BANK OF CHILE
Form 6-K
October 29, 2014
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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 October, 2014

Commission File Number 001-15266

BANK OF CHILE

(Translation of registrant s name into English)

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

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

Form 20-F 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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MCh$	=	Millions of Chilean pesos
ThUS$	=	Thousands of U.S. dollars
UF or CLF	=	Unidad de Fomento
		(The Unidad de Fomento is an inflation-indexed, Chilean peso denominated monetary unit set daily in advance on the basis of the previous month s inflation rate).
Ch$ or CLP	=	Chilean pesos
US$ or USD	=	U.S. dollars
JPY	=	Japanese yen
EUR	=	Euro
MXN	=	Mexican pesos
HKD	=	Hong Kong dollars
PEN	=	Peruvian nuevo sol
CHF	=	Swiss franc
IFRS	=	International Financial Reporting Standards
IAS	=	International Accounting Standards
RAN	=	Compilation of Norms of the Chilean Superintendency of Banks
IFRIC	=	International Financial Reporting Interpretations Committee
SIC	=	Standards Interpretation Committee

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BANCO DE CHILE AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

For the periods ended September 30, 2014 and December 31, 2013

(Translation of financial statements originally issued in Spanish)

(Expressed in million of Chilean pesos)

	Notes	September 2014 MCh$	December 2013 MCh$
ASSETS			
Cash and due from banks	7	939,918	873,308
Transactions in the course of collection	7	412,839	374,471
Financial assets held-for-trading	8	585,984	393,134
Cash collateral on securities borrowed and reverse repurchase agreements	9	11,356	82,422
Derivative instruments	10	820,546	374,688
Loans and advances to banks	11	675,764	1,062,056
Loans to customers, net	12	20,858,305	20,389,033
Financial assets available-for-sale	13	1,556,870	1,673,704
Financial assets held-to-maturity	13		
Investments in other companies	14	24,584	16,670
Intangible assets	15	26,614	29,671
Property and equipment	16	203,764	197,578
Current tax assets	17	2,412	3,202
Deferred tax assets	17	189,675	145,904
Other assets	18	303,269	318,029
TOTAL ASSETS		**26,611,900**	**25,933,870**
LIABILITIES			
Current accounts and other demand deposits	19	6,345,503	5,984,332
Transactions in the course of payment	7	290,445	126,343
Cash collateral on securities lent and repurchase agreements	9	225,884	256,766
Savings accounts and time deposits	20	9,560,022	10,402,725
Derivative instruments	10	826,616	445,132
Borrowings from financial institutions	21	803,577	989,465
Debt issued	22	5,139,773	4,366,960
Other financial obligations	23	183,656	210,926
Current tax liabilities	17	9,908	10,333
Deferred tax liabilities	17	46,579	36,569
Provisions	24	511,687	551,898
Other liabilities	25	229,939	268,105
TOTAL LIABILITIES		**24,173,589**	**23,649,554**
EQUITY	27		
Attributable to Bank s Owners:			
Capital		1,944,920	1,849,351
Reserves		263,338	213,636
Other comprehensive income		16,769	15,928
Retained earnings:			
Retained earnings from previous periods		16,379	16,379
Income for the period		462,947	513,602
Less:			

Provision for minimum dividends	(266,044)	(324,582)
Subtotal	2,438,309	2,284,314
Non-controlling interests	2	2
TOTAL EQUITY	**2,438,311**	**2,284,316**
TOTAL LIABILITIES AND EQUITY	**26,611,900**	**25,933,870**

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

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BANCO DE CHILE AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE PERIOD

For the nine-month ended September 30, 2014 and 2013

(Translation of financial statements originally issued in Spanish)

(Expressed in million of Chilean pesos)

	Notes	September 2014 MCh$	September 2013 MCh$
A. CONSOLIDATED STATEMENT OF INCOME			
Interest revenue	28	1,480,538	1,272,595
Interest expense	28	(577,679)	(503,902)
Net interest income		**902,859**	**768,693**
Income from fees and commissions	29	286,153	288,089
Expenses from fees and commissions	29	(85,663)	(72,239)
Net fees and commission income		**200,490**	**215,850**
Net financial operating income	30	23,551	23,687
Foreign exchange transactions, net	31	61,561	36,764
Other operating income	36	17,488	17,924
Total operating revenues		**1,205,949**	**1,062,918**
Provisions for loan losses	32	(210,362)	(173,817)
OPERATING REVENUES, NET OF PROVISIONS FOR LOAN LOSSES		**995,587**	**889,101**
Personnel expenses	33	(255,519)	(234,191)
Administrative expenses	34	(193,403)	(184,309)
Depreciation and amortization	35	(20,897)	(21,332)
Impairment	35	(1,771)	(133)
Other operating expenses	37	(26,229)	(13,789)
TOTAL OPERATING EXPENSES		**(497,819)**	**(453,754)**
NET OPERATING INCOME		**497,768**	**435,347**
Income attributable to associates	14	1,927	2,044
Income before income tax		**499,695**	**437,391**
Income tax	17	(36,747)	(56,671)
NET INCOME FOR THE PERIOD		**462,948**	**380,720**
Attributable to:			
Bank s Owners		462,947	380,720
Non-controlling interests		1	

		$	**$**
Net income per share attributable to Bank s Owners:			
Basic net income per share	27	4.89	4.10
Diluted net income per share	27	4.89	4.10

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

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BANCO DE CHILE AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE PERIOD

For the nine-month ended September 30, 2014 and 2013

(Translation of financial statements originally issued in Spanish)

(Expressed in million of Chilean pesos)

	Notes	September 2014 MCh$	September 2013 MCh$
NET INCOME FOR THE YEAR		**462,948**	**380,720**
Other comprehensive income that will be reclassified subsequently to profit or loss			
Net unrealized gains (losses):			
Net change in unrealized gains (losses) on available for sale instruments	13	7,589	9,149
Gains and losses on derivatives held as cash flow hedges	10	(5,446)	(16,389)
Cumulative translation adjustment		79	39
Subtotal Other comprehensive income before income taxes		**2,222**	**(7,201)**
Income tax		(1,381)	1,448
Total other comprehensive income items that will be reclassified subsequently to profit or loss		**841**	**(5,753)**
Other comprehensive income that will not be reclassified subsequently to profit or loss			
Loss in defined benefit plans		(290)	
Subtotal other comprehensive income before income taxes		**(290)**	
Income taxes		75	
Total other comprehensive income items that will not be reclassified subsequently to profit or loss		**(215)**	
TOTAL CONSOLIDATED COMPREHENSIVE INCOME		**463,574**	**374,967**
Attributable to:			
Equity holders of the parent		463,573	374,967
Non-controlling interest		1	
Comprehensive net income per share from continued operations attributable to equity holders of the parent:			
Basic net income per share		4.90	4.03

Diluted net income per share	4.90	4.03

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

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BANCO DE CHILE AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the nine-month ended September 30, 2014 and 2013

(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$**	**Other reserves MCh$**	**Reserves from earnings MCh$**	**Unrealized gains (losses) on available-for-sale MCh$**	**Derivatives cash flow hedge MCh$**	**Cumulatives translation adjustement MCh$**	**Retained earnings from previous periods MCh$**	**Income for the year MCh$**	**Provision for minimun dividends MCh$**	**Attributable to equity holders of the parent MCh$**	**co i M**
Balances as of December 31, 2012		1,629,078	30,496	145,318	17,995	1,034	(94)	16,379	467,610	(300,759)	2,007,057	
Capitalization of retained earnings	27	86,202							(86,202)			
Income distribution			1,760						(1,760)			
Income retention (released) according to law	27			36,193					(36,193)			
Paid and distributed dividends	27								(343,455)	300,759	(42,696)	
Other comprehensive income:	27											
Cumulative translation adjustment							39				39	
Derivatives cash flow hedge, net						(13,112)					(13,112)	
Valuation adjustment on available-for-sale instruments (net)					7,320						7,320	
Subscription and payment of shares		134,071									134,071	
Income for the period 2013									380,720		380,720	
Provision for mínimum dividends	27									(247,569)	(247,569)	
Balances as of September 30, 2013		**1,849,351**	**32,256**	**181,511**	**25,315**	**(12,078)**	**(55)**	**16,379**	**380,720**	**(247,569)**	**2,225,830**	
Defined benefit plans adjustment			(133)								(133)	
Equity adjustment associates			2								2	

Dividends distributions and paid											
Other comprehensive income:											
Cumulative translation adjustment							32				32
Cash flow hedge adjustment, net						(1,343)					(1,343)
Valuation adjustment on available-for-sale instruments, net					4,057						4,057
Income for the period 2013									132,882		132,882
Provision for minimum dividends										(77,013)	(77,013)
Balances as of December 31, 2013		**1,849,351**	**32,125**	**181,511**	**29,372**	**(13,421)**	**(23)**	**16,379**	**513,602**	**(324,582)**	**2,284,314**
Capitalization of retained earnings	27	95,569							(95,569)		
Retention (released) earnings	27			49,913					(49,913)		
Dividends distributions and paid	27								(368,120)	324,582	(43,538)
Equity adjustment investment in other companies			4								4
Other comprehensive income:	27										
Cumulative translation adjustment							79				79
Cash flow hedge adjustment, net						(4,302)					(4,302)
Valuation adjustment on available-for-sale instruments (net)					5,064						5,064
Defined benefit plans adjustment			(215)								(215)
Income for the period 2014									462,947		462,947
Provision for minimum dividends	27									(266,044)	(266,044)
Balances as of September 30, 2014		**1,944,920**	**31,914**	**231,424**	**34,436**	**(17,723)**	**56**	**16,379**	**462,947**	**(266,044)**	**2,438,309**

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

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BANCO DE CHILE AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the nine-month ended September 30, 2014 and 2013

(Translation of financial statements originally issued in Spanish)

(Expressed in million of Chilean pesos)

	Notes	September 2014 MCh$	September 2013 MCh$
OPERATING ACTIVITIES:			
Net income for the period		462,948	380,720
Items that do not represent cash flows:			
Depreciation and amortization	35	20,897	21,332
Impairment of intangible assets and property and equipment	35	1,771	133
Provision for loan losses	32	227,938	186,118
Provision of contingent loans	32	4,111	10,632
Fair value adjustment of financial assets held-for-trading		467	(282)
Income attributable to investments in other companies	14	(1,609)	(1,792)
Income from sales of assets received in lieu of payment	36	(2,450)	(3,627)
Net gain on sales of property and equipment	36-37	(82)	(205)
(Increase) decrease in other assets and liabilities		(80,895)	(15,828)
Charge-offs of assets received in lieu of payment	37	1,231	1,308
Other charges (credits) to income that do not represent cash flows		10,064	4,865
(Gain) loss from foreign exchange transactions of other assets and other liabilities		(183,601)	(57,007)
Net changes in interest and fee accruals		(40,580)	28,759
Changes in assets and liabilities that affect operating cash flows:			
(Increase) decrease in loans and advances to banks, net		384,944	666,372
(Increase) decrease in loans to customers		(492,848)	(1,799,468)
(Increase) decrease in financial assets held-for-trading, net		23,628	(191,188)
(Increase) decrease in deferred taxes, net	17	(36,211)	1,844
(Increase) decrease in current account and other demand deposits		360,826	456,348
(Increase) decrease in payables from repurchase agreements and security lending		(10,771)	21,656
(Increase) decrease in savings accounts and time deposits		(814,068)	717,671
Proceeds from sale of assets received in lieu of payment		4,362	5,593
Total cash flows from operating activities		**(159,928)**	**433,954**
INVESTING ACTIVITIES:			
(Increase) decrease in financial assets available-for-sale, net		321,738	(532,350)
Purchases of property and equipment	16	(21,807)	(8,535)
Proceeds from sales of property and equipment		122	491
Purchases of intangible assets	15	(3,263)	(3,773)
Investments in other companies	14	(6,608)	(1,440)
Dividends received from investments in other companies	14	195	931
Total cash flows from investing activities		**290,377**	**(544,676)**
FINANCING ACTIVITIES:			
Proceeds of mortgage finance bonds			
Repayment of mortgage finance bonds		(13,107)	(15,869)
Proceeds from bond issuances	22	1,580,224	1,245,262

Redemption of bond issuances		(839,362)	(484,375)
Proceeds from subscription and payment of shares			134,071
Dividends paid	27	(368,120)	(343,455)
(Increase) decrease in borrowings from financial institutions		(50,524)	(392,878)
(Increase) decrease in other financial obligations		(23,896)	15,731
(Increase) decrease in borrowings from Central Bank of Chile			
Borrowings from Central Bank of Chile (long-term)		18	
Payment of borrowings from Central Bank of Chile (long-term)		(19)	(7)
Long-term foreign borrowings		623,695	622,630
Payment of long-term foreign borrowings		(758,143)	(460,418)
Proceeds from other long-term borrowings		6,669	538
Payment of other long-term borrowings		(10,927)	(3,821)
Total cash flows from financing activities		**146,508**	**317,409**
TOTAL NET POSITIVE CASH FLOWS FOR THE PERIOD		**276,957**	**206,687**
Net effect of exchange rate changes on cash and cash equivalents		**33,538**	**33,848**
Cash and cash equivalents at beginning of year		**1,538,618**	**1,236,324**
Cash and cash equivalents at end of period	7	**1,849,113**	**1,476,859**
Supplemental disclosure of cash flow information:			
Cash paid during the year for:			
Interest received		1,273,145	1,240,417
Interest paid		(410,866)	(442,965)

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

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BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Translation of financial statements originally issued in Spanish)

(Expressed in million of Chilean pesos)

1. Corporate information:

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

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

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

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

The Interim Condensed Consolidated Financial Statements of Banco de Chile, for the period ended September 30, 2014 were approved for issuance in accordance with the directors on October 23, 2014.

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

(a) Legal provisions:

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

(b) Basis of preparation:

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

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

				Interest Owned					
				Direct		Indirect		Total	
Rut	Subsidiaries	Country	Functional Currency	September 2014 %	December 2013 %	September 2014 %	December 2013 %	September 2014 %	December 2013 %
44,000,213-7	Banchile Trade Services Limited	Hong Kong	US$	100.00	100.00			100.00	100.00
96,767,630-6	Banchile Administradora General de Fondos S.A.	Chile	Ch$	99.98	99.98	0.02	0.02	100.00	100.00
96,543,250-7	Banchile Asesoría Financiera S.A.	Chile	Ch$	99.96	99.96			99.96	99.96
77,191,070-K	Banchile Corredores de Seguros Ltda.	Chile	Ch$	99.83	99.83	0.17	0.17	100.00	100.00
96,571,220-8	Banchile Corredores de Bolsa S.A.	Chile	Ch$	99.70	99.70	0.30	0.30	100.00	100.00
96,932,010-K	Banchile Securitizadora S.A.	Chile	Ch$	99.00	99.00	1.00	1.00	100.00	100.00
96,645,790-2	Socofin S.A.	Chile	Ch$	99.00	99.00	1.00	1.00	100.00	100.00
96,510,950-1	Promarket S.A.	Chile	Ch$	99.00	99.00	1.00	1.00	100.00	100.00

(c) Use of estimates and judgment:

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

1. Goodwill valuation (Note No. 15);
2. Useful lives of property and equipment and intangible assets (Notes No. 15 and No. 16);
3. Income taxes and deferred taxes (Note No. 17);
4. Provisions (Note No. 24);
5. Contingencies and Commitments (Note No. 26);
6. Provision for loan losses (Note No. 11, No. 12 and No. 32);
7. Impairment of other financial assets (Note No. 35);
8. Fair value of financial assets and liabilities (Note No. 39).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

(c) Use of estimates and judgment, 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 period ended September 30, 2014 there have been no significant changes to estimates than those disclosed in Note No. 17 made during period 2013 than those disclosed in Note No. 17.

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

Due to the nature of its business, the Bank and its subsidiaries activities do not have a cyclical or seasonal character. Accordingly, no specific details have been included on the notes to this Interim Condensed Consolidated Financial Statements with the information regarding the period of nine-month ended September 30, 2014.

(e) Relative Importance:

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

(f) Reclassifications:

During the period of nine-month ended as of September 30, 2014, there are not reclassifications. Different to mentioned in Note No. 39 letter (a).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

3. New Accounting Pronouncements:

3.1 Accounting rules issued by IASB

The following is a summary of new standards, interpretations and improvements to the International Financial Reporting Standards issued by the International Accounting Standards Board (IASB), which are no effective as of September 30, 2014:

3.1 Accounting rules issued by IASB:

IFRS 9 Financial Instruments

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

This standard includes new requirements based on new principles for the classification and measurement, it introduces a more prospective model of expected credit losses on impairment accounting and a focus substantially renovated for hedge accounting.

Classification and measurement

The classification determines how financial assets and financial liabilities are accounted for in financial statements and, in particular, how they are measured on an ongoing basis. IFRS 9 introduces a logical approach for the classification of financial assets driven by cash flow characteristics and the business model in which an asset is held. This single, principle-based approach replaces existing rule-based requirements that are complex and difficult to apply. The new model also results in a single impairment model being applied to all financial instruments removing a source of complexity associated with previous accounting requirements.

Impairment

The IASB has introduced a new, expected loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and it lowers the threshold for recognition of full lifetime expected losses.

Hedge Accounting

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

Entity s Own Credit Risk

IFRS 9 removes the volatility in profit or loss caused by changes in the credit risk to liabilities measured at fair value. This change in accounting means that the profit produced by the quality decline of own credit risk of the entity in this kind of obligations are not recognized in profit or loss of the period. IFRS 9 permits early application of this improved in the financial information, before any other change in the accounting for financial instruments.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

3. New Accounting Pronouncements, continued:

IFRS 9 Financial Instruments, continued

Adoption date mandatory ***January 1, 2018***.

Banco de Chile and its subsidiaries are assessing the possible impact of adoption of these changes on the consolidated financial statements, however, that impact will depend on the assets maintained by the institution as of the adoption date. It is not practicable to quantify the effect on the issuance of these consolidated financial statements. To date, this standard has not been approved by the Superintendency of Banks, event that is required for their application.

IFRS 11 Joint Ventures

In May of 2014 the IASB modified IFRS 11, to provide guides about the accounting of acquisitions of participations in joint operations, whose activity constitute a business.

This IFRS requires that the acquirer of an participation in joint operation whose activity constitute a business, like it is defined in IFRS 3 Business Combination , applies all the principles about accounting of business combination of IFRS 3 and others IFRS, except those that conflict with guidelines of these IFRS.

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

Banco de Chile and its subsidiaries are assessing the impact of these rules in its consolidated financial statements.

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

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

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

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

Also, it introduces guidelines to explain that expected futures reductions in the prices of sale could be indicator of reductions in futures economics benefits in an asset. The effective date is beginning on January 1, 2016, its early application is permitted.

Banco de Chile and its subsidiaries are assessing the impact of this rule in its consolidated financial statements.

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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, whose objective is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer.

Application of the standard is mandatory for annual reporting periods starting from January 1, 2017 onwards. Earlier application is permitted.

Banco de Chile and its subsidiaries are assessing the impact of this rule in its consolidated financial statements.

IAS 27 Consolidated and Separated Financial Statements

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

This amendment has the objective of facilitating the implementation of IFRS in jurisdictions where this method is required, thus reducing the costs of developing separated financial statements.

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

Banco de Chile and its subsidiaries are assessing the impact of this rule in its consolidated financial statements.

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

In September 2014, the IASB issued amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures .

The amendments address an acknowledged inconsistency between the requirements of IFRS 10 and IAS 28 (2011), in the treatment of the sale or contribution of assets between an investor and the associate or joint venture.

The main consequence of the amendments is that all gain or loss is recognized when the transaction involves a business (if it is a subsidiary or not).

A partial profit or loss is recognized when the transaction involves assets that do not constitute a business, even if these assets are in a subsidiary.

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

Banco de Chile and its subsidiaries are assessing the impact of this rule in its consolidated financial statements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

3. New Accounting Pronouncements, continued:

Annual improvements IFRS

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

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

This amendment is related with the accounting treatment when there is a change of disposition of the asset or disposal group and the result is the reclassification from held for sale to held for distribution (or vice versa).

- IFRS 7 Financial Instruments: Disclosures.

This amendment clarifies the additional disclosures required by the amendments to IFRS 7, where more information is required to be disclosed in the condensed interim financial statements in accordance with IAS 34 information.

In addition, are added guidelines that clarify how an entity should apply the guides of the paragraph 42C of IFRS 7.

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

It is clarified that corporate bonds with high quality credit used to estimate the discount rate for obligations for post-employment benefits should be denominated in the same currency as the liabilities, clarifying the extent of the market for corporate bonds to be assessed at the level of the currency and no country.

- IAS 34 Interim Financial Reporting.

In regarding significant events and transaction on entity shall include of the financial statements, if necessary, when doesn t have access to the information by cross-reference on the same terms and at the same time, the interim financial report is incomplete.

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

Banco de Chile and its subsidiaries are assessing the impact of this rule in its consolidated financial statements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

3. New Accounting Pronouncements, continued:

3.2 Accounting rules issued by SBIF:

On February 17, 2014 SBIF issued a Circular No. 3,565, which introduces changes to the instructions related to monthly information sent to the Superintendency. Changes have as objective inform in separate way the investment in entities controlled abroad and requires information of credit and its overdue maintained for the subsidiaries controlled. These changes are applied in present consolidated financial statements.

3.3 Rules issued by the Superintendency of Securities and Insurance (Superintendencia de Valores y Seguros (SVS))

On January 13, 2014 SVS issued a Circular No. 2,137, which regulates financial statements that insurance brokers (not individuals) must be sent to SVS. This rule establishes the presentation of financial statements under IFRS since January 1, 2015 and establishes accounting criteria related to income recognition for concept of commissions.

On October 17, 2014 SVS issued an Oficio Circular No. 856, which establishes exceptionally, accounting for differences produced assets and liabilities for deferred taxes caused by the increase in the tax rate introduced by Law No. 20,780 tax reform amending the system of taxation of income and introduces various adjustments in the tax system, in equity. This oficio circular does not impact the consolidated financial statements of Banco de Chile.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

4. Changes in Accounting Policies and Disclosures:

On December 1, 2013, new rules are beginning in application. These are about return of premiums not accrued for the insurance contracts, according to established by law No. 20,667 of 9th. of May of 2013 and Circular No. 2,114 issued by the SVS on July 26, 2013. The legal change requires returns of premiums collected in advance but not accrued, due to the early termination or extinction of an insurance contract. The premium to return it will be calculated in proportion of the remaining time.

During the period ended as of September 30, 2014, the Bank and its subsidiary Banchile Corredores de Seguros have established provisions for the concept of commission s refunds to the insurance companies for the policies (paid in advance) commercialized since December 1, 2013. This estimation is based in the history of the prepayments and disclaimers of its products portfolio that originate the commissions.

Additionally, the legal exchange for the return of premiums collected in advance and unearned, also had an impact on the income expense of commissions recognized directly in income. This means that it has begun to defer a portion of the commission earned jointly with future costs of sales.

These estimates correspond to changes in an accounting estimates, whose effects are registered in income under item Income from fees and commissions . The effect of the change involves a lesser income in the period by an amount of Ch$6,006 million.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

5. Relevant Events:

(a) On January 9, 2014 LQ Inversiones Financieras S.A. (LQIF) informed Banco de Chile that LQIF will carry out a process to offer for sale or transfer up to 6,900,000,000 shares of Banco de Chile (a secondary offering). In addition, LQIF has requested that Banco de Chile perform all the actions related to the execution of this kind of transaction in the local and international markets.

Furthermore, the letter indicates that, if consummated, this transaction will reduce LQIF s share of outstanding voting rights from 58.4% to 51%, so that the control status of LQIF with respect to Banco de Chile will not be altered.

With regard to the above, on this date the Board of Directors of Banco de Chile has agreed to LQIF s request and the conditions under which Banco de Chile will participate in the appropriate filings with foreign regulators, the entering into of contracts and other documents required by law and consistent with securities market practice in the United States of America and other international markets, and in the performing of such other steps and actions as are necessary for the consummation of this transaction in the local and international markets and that are related to the commercial and financial condition of Banco de Chile.

(b) On January 14, 2014, in relation to the relevant event dated January 9, 2014, it is informed that Banco de Chile has filed with the Securities and Exchange Commission of the United States of America (SEC), Supplemental Preliminary a prospectus which contains financial and business information of the Bank.

Also, it has been registered the agreed contract text called Underwriting Agreement that will be subscribed by LQ Inversiones Financieras S.A. (LQIF), as a seller of securities, Banco de Chile as issuer, and Citigroup Global Markets Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Deutsche Bank Securities Inc. and Banco BTG Pactual S.A. - Cayman Branch, as underwriters.

Additionally, LQIF and Banco de Chile have agreed the terms and general conditions under which the Bank will participate in this process.

(c) On January 29, 2014, LQ Inversiones Financieras S.A. informed as a relevant event that was placed of 6,700,000,000 shares of Banco de Chile, in the local market and the United States of America, by American Depositary Receipts Program, at a price of $ 67 per share, declaring successful offer for sale. Additionally, it informed that the 6,700,000,000 shares of Banco de Chile offered for sale will be placed in stock exchange at price stated on January 29, 2014.

(d) On January 29, 2014, Bank is informed that in relation to the secondary offering shares of Banco de Chile that is performing with LQ Inversiones Financieras S.A., in this date Banco de Chile as issuer, LQ Investments SA, as seller of the securities, and Citigroup Global Markets Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Deutsche Bank Securities Inc., and Banco BTG Pactual SA - Cayman Branch as underwriters, have been subscribed a contract called Underwriting Agreement, according to relevant event dated January 14, 2014.

Also, later than January 30, 2014, Banco de Chile will proceed to register in Securities and Exchange Commission of the United States of America (SEC), Final Prospectus Supplement, which contains financial and commercial information of the Bank.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

5. Relevants events, continued

(e) On January 30, 2014, it was informed that in the Ordinary Meeting No. BCH 2,790 held on January 30th, 2014, the Board of Directors of Banco de Chile resolved to call an Ordinary Shareholders Meeting to be held on March 27th, 2014, with the objective of proposing, among other matters, the distribution of the Dividend number 202 of $3.48356970828 per each of the 93,175,043,991 Banco de Chile shares, which will be payable at the expense of the distributable net income obtained during the fiscal year ending on December 31st, 2013, corresponding to the 70% of such income.

Likewise, the Board of Directors resolved to call an Extraordinary Shareholders Meeting to be held on the same date in order to propose, among other things, the capitalization of the 30% of the distributable net income of the Bank obtained during the fiscal year ending on December 31st, 2013, through the issuance of fully paid-in shares, of no par value, with a value of $64.56 per Banco de Chile share, which will be distributed among the shareholders in the proportion of 0.02312513083 shares for each Banco de Chile share and to adopt the necessary agreements subject to the exercise of the options established in article 31 of Law 19,396.

(f) On March 27, 2014 was informed as essential information that in the Ordinary Shareholders Meeting of this institution, which took place on March 27, 2014, the Board of Directors was completely renew, due to the end of the legal and statutory three years term established for 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:	Francisco Aristeguieta Silva	
	Jorge Awad Mehech	(Independent)
	Juan José Bruchou	
	Jorge Ergas Heymann	
	Jaime Estévez Valencia	(Independent)
	Pablo Granifo Lavín	
	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)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

5. Relevants events, continued

Moreover, at the ordinary Board of Directors meeting No BCH 2,793 held on March 27, 2014, it was agreed to make the following appointments and designations:

President:	Pablo Granifo Lavín
Vice-President:	Andrónico Luksic Craig
Vice-President:	Francisco Aristeguieta Silva
Advisers to the Board:	Hernán Büchi Buc
	Francisco Garcés Garrido
	Jacob Ergas Ergas

(g) On April 1, 2014 it was informed as an Essential Information that, as of this date, the Central Bank of Chile has communicated to Banco de Chile that the Board of such institution (Consejo), in Extraordinary Session No 1813E, held today, considering the resolutions adopted by the shareholders meetings of Banco de Chile of March 27, 2014, regarding distribution of dividends and the increase of capital through the issuance of fully paid-in shares corresponding to the 30% of the net income obtained during the fiscal year ending on December 31st, 2013, resolved to take the option that the entirety of its corresponding surplus, including the part of the profits proportional to the agreed capitalization, be paid to the Central Bank of Chile in cash currency, according to the letter b) of the article 31 of the law No 19,396, regarding a modification of the way of payment of the subordinated obligation and other applicable legislation.

(h) On May 29, 2014 in Ordinary Meeting No. 2,796, the Board of Bank of Chile agreed dissolution, liquidation and termination of Subsidiary Banchile Trade Services Limited, as well as of contracts and operations of this subsidiary. The Board gave full powers and rights, to execute the dissolution, liquidation and termination of the subsidiary mentioned above.

At the date of these financial statements dissolution, liquidation and termination of this subsidiary is in process.

(i) On June 23, 2014, the Second Extraordinary General Meeting of Shareholders of the subsidiary Banchile Securitizadora SA, unanimously agreed to increase the statutory capital by Ch$240 million. Superintendency of Securities and Insurance commented to the approval of the reform statutes dated July 18, 2014. Therefore, on July 21, 2014, the Board requested a new Extraordinary Shareholders Meeting in order to address the comments of the regulator.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

5. Relevants events, continued

(j) On June 26, 2014 and regarding the capitalization of 30% of the distributable net income obtained during the fiscal year ending the 31st of December, 2013, through the issuance of fully paid-in shares, agreed in the Extraordinary Shareholders Meeting held on the 27th of March, 2014, It was informed as an essential information:

a. In the said Extraordinary Shareholders Meeting, it was agreed to increase the Bank´s capital in the amount of $ 95,569,688,582 through the issuance of 1,480,323,553 fully paid-in shares, of no par value, payable under the distributable net income for the year 2013 that was not distributed as dividends as agreed at the Ordinary Shareholders Meeting held on the same day.

The Chilean Superintendency of Banks and Financial Institutions approved the amendment of the bylaws, through resolution N°153 dated May 30, 2014, which was registered on page 24,964 N°40,254 of the register of the Chamber of Commerce of Santiago for the year 2014, and was published at Diario Oficial on June 5, 2014.

The issuance of fully in paid shares was registered in the Securities Register of the Superintendence of Banks and Financial Institutions with N°3/2014, on June 19, 2014.

b. The Board of Directors of Banco de Chile, at the meeting N°2,798, dated June 26, 2014, set July 10, 2014, as the date for issuance and distribution of the fully paid in shares.

c. The shareholders that will be entitled to receive the new shares, at a ratio of 0.02312513083 fully in paid shares for each Banco de Chile share, shall be those registered in the Register of Shareholders on July 4, 2014.

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

e. As a consequence of the issuance of the fully in paid shares, the capital of the Bank will be divided in 94,655,367,544 nominative shares, without par value, completely subscribed and paid.

(k) On August 20, 2014, in relation to comments made by the SVS to the approval of the reform of statutes referred to in point (i), held the Third Extraordinary Meeting of Shareholders of the subsidiary Banchile Securitizadora SA The minutes of that meeting was a public deed on 25 of the same year, before Don Juan Francisco Alamos Shepherd, deputy head of the 45th Notary Public of Santiago Notary Mr. René Benavente Cash.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

6. Segment Reporting:

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

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

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

Treasury and money market operations:

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

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

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

Entity

- Banchile Trade Services Limited
- 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.
- Promarket S.A.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

6. Segment Reporting, continued:

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

• The net interest margin of loans and deposits is measured on an individual transaction and individual client basis, stemming from the difference between the effective customer rate and the related Bank s fund transfer price in terms of maturity, re-pricing and currency.

• The internal performance profitability system considers capital allocation in each segment in accordance to the Basel guidelines.

• Operating expenses are distributed at each area level. The Bank allocates all of its indirect operating costs to each business segment by utilizing a different cost driver in order to allocate such costs to the specific segment.

The Bank did not enter into transactions with a particular customer or third parties that exceed 10% or more of its total income during the nine-month period ended September 30, 2014 and 2013.

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

6. Segment Reporting, continued:

The following table presents the income by segment for the periods ended September 2014 and 2013 for each of the segments defined above:

	Retail		Wholesale		Treasury		Subsidiaries		Subtotal		Consolidation adjustment		
	September 2014 MCh$	**September 2013 MCh$**	**September 2014 MCh$**	**September 2013 MCh$**	**September 2014 MCh$**	**September 2013 MCh$**	**September 2014 MCh$**	**September 2013 MCh$**	**September 2014 MCh$**	**September 2013 MCh$**	**September 2014 MCh$**	**September 2013 MCh$**	**Se**
Net interest income	611,664	537,090	273,209	222,301	23,143	11,350	(7,013)	(9,266)	901,003	761,475	1,856	7,218	
Net fees and commissions income (loss)	98,770	114,029	30,138	32,458	(1,280)	(371)	83,966	77,996	211,594	224,112	(11,104)	(8,262)	
Other operating income	21,111	22,648	45,717										