The Bank obtains the majority of the results for: interest, indexation and commissions, provisions for loan losses and operating expenses. Management is mainly based on these concepts to evaluate the performance of the segments and make decisions about the goals and allocations of resources of each unit. Although the results of the segments reconcile with those of the Bank at the total level, this is not necessarily the case in terms of the different concepts, given that management is measured and controlled individually and not on a consolidated basis, 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, the volume of each operation and its contribution margin are considered, which in turn corresponds to the difference between the effective rate of the customer and the internal transfer price established according to the term and currency of each operation.

- The capital and its financial impacts on outcome have been assigned to each segment based on the risk-weighted assets.

- Operational expenses are reflected at the level of the different functional areas of the Bank. The allocation of expenses from functional areas to business segments is done using different allocation criteria, at the level of the different concepts and expense items.

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

For the years ended 31, December 2017 and 2016, there was no income from transactions with a customer or counterparty that accounted for 10% or more of the Bank s total revenues.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

6. Business Segments, continued:

The following table presents the income by segment for the year ended 2017 and 2016 for each of the segments defined above:

	Retail		Wholesale		Treasury		Subsidiaries		Subtotal		Consolidation adjustment		Total	
	2017 MCh$	2016 MCh$	2017 MCh$	2016 MCh$	2017 MCh$	2016 MCh$	2017 MCh$	2016 MCh$	2017 MCh$	2016 MCh$	2017 MCh$	2016 MCh$	2017 MCh$	2016 MCh
Net interest income	914,395	873,669	321,178	346,829	(3,772)	4,207	(4,336)	(4,337)	1,227,465	1,220,368	1,973	1,001	1,229,438	1,221,3
Net commissions income (loss)	184,045	170,529	43,447	42,202	(4,306)	(2,473)	135,987	121,383	359,173	331,641	(11,499)	(10,370)	347,674	321,2
Other operating income	36,003	93,135	35,201	33,322	38,931	44,754	26,884	23,923	137,019	195,134	(4,861)	(2,980)	132,158	192,1
Total operating revenue	1,134,443	1,137,333	399,826	422,353	30,853	46,488	158,535	140,969	1,723,657	1,747,143	(14,387)	(12,349)	1,709,270	1,734,7
Provision for loan losses (*)	(256,262)	(301,491)	21,415	(8,243)			(135)	(1)	(234,982)	(309,735)			(234,982)	(309,7
Depreciation and amortization	(27,676)	(25,229)	(4,540)	(4,912)	(141)	(172)	(2,894)	(2,976)	(35,251)	(33,289)			(35,251)	(33,2
Other operating expenses	(507,913)	(504,041)	(153,218)	(152,859)	(5,022)	(5,596)	(102,281)	(104,847)	(768,434)	(767,343)	14,387	12,349	(754,047)	(754,9
Income attributable to associates	4,006	3,078	1,339	914	161	79	551	442	6,057	4,513			6,057	4,5
Income before income taxes	346,598	309,650	264,822	257,253	25,851	40,799	53,776	33,587	691,047	641,289			691,047	641,2
Income taxes													(115,034)	(89,0
Income after income taxes													576,013	552,2

(*) As of December 31, 2016, the Retail and Wholesale segments include additional provisions allocated based on their risk-weighted assets.

The following table presents assets and liabilities of the year ended 2017 and 2016 by each segment defined above:

	Retail		Wholesale		Treasury		Subsidiaries		Subtotal		Consolidation adjustment		
	2017 MCh$	**2016 MCh$**	**2017 MCh$**	**2016 MCh$**	**2017 MCh$**	**2016 MCh$**	**2017 MCh$**	**2016 MCh$**	**2017 MCh$**	**2016 MCh$**	**2017 MCh$**	**2016 MCh$**	**2017 MCh**
Assets	16,099,926	15,198,634	10,558,278	11,526,685	5,469,829	4,121,333	637,860	535,727	32,765,893	31,382,379	(232,137)	(137,201)	32,533,
Current and deferred taxes													290,
Total assets													32,824,
Liabilities	10,380,250	10,234,712	10,272,607	10,277,326	8,815,056	7,880,847	479,244	390,453	29,947,157	28,783,338	(232,137)	(137,201)	29,715,
Current and deferred taxes													3,
Total liabilities													29,718,

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

7. Cash and Cash Equivalents:

(a) The detail of the balances included under cash and cash equivalents and their reconciliation with the statement of cash flows at each year-end are detailed as follows:

	2017 MCh$	2016 MCh$
Cash and due from banks:		
Cash (*)	522,869	665,464
Deposit in Chilean Central Bank (*)	162,421	118,501
Deposits in other domestic banks	9,922	8,433
Deposits abroad	362,181	615,769
Subtotal - Cash and due from banks	1,057,393	1,408,167
Net transactions in the course of collection	226,097	181,270
Highly liquid financial instruments (**)	719,069	467,593
Repurchase agreements	76,839	39,950
Total cash and cash equivalents	2,079,398	2,096,980

(*) Amounts in cash funds and in Central Bank are regulatory reserve deposits that the Bank must maintain as a monthly average.

(**) It corresponds to negotiation instruments, available-for-sale and investment instruments, whose term does not exceed three months from the date of acquisition.

Highly liquid financial instruments:

	2017 MCh$	2016 MCh$
Financial Assets Held-for-trading	710,162	467,593
Available-for-sale Instruments	8,907	
Total	719,069	467,593

(b) Transactions in course of settlement:

Transactions in 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:

	2017 MCh$	2016 MCh$
Assets		
Documents drawn on other banks (clearing)	204,624	191,105
Funds receivable	317,185	185,147
Subtotal transactions in the course of collection	521,809	376,252
Liabilities		
Funds payable	(295,712)	(194,982)
Subtotal transactions in the course of payment	(295,712)	(194,982)
Net transactions in the course of settlement	226,097	181,270

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

8. Financial Assets Held-for-trading:

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

	2017 MCh$	2016 MCh$
Instruments issued by the Chilean Government and Central Bank of Chile:		
Central Bank of Chile bonds	400,368	30,546
Central Bank of Chile promissory notes	662,190	393,019
Other instruments issued by the Chilean Government and Central Bank	254,606	58,781
Other instruments issued in Chile		
Bonds from other domestic companies		
Bonds from domestic banks	2,070	21
Deposits in domestic banks	218,307	896,534
Other instruments issued in Chile	715	672
Instruments issued by foreign institutions		
Instruments from foreign governments or central banks		
Other instruments issued abroad	322	385
Mutual fund investments		
Funds managed by related companies	78,069	25,823
Funds managed by third-party		
Total	1,616,647	1,405,781

Under 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$5,096 million as of December 31, 2017 (Ch$21,789 million as of December 31, 2016). Repurchase agreements have an average expiration of 7 days at the end of the year 2017 (4 days in December 2016). Furthermore, are maintained instruments that guarantee margins for offset transactions of derivatives through Comder Contraparte Central S.A. for an amount of Ch$34,585 million as of December 31, 2017 (Ch$9,945 million as of December 31, 2016).

Under Other instruments issued in Chile include instruments sold under agreements to repurchase to customers and financial instruments, amounting to Ch$158,731 million as of December 31, 2017 (Ch$159,803 million as of December 31, 2016). The repurchase agreements have an average maturity of 7 days at the end of the year 2017 (10 days in December 2016).

Additionally, the Bank holds financial investments in mortgage finance bonds issued by itself in the amount of Ch$15,032 million as of December 31, 2017 (Ch$19,649 million as of December 31, 2016), which are presented as a reduction of the liability line item Debt issued .

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

(a) Rights for repurchase contracts: The Bank provides financing to its customers through Receivables from Repurchase Agreements and Security Borrowing , in which the financial instrument serves as collateral. As of December 31, 2017 and 2016, the Bank has the following receivables resulting from such transactions:

	Up to 1 month		Over 1 month and up to 3 months		Over 3 months and up to 12 months		Over 1 year and up to 3 years		Over 3 years and up to 5 years		Over 5 years		Total	
	2017 MCh$	2016 MCh$	2017 MCh$	2016 MCh$	2017 MCh$	2016 MCh$	2017 MCh$	2016 MCh$	2017 MCh$	2016 MCh$	2017 MCh$	2016 MCh$	2017 MCh$	2016 MCh$
Instruments issued by the Chilean Governments and Central Bank of Chile														
Central Bank bonds	4,114												4,114	
Central Bank promissory notes														
Other instruments issued by the Chilean Government and Central Bank	2,576												2,576	
Other Instruments issued in Chile														
Deposit promissory notes from domestic banks														
Mortgage bonds from domestic banks														
Bonds from domestic banks														
Deposits in domestic banks	13,297												13,297	
Bonds from other Chilean companies														
Other instruments issued in Chile	47,357	30,963	19,207	21,967	5,090	2,773							71,654	55,703
Instruments issued by foreign institutions														
Instruments from foreign governments														

or Central Bank														
Other instruments														
Mutual fund investments														
Funds managed by related companies														
Funds managed by third-party														
Total	67,344	30,963	19,207	21,967	5,090	2,773							91,641	55,703

Securities received:

The Bank and its subsidiaries have received financial instruments that they can sell or give as collateral in case the owner of these instruments enters into default or in bankruptcy. As of December 31, 2017, the fair value of the instruments received amounts to Ch$95,665 million (Ch$54,499 million as of December, 2016).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

(b) Liabilities for repurchase contracts: The Bank obtains financing by selling financial instruments and committing to purchase them at future dates, plus interest at a prefixed rate. As of December 31, 2017 and 2016, the Bank has the following payables resulting from such transactions:

	Up to 1 month		Over 1 month and up to 3 months		Over 3 months and up to 12 months		Over 1 year and up to 3 years		Over 3 years and up to 5 years		Over 5 years		Total	
	2017 MCh$	2016 MCh$	2017 MCh$	2016 MCh$	2017 MCh$	2016 MCh$	2017 MCh$	2016 MCh$	2017 MCh$	2016 MCh$	2017 MCh$	2016 MCh$	2017 MCh$	2016 MCh$
Instruments issued by the Chilean Governments and Central Bank of Chile														
Central Bank bonds	5,169	10,568											5,169	10,568
Central Bank promissory notes	5,095	16,165											5,095	16,165
Other instruments issued by the Chilean Government and Central Bank														
Other Instruments Issued in Chile														
Deposit promissory notes from domestic banks														
Mortgage bonds from domestic banks														
Bonds from domestic banks	2,013												2,013	
Deposits in domestic banks	114,359	174,078		16,006	56,762								171,121	190,084
Bonds from other Chilean companies														
Other instruments issued in Chile	11,994												11,994	

Instruments issued by foreign institutions						
Instruments from foreign governments or central bank						
Other instruments						
Mutual fund investments						
Funds managed by related companies						
Funds managed by third-party						
Total	138,630	200,811	16,006	56,762	195,392	216,817

Securities sold:

The fair value of securities lent and of Payables from Repurchase Agreements and Security Lending as of December 31, 2017 is Ch$195,437 million (Ch$223,721 million in December 2016). The counterparty is allowed to sell or pledge those securities in the absence of default by the Bank.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

10. Derivative Instruments and Accounting Hedges:

(a) As of December 31, 2017 and 2016, the Bank s portfolio of derivative instruments is detailed as follows:

	Notional amount of contract with final expiration date in							Fair Value	
As of December 31, 2017	**Up to 1 month MCh$**	**Over 1 month and up to 3 months MCh$**	**Over 3 months and up to 12 months MCh$**	**Over 1 year and up to 3 years MCh$**	**Over 3 year and up to 5 years MCh$**	**Over 5 years MCh$**	**Total MCh$**	**Assets MCh$**	**Liabilities MCh$**
Derivatives held for hedging purposes									
Interest rate swap and cross currency swap					13,914		13,914		3,652
Interest rate swap				25,233	12,593	41,144	78,970	277	1,678
Total derivatives held for hedging purposes				25,233	26,507	41,144	92,884	277	5,330
Derivatives held as cash flow hedges									
Interest rate swap and cross currency swap			254,724	377,072	30,874	485,891	1,148,561	27,572	80,888
Total derivatives held as cash flow hedges			254,724	377,072	30,874	485,891	1,148,561	27,572	80,888
Trading derivatives									
Currency forward	6,217,692	6,739,730	14,706,493	1,630,627	138,946	6,154	29,439,642	506,502	578,083
Interest rate forward	14,000						14,000		206
Interest rate swap	3,450,543	8,494,249	17,762,447	13,242,961	5,287,261	7,379,643	55,617,104	243,931	241,613
Interest rate swap and cross currency swap	156,414	458,006	1,934,358	3,126,560	2,440,814	3,165,088	11,281,240	466,192	504,209
Call currency options	23,191	32,444	94,359	3,782			153,776	514	475
Put currency options	19,140	25,163	97,634	3,936			145,873	2,841	3,433
Total trading derivatives	9,880,980	15,749,592	34,595,291	18,007,866	7,867,021	10,550,885	96,651,635	1,219,980	1,328,019
Total	9,880,980	15,749,592	34,850,015	18,410,171	7,924,402	11,077,920	97,893,080	1,247,829	1,414,237

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

10. Derivative Instruments and Accounting Hedges, continued:

(a) Portfolio of derivative instruments, continued:

As of December 31, 2016	Up to 1 month MCh$	Over 1 month and up to 3 months MCh$	Over 3 months and up to 12 months MCh$	Over 1 year and up to 3 years MCh$	Over 3 year and up to 5 years MCh$	Over 5 years MCh$	Total MCh$	Fair Value Assets MCh$	Fair Value Liabilities MCh$
	Notional amount of contract with final expiration date in								
Derivatives held for hedging purposes									
Interest rate swap and cross currency swap						16,721	16,721		4,304
Interest rate swap			10,726	50,213	19,777	41,365	122,081	218	5,989
Total derivatives held for hedging purposes			10,726	50,213	19,777	58,086	138,802	218	10,293
Derivatives held as cash flow hedges									
Interest rate swap and cross currency swap			203,882	546,729	30,883	416,507	1,198,001	63,482	45,722
Total derivatives held as cash flow hedges			203,882	546,729	30,883	416,507	1,198,001	63,482	45,722
Trading derivatives									
Currency forward	5,464,265	6,186,901	10,373,905	740,167	53,336	6,704	22,825,278	163,701	138,574
Interest rate forward									
Interest rate swap	1,146,528	4,015,500	7,430,120	10,543,378	4,924,193	6,837,254	34,896,973	253,307	249,930
Interest rate swap and cross currency swap	185,592	563,299	1,512,446	1,999,817	1,641,551	3,239,685	9,142,390	455,784	554,722
Call currency options	31,432	51,502	80,547	10,579			174,060	1,558	1,979
Put currency options	19,175	29,093	63,862	10,579			122,709	1,584	867
Total trading derivatives	6,846,992	10,846,295	19,460,880	13,304,520	6,619,080	10,083,643	67,161,410	875,934	946,072
Total	6,846,992	10,846,295	19,675,488	13,901,462	6,669,740	10,558,236	68,498,213	939,634	1,002,087

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

10. Derivative Instruments and Accounting Hedges, continued:

(b) Fair value Hedges:

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

Below is a detail of the hedged elements and instruments under fair value hedges as December 31, 2017 and 2016:

	2017 MCh$	2016 MCh$
Hedge element		
Commercial loans	13,914	16,721
Corporate bonds	78,970	122,081
Hedge instrument		
Cross currency swap	13,914	16,721
Interest rate swap	78,970	122,081

(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 foreign banks obligations and bonds issued abroad in US Dollars, Hong Kong dollars, Peruvian Sol, Swiss Franc, Japanese Yens and Euros. The cash flows of the cross currency swaps equal the cash flows of the hedged items, which modify uncertain cash flows to known cash flows derived from a fixed interest rate.

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

10. Derivative Instruments and Accounting Hedges, continued:

(c) Cash flow 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:

	Up to 1 month		Over 1 month and up to 3 months		Over 3 months and up to 12 months		Over 1 year and up to 3 years		Over 3 years and up to 5 years		Over 5 years		Total	
	2017 MCh$	2016 MCh$	2017 MCh$	2016 MCh$	2017 MCh$	2016 MCh$	2017 MCh$	2016 MCh$	2017 MCh$	2016 MCh$	2017 MCh$	2016 MCh$	2017 MCh$	2016 MCh$
Hedge element														
Outflows:														
Corporate Bond EUR					(1,246)	(552)	(2,491)	(1,105)	(2,491)	(1,105)	(82,348)	(35,467)	(88,576)	(38,229)
Corporate Bond HKD					(11,052)	(12,144)	(68,634)	(76,922)	(19,202)	(21,084)	(298,776)	(338,517)	(397,664)	(448,667)
Corporate Bond PEN						(15,614)								(15,614)
Corporate Bond CHF			(986)	(1,031)	(161,529)	(87,308)	(192,519)	(370,926)	(474)	(495)	(95,174)	(99,748)	(450,682)	(559,508)
Obligation USD	(212)	(531)	(235)		(93,173)	(115,113)	(43,385)	(101,478)					(137,005)	(217,122)
Corporate Bond JPY			(292)	(306)	(1,150)	(623)	(72,098)	(46,415)	(28,886)	(29,418)	(63,002)	(28,866)	(165,428)	(105,628)
Hedge instrument														
Inflows:														
Cross Currency Swap EUR					1,246	552	2,491	1,105	2,491	1,105	82,348	35,467	88,576	38,229
Cross Currency Swap HKD					11,052	12,144	68,634	76,922	19,202	21,084	298,776	338,517	397,664	448,667
Cross Currency Swap PEN						15,614								15,614
Cross Currency			986	1,031	161,529	87,308	192,519	370,926	474	495	95,174	99,748	450,682	559,508

Swap CHF														
Cross Currency Swap USD	212	531	235		93,173	115,113	43,385	101,478					137,005	217,122
Cross Currency Swap JPY			292	306	1,150	623	72,098	46,415	28,886	29,418	63,002	28,866	165,428	105,628
Net cash flows														

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

10. Derivative Instruments and Accounting Hedges, continued:

(c) Cash flow Hedges, continued:

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

	Up to 1 month		Over 1 month and up to 3 months		Over 3 months and up to 12 months		Over 1 year and up to 3 years		Over 3 years and up to 5 years		Over 5 years		Total	
	2017 MCh$	2016 MCh$	2017 MCh$	2016 MCh$	2017 MCh$	2016 MCh$	2017 MCh$	2016 MCh$	2017 MCh$	2016 MCh$	2017 MCh$	2016 MCh$	2017 MCh$	2016 MCh$
Hedge element														
Inflows:														
Cash flows in CLF		1,155	2,344	2,304	281,377	232,833	414,764	592,204	59,737	54,094	555,461	470,207	1,313,683	1,352,797
Hedge instrument														
Outflows:														
Cross Currency Swap HKD					(9,404)	(9,253)	(66,188)	(66,278)	(16,365)	(16,091)	(285,066)	(288,322)	(377,023)	(379,944)
Cross Currency Swap PEN						(16,588)								(16,588)
Cross Currency Swap JPY			(1,061)	(1,043)	(3,372)	(1,867)	(85,598)	(52,107)	(35,063)	(32,878)	(77,895)	(30,761)	(202,989)	(118,656)
Cross Currency Swap USD					(111,077)	(114,210)	(44,840)	(108,690)					(155,917)	(222,900)
Cross Currency Swap CHF		(1,155)	(1,283)	(1,261)	(155,767)	(89,876)	(214,620)	(363,045)	(4,793)	(3,560)	(107,870)	(109,592)	(484,333)	(568,489)
Cross Currency Swap EUR					(1,757)	(1,039)	(3,518)	(2,084)	(3,516)	(1,565)	(84,630)	(41,532)	(93,421)	(46,220)
Net cash flows														

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

10. Derivative Instruments and Accounting Hedges, continued:

(c) Cash flow Hedges, continued:

Regarding to assets denominated in Unidad de Fomento (UF) hedged; these are revalued monthly according to the variation of the UF, which is equivalent to monthly reinvest the assets until maturity of the hedging relationship.

(c.3) The unrealized results generated during the year 2017 by those derivative contracts that conform the hedging instruments in this cash flow hedging strategy, have been recorded with credit to equity amounting to Ch$14,979 million (charge to equity of Ch$50,481 million in December 31, 2016). The net effect of taxes credit to equity amounts to Ch$11,159 million in 2017 (net charged to equity of Ch$38,366 million credit to equity as of December 31, 2016).

The accumulated balance for this concept as of December 21, 2017 corresponds to a charge in equity amounted to Ch$12,551 million (charge to equity of Ch$27,530 million as of December 31, 2016).

(c.4) The net effect in income of derivatives cash flow hedges amount to Ch$93,612 million charged to income in 2017 (Ch$135,929 million charge to income as of December 31, 2016).

(c.5) As of December 31, 2017 and 2016, does not exist inefficiency in cash flow hedge, because both, hedge item and hedge instruments, are mirrors of each other, it means that all variation of value attributable to rate and revaluation components are netted totally.

(c.6) As of December 31, 2017 and 2016, the Bank does not have hedges of net investments in foreign business.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

11. Loans and advances to Banks:

(a) As of December 31, 2017 and 2016, the balances presented in the item Loans and advances to Banks are as follows:

	2017 MCh$	2016 MCh$
Domestic Banks		
Interbank loans of liquidity	120,017	200,019
Interbank loans commercial		8,384
Provisions for loans to domestic banks	(43)	(100)
Subtotal	119,974	208,303
Foreign Banks		
Interbank loans commercial	187,006	129,904
Credits with third countries	61,091	77,049
Chilean exports trade loans	41,255	57,749
Provisions for loans to foreign banks	(540)	(429)
Subtotal	288,812	264,273
Central Bank of Chile		
Non-available Central Bank deposits	350,000	700,000
Other Central Bank credits	916	341
Subtotal	350,916	700,341
Total	759,702	1,172,917

(b) The changes in provisions of the credits owed by the banks, during the years 2017 and 2016, are summarized as follows:

	Bank s Location		
Detail	**Chile MCh$**	**Abroad MCh$**	**Total MCh$**
Balance as of January 1, 2016	72	630	702
Provisions established	28		28
Provisions released		(201)	(201)
Balance as of December 31, 2016	100	429	529
Provisions established		111	111
Provisions released	(57)		(57)
Balance as of December 31, 2017	43	540	583

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

12. Loans to Customers, net:

(a.i) Loans to Customers:

As of December 31, 2017 and 2016, the composition of the portfolio of loans is the following:

	2017							
	Assets before allowances				Allowances established			
	Normal Portfolio MCh$	Substandard Portfolio MCh$	Non-Complying Portfolio MCh$	Total MCh$	Individual Provisions MCh$	Group Provisions MCh$	Total MCh$	Net assets MCh$
Commercial loans								
Commercial loans	10,199,048	67,602	294,976	10,561,626	(118,710)	(81,377)	(200,087)	10,361,539
Foreign trade loans	948,547	10,627	24,364	983,538	(38,752)	(2,311)	(41,063)	942,475
Current account debtors	265,842	2,706	2,392	270,940	(3,509)	(6,350)	(9,859)	261,081
Factoring transactions	643,352	2,552	931	646,835	(9,349)	(2,037)	(11,386)	635,449
Student loans	44,407		1,617	46,024		(1,319)	(1,319)	44,705
Commercial lease transactions (1)	1,337,411	17,468	26,637	1,381,516	(4,946)	(8,215)	(13,161)	1,368,355
Other loans and accounts receivable	55,521	298	6,815	62,634	(912)	(5,688)	(6,600)	56,034
Subtotal	13,494,128	101,253	357,732	13,953,113	(176,178)	(107,297)	(283,475)	13,669,638
Mortgage loans								
Letters of credit	27,568		2,105	29,673		(11)	(11)	29,662
Endorsable mortgage loans	52,229		1,800	54,029		(58)	(58)	53,971
Other residential lending	7,229,037		151,691	7,380,728		(31,478)	(31,478)	7,349,250
Credit from ANAP	8			8				8
Residential lease transactions								
Other loans and accounts receivable	8,127		441	8,568		(217)	(217)	8,351
Subtotal	7,316,969		156,037	7,473,006		(31,764)	(31,764)	7,441,242
Consumer loans								

Consumer loans in installments	2,311,482		227,239	2,538,721		(175,659)	(175,659)	2,363,062
Current account debtors	314,506		2,149	316,655		(10,446)	(10,446)	306,209
Credit card debtors	1,134,476		22,654	1,157,130		(56,525)	(56,525)	1,100,605
Consumer lease transactions								
Other loans and accounts receivable	8		902	910		(313)	(313)	597
Subtotal	3,760,472		252,944	4,013,416		(242,943)	(242,943)	3,770,473
Total	24,571,569	101,253	766,713	25,439,535	(176,178)	(382,004)	(558,182)	24,881,353

(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, 2017 Ch$653,575 million correspond to finance leases for real estate and Ch$727,941 million correspond to finance leases for movable assets.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

12. Loans to Customers net, continued:

(a.i) Loans to Customers, continued:

	2016							
	Assets before allowances				Allowances established			
	Normal Portfolio MCh$	Substandard Portfolio MCh$	Non-Complying Portfolio MCh$	Total MCh$	Individual Provisions MCh$	Group Provisions MCh$	Total MCh$	Net assets MCh$
Commercial loans								
Commercial loans	10,603,307	132,308	296,859	11,032,474	(126,704)	(79,780)	(206,484)	10,825,990
Foreign trade loans	1,167,598	47,317	53,702	1,268,617	(74,818)	(3,410)	(78,228)	1,190,389
Current account debtors	209,031	2,499	2,291	213,821	(2,944)	(4,467)	(7,411)	206,410
Factoring transactions	507,807	1,724	809	510,340	(8,671)	(1,953)	(10,624)	499,716
Student loans	41,738		949	42,687		(1,278)	(1,278)	41,409
Commercial lease transactions (1)	1,312,740	12,549	25,823	1,351,112	(7,062)	(10,574)	(17,636)	1,333,476
Other loans and accounts receivable	66,050	418	5,269	71,737	(886)	(3,712)	(4,598)	67,139
Subtotal	13,908,271	196,815	385,702	14,490,788	(221,085)	(105,174)	(326,259)	14,164,529
Mortgage loans								
Letters of credit	37,355		2,874	40,229		(45)	(45)	40,184
Endorsable mortgage loans	66,385		2,085	68,470		(95)	(95)	68,375
Other residential lending	6,673,029		130,499	6,803,528		(33,551)	(33,551)	6,769,977
Credit from ANAP	13			13				13
Residential lease transactions								
Other loans and accounts receivable	7,832		114	7,946		(175)	(175)	7,771
Subtotal	6,784,614		135,572	6,920,186		(33,866)	(33,866)	6,886,320
Consumer loans								
Consumer loans in installments	2,266,117		222,826	2,488,943		(201,097)	(201,097)	2,287,846
Current account debtors	326,012		3,163	329,175		(6,139)	(6,139)	323,036
Credit card debtors	1,131,412		24,263	1,155,675		(42,232)	(42,232)	1,113,443

Consumer lease transactions								
Other loans and accounts receivable	9		758	767		(398)	(398)	369
Subtotal	3,723,550		251,010	3,974,560		(249,866)	(249,866)	3,724,694
Total	24,416,435	196,815	772,284	25,385,534	(221,085)	(388,906)	(609,991)	24,775,543

(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, 2016 Ch$631,500 million correspond to finance leases for real estate and Ch$719,612 million correspond to finance leases for movable assets.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

12. Loans to Customers, net, continued:

(a.ii) Impaired Portfolio:

As of December 31, 2017 and 2016, the Bank presents the following details of normal and impaired portfolio:

	Assets before Allowances						**Allowances established**						
	Normal Portfolio		**Impaired Portfolio**		**Total**		**Individual Provisions**		**Group Provisions**		**Total**		**Net a**
	2017	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**
	MCh$	**MCh$**	**MCh$**	**MCh$**	**MCh$**	**MCh$**	**MCh$**	**MCh$**	**MCh$**	**MCh$**	**MCh$**	**MCh$**	**MCh$**
Commercial loans	13,593,249	14,022,176	359,864	468,612	13,953,113	14,490,788	(176,178)	(221,085)	(107,297)	(105,174)	(283,475)	(326,259)	13,669,638
Mortgage loans	7,316,969	6,784,614	156,037	135,572	7,473,006	6,920,186			(31,764)	(33,866)	(31,764)	(33,866)	7,441,242
Consumer loans	3,760,472	3,723,550	252,944	251,010	4,013,416	3,974,560			(242,943)	(249,866)	(242,943)	(249,866)	3,770,473
Total	24,670,690	24,530,340	768,845	855,194	25,439,535	25,385,534	(176,178)	(221,085)	(382,004)	(388,906)	(558,182)	(609,991)	24,881,353

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

12. Loans to Customers, continued:

(b) Credit risk provisions:

The changes in credits risk provisions, during 2017 and 2016, are summarized as follows:

	Commercial		Mortgage	Consumer	
	Individual MCh$	Group MCh$	Group MCh$	Group MCh$	Total MCh$
Balance as of January 1, 2016	263,719	107,080	34,952	196,015	601,766
Charge-offs	(14,913)	(44,930)	(4,190)	(213,024)	(277,057)
Sales or transfers of credits	(24,925)				(24,925)
Allowances established		43,024	3,104	266,875	313,003
Allowances released	(2,796)				(2,796)
Balance as of December 31, 2016	221,085	105,174	33,866	249,866	609,991
Balance as of January 01,2017	221,085	105,174	33,866	249,866	609,991
Charge-offs	(13,774)	(44,942)	(5,093)	(254,981)	(318,790)
Sales or transfers of credits	(13,074)				(13,074)
Allowances established		47,065	2,991	248,058	298,114
Allowances released	(18,059)				(18,059)
Balance as of December 31, 2017	176,178	107,297	31,764	242,943	558,182

In addition to these credit risk provisions, also provisions are maintained for country risk to cover foreign operations and additional loan provisions agreed upon by the Board of Directors, which are presented in liabilities under the item Provisions (Note No. 24).

Other disclosures:

1. As of December 31, 2017 and 2016, 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 No. 12 (e) and (f).

2. As of December 31, 2017 and 2016 the Bank and its subsidiaries have derecognized 100% of its sold loan portfolio and all risks and benefits related to these financial assets have been transferred all or substantially to it. (See Note No. 12 (f)).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

12. Loans to Customers, continued:

(c) Finance lease contracts:

The cash flows to be received by the Bank from finance lease contracts have the following maturities:

	Total receivable		Unearned income		Net balance receivable (*)	
	2017 MCh$	2016 MCh$	2017 MCh$	2016 MCh$	2017 MCh$	2016 MCh$
Within one year	461,354	463,296	(54,216)	(54,347)	407,138	408,949
From 1 to 2 years	338,305	325,230	(39,946)	(40,166)	298,359	285,064
From 2 to 3 years	230,920	223,796	(26,136)	(26,156)	204,784	197,640
From 3 to 4 years	146,921	147,047	(17,680)	(18,162)	129,241	128,885
From 4 to 5 years	99,268	99,992	(12,564)	(12,698)	86,704	87,294
After 5 years	278,607	265,660	(27,315)	(28,399)	251,292	237,261
Total	1,555,375	1,525,021	(177,857)	(179,928)	1,377,518	1,345,093

(*) The net balance receivable does not include past-due portfolio totaling Ch$3,998 million as of December 31, 2017 (Ch$6,019 million as of December 31, 2016).

The Bank has financial leasing operations associated with real estate, industrial machinery, vehicles and transportation equipment. These leases have an average useful life between 2 and 14 years.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

12. Loans to Customers, continued:

(d) Loans by industry sector:

The following table details the Bank s loan portfolio (before allowances for loans losses) as of December 31, 2017 and 2016 by the customer s industry sector:

	Location							
	Chile		Abroad		Total			
	2017 MCh$	2016 MCh$	2017 MCh$	2016 MCh$	2017 MCh$	%	2016 MCh$	%
Commercial loans:								
Commerce	2,005,706	2,182,771	21,718	52,456	2,027,424	7.97	2,235,227	8.81
Services	1,964,238	1,937,428			1,964,238	7.72	1,937,428	7.63
Financial Services	1,845,464	2,102,582	6,185	13,621	1,851,649	7.28	2,116,203	8.34
Transportation and telecommunication	1,612,930	1,636,994			1,612,930	6.34	1,636,994	6.45
Construction	1,493,373	1,647,862			1,493,373	5.87	1,647,862	6.49
Manufacturing	1,369,293	1,517,436	30,399	44,301	1,399,692	5.50	1,561,737	6.15
Agriculture and livestock	1,354,069	1,184,869			1,354,069	5.32	1,184,869	4.67
Electricity, gas and water	565,695	566,438			565,695	2.22	566,438	2.23
Mining	422,176	432,822			422,176	1.66	432,822	1.70
Fishing	145,266	264,042			145,266	0.57	264,042	1.04
Other	1,116,601	907,166			1,116,601	4.39	907,166	3.57
Subtotal	13,894,811	14,380,410	58,302	110,378	13,953,113	54.84	14,490,788	57.08
Residential mortgage loans	7,473,006	6,920,186			7,473,006	29.38	6,920,186	27.26
Consumer loans	4,013,416	3,974,560			4,013,416	15.78	3,974,560	15.66
Total	25,381,233	25,275,156	58,302	110,378	25,439,535	100.00	25,385,534	100.00

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

12. Loans to Customers, continued:

(e) Purchase of loan portfolio:

During the year ended December 31, 2017 portfolio purchases were made, whose nominal value amounted to Ch$1,495 million.

During the year 2016 the Bank acquired loan portfolio, whose nominal value amounted to Ch$54,969 million.

(f) Sale or transfer of loans from the loan portfolio:

During 2017 and 2016 sale operations or assignments of receivables have been carried out from the loan portfolio according to the following:

	2017			
	Carrying amount MCh$	Allowances MCh$	Sale price MCh$	Effect on income (loss) gain MCh$
Sale of current loans	33,681	(13,074)	24,126	3,519
Sale of written off loans			23	23
Total	33,681	(13,074)	24,149	3,542

	2016			
	Carrying amount MCh$	Allowances MCh$	Sale price MCh$	Effect on income (loss) gain MCh$
Sale of current loans	130,045	(24,925)	110,050	4,930
Sale of written off loans				
Total	130,045	(24,925)	110,050	4,930

(g) Securitization of own assets:

During 2017 and 2016, there is no transactions of securitization of own assets.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

13. Investment Securities:

As of December 31, 2017 and 2016, investment securities classified as available-for-sale and held-to-maturity are detailed as follows:

	2017 Available-for-sale MCh$	2017 Held-to-maturity MCh$	2017 Total MCh$	2016 Available-for -sale MCh$	2016 Held-to-maturity MCh$	2016 Total MCh$
Instruments issued by the Chilean Government and Central Bank of Chile						
Bonds issued by the Central Bank of Chile	204,128		204,128	20,944		20,944
Promissory notes issued by the Central Bank of Chile	3,346		3,346			
Other instruments of the Chilean Government and the Central Bank of Chile	148,894		148,894	38,256		38,256
Other instruments issued in Chile						
Deposit promissory notes from domestics banks						
Mortgage bonds from domestic banks	99,572		99,572	108,933		108,933
Bonds from domestic banks	5,415		5,415	7,973		7,973
Deposits from domestic banks	956,733		956,733	24,032		24,032
Bonds from other Chilean companies	14,969		14,969	29,525		29,525
Promissory notes issued by other Chilean companies						
Other instruments issued in Chile	83,006		83,006	138,322		138,322
Instruments issued abroad						
Instruments from foreign governments or Central Banks						
Other instruments						

Total	1,516,063	1,516,063	367,985	367,985

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

13. Investment Securities, continued:

Instruments issued by the Chilean Government and Central Bank include instruments with repurchase agreements sold to clients and financial institutions; totaling Ch$5,177 million as of December 31, 2017 (Ch$4,975 million as of December 31, 2016). The repurchase agreements have an average maturity of 3 days as of December 31, 2017 (7 days in December 2016). Additionally, under the same item, instruments that guarantee margins for offsetting derivative transactions through Comder Contraparte Central S.A. for an amount of Ch$31,415 million as of December 31, 2017 (Ch$2,099 million as of December 2016) are maintained.

Instruments of Foreign Institutions include mainly bank bonds.

As of December 31, 2017, the portfolio of financial assets available-for-sale includes an accumulated unrealized gain of Ch$1,851 million (accumulated unrealized gain of Ch$847 million in December 2016), recorded as an equity valuation adjustment.

During 2017 and 2016, there is no evidence of impairment of financial assets available-for-sale.

Gross profits and losses realized on the sale of available-for-sale investments as of December 31, 2017 and 2016 are shown in Note No. 30 Net Financial Operating Income . The changes on results at the end of each year are as fallow:

	2017 MCh$	2016 MCh$
Unrealized (losses) gains	6,153	12,440
Realized losses (gains) reclassified to income	(5,149)	(64,011)
Subtotal	1,004	(51,571)
Income tax on other comprehensive income	(282)	12,366
Net effect in equity	722	(39,205)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

14. Investments in Other Companies:

(a) Investments in other companies include investments of Ch$38,041 million as of December 31, 2017 (Ch$32,588 million as of December 31, 2016), as follows:

Company	Shareholder	Ownership Interest 2017 %	Ownership Interest 2016 %	Equity 2017 MCh$	Equity 2016 MCh$	Book Value 2017 MCh$	Book Value 2016 MCh$	Investment Income (Loss) (**) 2017 MCh$	Investment Income (Loss) (**) 2016 MCh$
Associates									
Transbank S.A.	Banco de Chile	26.16	26.16	56,804	49,518	15,070	12,954	2,117	1,363
Soc. Operadora de Tarjetas de Crédito Nexus S.A.	Banco de Chile	25.81	25.81	13,781	10,809	3,822	2,789	884	493
Administrador Financiero del Transantiago S.A.	Banco de Chile	20.00	20.00	15,490	13,907	3,098	2,782	317	230
Redbanc S.A.	Banco de Chile	38.13	38.13	7,484	6,422	2,894	2,449	403	425
Centro de Compensación Automatizado S.A.	Banco de Chile	33.33	33.33	4,696	3,985	1,589	1,328	236	248
Sociedad Imerc OTC S.A.	Banco de Chile	12.33	12.33	11,490	10,991	1,417	1,347	66	135
Sociedad Interbancaria de Depósitos de Valores S.A.	Banco de Chile	26.81	26.81	3,659	3,101	995	831	215	175
Soc. Operadora de la Cámara de Compensación de Pagos de Alto Valor S.A.	Banco de Chile	15.00	15.00	5,838	5,472	908	821	66	100
Subtotal Associates				119,242	104,205	29,793	25,301	4,304	3,169
Joint Ventures									
Servipag Ltda.	Banco de Chile	50.00	50.00	9,997	8,596	4,999	4,298	700	409
Artikos Chile S.A.	Banco de Chile	50.00	50.00	1,654	1,431	979	715	507	441
Subtotal Joint Ventures				11,651	10,027	5,978	5,013	1,207	850
Subtotal				130,893	114,232	35,771	30,314	5,511	4,019
Investments valued at cost (1)									
Bolsa de Comercio de Santiago S.A. (*)	Banchile Corredores de Bolsa					1,646	1,646	488	438
Banco Latinoamericano de Comercio Exterior S.A. (Bladex)	Banco de Chile					309	309	58	61

Bolsa Electrónica de Chile S.A.	Banchile Corredores de Bolsa	257	257		
Sociedad de Telecomunicaciones Financieras Interbancarias Mundiales (Swift)	Banco de Chile	50	54		
CCLV Contraparte Central S.A.	Banchile Corredores de Bolsa	8	8		
Subtotal		2,270	2,274	546	499
Total		38,041	32,588	6,057	4,518

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

(*) The exchange of shares informed as essential event dated May 30, 2017, each shareholder of the Stock Exchange received 1,000,000 shares for each share held as of April 20, 2017. At that date, the subsidiary Banchile Corredores de Bolsa S.A. held the ownership of 3 shares, obtaining 3,000,000 shares due to the exchange.

(**)The year 2016 does not include a loss of Ch$5 million reflected by the subsidiary Banchile Asesoría Financiera for the investment held on the subsidiary Promarket SA, which was dissolved on December 30, 2016.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

14. Investments in Other Companies, continued:

(b) Associates:

	2017							
	Centro de Compensación Automatizado S.A. MCh$	**Soc. Operadora de la Cámara de Compensación de Pagos de Alto Valor S.A. MCh$**	**Soc. Operadora de Tarjetas de Crédito Nexus S.A. MCh$**	**Sociedad Interbancaria de Depósitos de Valores S.A. MCh$**	**Redbanc S.A. MCh$**	**Transbank S.A. MCh$**	**Administrador Financiero del Transantiago S.A. MCh$**	**Soci Imerc S. MC**
Current assets	2,351	5,114	11,114	51	6,371	744,681	50,474	1
Non-current assets	4,520	1,224	21,555	3,669	14,864	76,097	830	
Total Assets	**6,871**	**6,338**	**32,669**	**3,720**	**21,235**	**820,778**	**51,304**	**1**
Current liabilities	1,826	500	13,735	61	8,702	763,236	34,896	
Non-current liabilities	349		5,153		5,049	738	918	
Total Liabilities	2,175	500	18,888	61	13,751	763,974	35,814	
Equity	4,696	5,838	13,781	3,659	7,484	56,804	15,490	1
Minority interest								
Total Liabilities and Equity	**6,871**	**6,338**	**32,669**	**3,720**	**21,235**	**820,778**	**51,304**	**1**
Revenue	2,275	3,086	49,403	9	34,083	175,975	3,358	
Operating expenses	(1,359)	(2,666)	(44,664)	(33)	(32,334)	(167,052)	(1,998)	(
Other income (expenses)		141	(187)	826	(339)	1,625	649	
Profit before tax	916	561	4,552	802	1,410	10,548	2,009	
Income tax	(208)	(122)	(1,125)		(354)	(2,453)	(426)	
Profit for the year	**708**	**439**	**3,427**	**802**	**1,056**	**8,095**	**1,583**	

2016

	Centro de Compensación Automatizado S.A. MCh$	**Soc. Operadora de la Cámara de Compensación de Pagos de Alto Valor S.A. MCh$**	**Soc. Operadora de Tarjetas de Crédito Nexus S.A. MCh$**	**Sociedad Interbancaria de Depósitos de Valores S.A. MCh$**	**Redbanc S.A. MCh$**	**Transbank S.A. MCh$**	**Administrador Financiero del Transantiago S.A. MCh$**	**Soci Imerc S.A MC**
Current assets	1,748	5,731	10,915	71	4,642	647,384	51,803	2
Non-current assets	3,760	368	19,123	3,133	15,285	63,091	819	
Total Assets	**5,508**	**6,099**	**30,038**	**3,204**	**19,927**	**710,475**	**52,622**	**2**
Current liabilities	1,146	627	15,141	103	7,884	660,720	37,912	1
Non-current liabilities	377		4,088		5,621	237	803	
Total Liabilities	1,523	627	19,229	103	13,505	660,957	38,715	1
Equity	3,985	5,472	10,809	3,101	6,422	49,518	13,907	1
Minority interest								
Total Liabilities and Equity	**5,508**	**6,099**	**30,038**	**3,204**	**19,927**	**710,475**	**52,622**	**2**
Revenue	2,138	3,142	48,150	2	33,603	156,207	3,292	
Operating expenses	(1,165)	(2,497)	(45,658)	(30)	(31,686)	(150,785)	(2,142)	(
Other income (expenses)	(28)	168	(121)	694	(446)	1,047	624	
Profit before tax	945	813	2,371	666	1,471	6,469	1,774	
Income tax	(201)	(156)	(460					