

BANK OF CHILE
Form 6-K
April 27, 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 April, 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.

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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):

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

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

Yes No

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

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BANCO DE CHILE
REPORT ON FORM 6-K

Attached Banco de Chile's Consolidated Financial Statements with notes as of March 31, 2018.

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BANCO DE CHILE AND SUBSIDIARIES

INTERIM CONSOLIDATED

FINANCIAL STATEMENTS

**For the periods ended as of
March 31, 2018 and 2017 and
December 31, 2017.**

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BANCO DE CHILE AND SUBSIDIARIES

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

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- VI. Notes to the Interim 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
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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For the periods ended March 31, 2018 and December 31, 2017

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

(Expressed in million of Chilean pesos)

	Notes	March 2018 MCh\$	December 2017 MCh\$
ASSETS			
Cash and due from banks	7	920,445	1,057,393
Transactions in the course of collection	7	741,774	521,809
Financial assets held-for-trading	8	1,586,858	1,616,647
Cash collateral on securities borrowed and reverse repurchase agreements	9	119,114	91,641
Derivative instruments	10	1,229,401	1,247,829
Loans and advances to banks	11	788,477	759,702
Loans to customers, net	12	25,295,029	24,881,353
Financial assets available-for-sale	13	1,420,340	1,516,063
Financial assets held-to-maturity	13		
Investments in other companies	14	38,974	38,041
Intangible assets	15	41,766	39,045
Property and equipment	16	212,159	216,259
Current tax assets	17	37,907	23,032
Deferred tax assets	17	265,571	267,400
Other assets	18	545,926	547,974
TOTAL ASSETS		33,243,741	32,824,188
LIABILITIES			
Current accounts and other demand deposits	19	8,800,358	8,915,706
Transactions in the course of payment	7	467,064	295,712
Cash collateral on securities lent and repurchase agreements	9	260,162	195,392
Savings accounts and time deposits	20	10,371,047	10,067,778
Derivative instruments	10	1,389,117	1,414,237
Borrowings from financial institutions	21	1,012,954	1,195,028
Debt issued	22	6,911,859	6,488,975
Other financial obligations	23	150,676	137,163
Current tax liabilities	17	4,002	3,453
Deferred tax liabilities	17	44	
Provisions	24	430,793	695,868
Other liabilities	25	342,650	309,161
TOTAL LIABILITIES		30,140,726	29,718,473
EQUITY			
	27		
Attributable to Bank's Owners:			
Capital		2,418,833	2,271,401
Reserves		617,689	563,188
Other comprehensive income		(19,706)	(8,040)
Retained earnings:			
Retained earnings from previous years		16,060	16,060

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Income for the period	142,651	576,012
Less:		
Provision for minimum dividends	(72,513)	(312,907)
Subtotal	3,103,014	3,105,714
Non-controlling interests	1	1
TOTAL EQUITY	3,103,015	3,105,715
TOTAL LIABILITIES AND EQUITY	33,243,741	32,824,188

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

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

For the three-month ended March 31, 2018 and 2017

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

(Expressed in million of Chilean pesos)

	Notes	March 2018 MCh\$	March 2017 MCh\$
Interest revenue	28	469,878	456,767
Interest expense	28	(153,361)	(153,227)
Net interest income		316,517	303,540
Income from fees and commissions	29	122,505	113,812
Expenses from fees and commissions	29	(33,344)	(26,591)
Net fees and commission income		89,161	87,221
Net financial operating income	30	2,106	11,734
Foreign exchange transactions, net	31	25,483	13,888
Other operating income	36	11,652	6,336
Total operating revenues		444,919	422,719
Provisions for loan losses	32	(70,945)	(63,115)
OPERATING REVENUES, NET OF PROVISIONS FOR LOAN LOSSES		373,974	359,604
Personnel expenses	33	(107,766)	(100,918)
Administrative expenses	34	(79,348)	(79,206)
Depreciation and amortization	35	(9,171)	(8,559)
Impairment	35	(11)	(1)
Other operating expenses	37	(7,951)	(3,509)
TOTAL OPERATING EXPENSES		(204,247)	(192,193)
NET OPERATING INCOME		169,727	167,411
Income attributable to associates	14	1,157	991
Income before income tax		170,884	168,402
Income tax	17	(28,233)	(28,409)
NET INCOME FOR THE PERIOD		142,651	139,993
Attributable to:			
Bank's Owners	27	142,651	139,993
Non-controlling interests			
		Ch\$	Ch\$
Net income per share attributable to Bank's Owners:			
Basic net income per share	27	1.43	1.41

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Diluted net income per share	27	1.43	1.41
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The accompanying notes 1 to 41 are an integral part of these interim consolidated financial statements

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

For the three-month ended March 31, 2018 and 2017

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

(Expressed in million of Chilean pesos)

	Notes	March 2018 MCh\$	March 2017 MCh\$
NET INCOME FOR THE PERIOD		142,651	139,993
OTHER COMPREHENSIVE INCOME THAT WILL BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS			
Net gains (losses) on available-for-sale instruments valuation	13	(1,206)	3,768
Net gains (losses) on derivatives held as cash flow hedges	10	(15,249)	(4,855)
Subtotal Other comprehensive income before income taxes		(16,455)	(1,087)
Income tax relating to the components of other comprehensive income that are reclassified in income for the period		4,789	279
Total other comprehensive income items that will be reclassified subsequently to profit or loss		(11,666)	(808)
OTHER COMPREHENSIVE INCOME THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS			
Adjustment for defined benefit plans			
Subtotal other comprehensive income before income taxes			
Income tax relating to the components of other comprehensive income that will not be reclassified to income for the period			
Total other comprehensive income items that will not be reclassified subsequently to profit or loss			
CONSOLIDATED COMPREHENSIVE INCOME FOR THE PERIOD		130,985	139,185
Attributable to:			
Bank's Owners		130,985	139,185
Non-controlling interests			

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

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

For the three-month ended March 31, 2018 and 2017

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

(Expressed in millions of Chilean pesos)

Notes	Reserves			Other comprehensive income			Retained earnings			Attributable to equity holders of the parent MCh\$	Non-controlling interest MCh\$
	Paid-in Capital MCh\$	Other reserves MCh\$	Reserves from earnings MCh\$	Unrealized gains (losses) on available-for-sale MCh\$	Derivatives cash flow hedge MCh\$	Income Tax	Retained earnings from previous periods MCh\$	Income (losses) for the period MCh\$	Provision for minimum dividends MCh\$		
Balances as of December 31, 2016	2,138,047	31,934	454,274	847	(27,530)	6,762	16,060	552,249	(285,233)	2,887,410	
Capitalization of retained earnings	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)	
Other comprehensive income:											
Derivatives cash flow hedge, net	27				(4,855)	1,238				(3,617)	
Valuation adjustment on available-for-sale instruments (net)	27			3,768		(959)				2,809	
Income for the period 2017								139,993		139,993	
Provision for minimum dividends									(73,529)	(73,529)	
Balances as of March 31, 2017	2,271,401	31,934	531,135	4,615	(32,385)	7,041	16,060	139,993	(73,529)	2,896,265	
Defined benefit plans adjustment		119								119	
Other comprehensive income:											
Derivatives cash flow hedge, net					19,834	(5,058)				14,776	

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Valuation adjustment on available-for-sale instruments (net)				(2,764)		677					(2,087)
Income for the period 2017								436,019			436,019
Provision for minimum dividends									(239,378)		(239,378)
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	
Capitalization of retained earnings	147,432							(147,432)			
Retention (release) of profits according to bylaws	27		54,501					(54,501)			
Dividends distributions and paid	27							(374,079)	312,907		(61,172)
Other comprehensive income:											
Derivatives cash flow hedge, net	27				(15,249)	4,117					(11,132)
Valuation adjustment on available-for-sale instruments (net)	27			(1,206)		672					(534)
Income for the period 2018								142,651			142,651
Provision for minimum dividends	27								(72,513)		(72,513)
Balances as of March 31, 2018	2,418,833	32,053	585,636	645	(27,800)	7,449	16,060	142,651	(72,513)	3,103,014	

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

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

For the three-month ended March 31, 2018 and 2017

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

(Expressed in million of Chilean pesos)

	Notes	March 2018 MCh\$	March 2017 MCh\$
OPERATING ACTIVITIES:			
Net income for the period		142,651	139,993
Items that do not represent cash flows:			
Depreciation and amortization	35	9,171	8,559
Impairment	35	11	1
Provision for loans and accounts receivable from customers and owed by banks	32	82,902	70,947
Provision of contingent loans	32	630	2,803
Fair value adjustment of financial assets held-for-trading		(1,289)	(2,758)
Changes in assets and liabilities by deferred taxes	17	2,545	12,063
(Gain) loss attributable to investments in companies with significant influence, net	14	(1,144)	(977)
(Gain) loss from sales of assets received in lieu of payment, net	36	(1,537)	(475)
(Gain) loss on sales of property and equipment, net	36	(3,536)	(76)
Charge-offs of assets received in lieu of payment	37	776	664
Other charges (credits) to income that do not represent cash flows		2,275	247
Change in the exchange rate of assets and liabilities		8,065	13,071
Net interest variation, readjustment and accrued fees on assets and liabilities		24,575	21,970
Changes in assets and liabilities that affect operating cash flows:			
(Increase) decrease in loans and advances to banks, net		(28,609)	161,270
(Increase) decrease in loans to customers		(484,553)	(107,899)
(Increase) decrease in financial assets held-for-trading, net		129,256	(74,248)
(Increase) decrease in other assets and liabilities		(18,549)	(5,590)
Increase (decrease) in current account and other demand deposits		(115,279)	1,068
Increase (decrease) in payables from repurchase agreements and security lending		55,324	18,769
Increase (decrease) in savings accounts and time deposits		297,479	(139,178)
Sale of assets received in lieu of payment or adjudicated		5,103	1,554
Total cash flows from operating activities		106,267	121,778
INVESTING ACTIVITIES:			
(Increase) decrease in financial assets available-for-sale, net		94,170	(105,582)
Purchases of property and equipment	16	(2,522)	(4,566)
Sales of property and equipment		67	76
Acquisition of intangible assets	15	(5,187)	(2,816)
Acquisition of investments in companies	14		
Dividends received from investments in companies		13	14
Total cash flows from investing activities		86,541	(112,874)

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FINANCING ACTIVITIES:			
Redemption of letters of credit		(1,255)	(1,303)
Issuance of bonds	22	557,947	603,451
Redemption of bonds		(169,570)	(150,579)
Dividends paid	27	(374,079)	(342,034)
Increase (decrease) in borrowings from foreign financial institutions		(182,188)	(10,286)
Increase (decrease) in other financial obligations		14,372	(35,636)
Increase (decrease) in other obligations with Central Bank of Chile		(1)	(1)
Other long-term borrowings		15	35,916
Payment of other long-term borrowings		(847)	(36,746)
Total cash flows from financing activities		(155,606)	62,782
TOTAL NET POSITIVE (NEGATIVE) CASH FLOWS FOR THE PERIOD			
		37,202	71,686
Effect of exchange rate changes		(8,065)	(13,071)
Cash and cash equivalents at beginning of period		2,079,398	2,096,980
Cash and cash equivalents at end of period	7	2,108,535	2,155,595
		March 2018	March 2017
		MCh\$	MCh\$
Operational Cash flow interest:			
Interest received		452,877	455,383
Interest paid		(111,785)	(129,873)

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

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BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

1. Company 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 Interim Consolidated Financial Statements of Banco de Chile, for the period ended March 31, 2018 were approved by the Directors on April 26, 2018.

Table of Contents**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS, continued**

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

2. Legal regulations, basis of preparation and other information:**(a) Legal regulations:**

The General Banking Law in its Article No. 15 empowers the Chilean Superintendency of Banks and Financial Institutions (SBIF) to issue accounting standards of general application for entities it supervises. The Corporations Law, in turn, requires following the generally accepted accounting principles.

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 preparation:

(b.1) These Interim 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 control and are part of this consolidated financial statements:

RUT	Subsidiaries	Country	Functional Currency	Direct		Interest Owned Indirect		Total	
				March	December	March	December	March	December
				2018	2017	2018	2017	2018	2017
				%	%	%	%	%	%
96,767,630-6		Chile	Ch\$	99.98	99.98	0.02	0.02	100.00	100.00

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	Banchile Administradora General de Fondos S.A.								
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

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS, continued

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

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

(c) Use of estimates and judgments:

Preparing the Interim Consolidated Financial Statements requires the Bank's Management to make judgments, estimations and assumptions that affect the application of accounting policies and the valuation of assets, liabilities, income and expenses presented. Actual results could differ from these estimated amounts. These estimates refer to:

1. Useful life of intangible 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 (Notes No. 11. No. 12 and No. 32);
6. Fair value of financial assets and liabilities (Note No. 39).

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

During the period ended March 31, 2018 there have been no significant changes in the estimates made.

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

Given the activities to which the Bank and its subsidiaries are engaged, the transactions of the Bank do not have a cyclical or seasonal nature. For this reason, specific breakdowns in these notes to the Interim Consolidated Financial Statements for the three-month period ended March 31, 2018 are not included.

(e) **Relative Importance:**

In determining the information to be disclosed on the different items of the financial statements or other matters, the relative importance in relation to the financial statements of the period has been taken into account.

(f) **Reclassifications:**

There have not been significant reclassifications at the end of this period 2018.

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS, continued

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

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.

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.

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

IFRS 9 introduces flexibility to the regulatory requirements for hedge accounting, and also new alternatives of strategies to be used; the new amendments represent a substantial overhaul of hedge accounting, which will allow aligning the accounting treatment with the 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 on risk management and the effect of hedge accounting in the financial statements.

This standard also establishes 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 could arise from entity's income as a result of its recognition. Earlier application of this improvement is permitted, prior to any other requirement of IFRS 9.

The mandatory date of application is from **January 1, 2018**. However, for the purposes of these financial statements, this regulation has not yet been approved by the Superintendency of Banks and Financial Institutions, an event that is required for its local application.

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS, continued

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

3. New Accounting Pronouncements, continued:

IFRS 9 Financial Instruments, continued:

Banco de Chile as securities issuer of Equity Securities listed on the New York Stock Exchange (NYSE), and in order to comply with the new standards required for the preparation and presentation of the Annual Report 20F to the Securities and Exchange Commission (SEC), during the year 2017 the Bank and its subsidiaries initiated technological developments and other solutions to address the needs generated by the application of the new accounting pronouncement IFRS 9, such as the implementation of models and procedures related to the Expected Credit Loss Model (ECL), the SPPI Test (Only Payment of Principal and Interest) and the evaluation of the Business Model.

As of December 31, 2017 the Bank and subsidiaries have been able to estimate the transitioning impact on ECL for certain portfolios of financial assets and contingent commitments affected by the standard. These portfolios are comprised of wholesale and retail financial assets which represent 71.5% of the whole portfolio of financial assets to be impacted by the ECL model as of December 31, 2017.

With relation to the portfolios mentioned above, the partial estimate of the impact of the transition from IAS 39 to IFRS 9 regarding ECL as of January 1, 2018, is disclosed in Note No. 43 of the Financial Statement included in the Report 20-F of the year 2017.

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 ordinary 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.

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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 to:

- 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 standard is from *January 1, 2018*, which did not generate equity effects in the Bank and its subsidiaries.

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS, continued

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

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.

This modification had no impact on the 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.

This modification had no impact on the Banco de Chile and its subsidiaries.

IFRIC 22 Foreign Currency Transactions and Advance Consideration.

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

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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.

This interpretation had no impact on the Banco de Chile and its subsidiaries.

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS, continued

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3. New Accounting Pronouncements, continued:

3.1.2 New standards and interpretations that have been issued but its date of application have 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 March 31, 2018, are detailed below:

1. Accounting standards issued by International Accounting Standards Board.

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 does not differ significantly from IAS 17 Leases that precedes it, related to the accounting treatment for the lessor. However, related to the lessee, the new rule requires the recognition of assets and liabilities for most lease contracts.

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

This standard will not have a material impact on the Banco de Chile and its subsidiaries.

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.

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS, continued

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

3. New Accounting Pronouncements, continued:

IFRIC 23 Uncertainty over Income Tax Treatments.

In June 2017, the IASB published IFRIC 23, which clarifies the application of the recognition and measurement criteria required by IAS 12 Income Taxes when there is uncertainty about tax treatments.

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 INTERIM CONSOLIDATED FINANCIAL STATEMENTS, continued

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

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 have no impact on the consolidated financial statement as a result from this amendment.

- IFRS 11 Joint Agreements.

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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 and its subsidiaries have no impact on the consolidated financial statement as a result from this amendment.

- 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.

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS, continued

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3. New Accounting Pronouncements, continued:

- Conceptual Framework.

On March 29, 2018, the IASB issued a Reviewed Conceptual Framework. Changes to the Conceptual Framework may affect the application of IFRS when no rule applies to a particular transaction or event.

The Conceptual Framework introduces mainly the following improvements:

- It incorporates some new concepts of measurement, presentation and disclosure and derecognition of assets and liabilities in the Financial Statements.

- Provides updated definitions of assets, liabilities and includes criteria for the recognition of assets and liabilities in the financial statements.

- Clarifies some important concepts such as background on form, prudential criteria and measurement of uncertainty.

The Conceptual Framework enters into force for periods beginning on *January 1, 2020*.

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

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

- **Standards in consultation on Provisions for Credit Risk**

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 calculated using 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 exempt 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.

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS, continued

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3. New Accounting Pronouncements, continued:

- Circular No. 3,634

The SBIF through circular No. 3,634 dated March 9, 2018, introduces modifications to the weighted assets by risk, credit equivalent and credit limits applicable to derivative instruments cleared and settled by a Central Counterparty Entity (ECC).

The main modifications are:

- An intermediate category is introduced to classify the credit equivalent of the derivative instruments settled and liquidated in a CCP, when these types of entities are irrevocably constituted in creditors and debtors of the rights and obligations arising from such operations, being legally binding for the parties the obligations resulting from such acts. The risk weight for these assets will be equal to 2%.

- For purposes of determining the credit equivalent, which is defined in chapter 12-1 of the RAN of the SBIF, which corresponds to the fair value of the derivative instrument, plus an additional amount that is obtained by applying an additional factor to the additional conversion amount that depends on the underlying and the additional term of the derivative. The SBIF reclassified from the category Contracts on foreign currencies to the category interest rate contracts to derivative instruments whose underlying is the Development Unit.

- Modifications to Chapter 12-3 are introduced, given that the SBIF considers that operations on derivative instruments negotiated between banks incorporated in Chile, including branches of foreign banks, are subject to the interbank credit limit, even though such transactions are subsequently compensate and settle in a CCP.

The new dispositions must be implemented no later than June 30, 2018.

4. Changes in Accounting policies and Disclosures:

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those used in the preparation of the Bank's consolidated annual financial statements for the year ended December 31, 2017, except for the adoption of new regulations in force at 1 January 2018. The Bank has not adopted in advance any standard, interpretation or amendment that has been issued but is not yet effective.

The Bank adopted, for the first time, IFRS 15 Revenue from ordinary contracts with customers (See Note No. 3), there being no capital effects resulting from its application, therefore, the information disclosed as of December 31, 2017 it has not been restated in these financial statements.

During the period ended March 31, 2018, there have been no others accounting changes that may significantly affect these interim consolidated financial statements.

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS, continued

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5. Relevant Events:

(a) On January 22, 2018, the Board of the subsidiary Banchile Securitizadora S.A., agreed to appoint Claudia Marcela Herrera García as the new Director of the company, until the next Ordinary Shareholders Meeting.

(b) On January 25, 2018 in the Ordinary Session No. BCH 2,874, the Board of Directors of Banco de Chile agreed to convene an Ordinary Meeting of Shareholders for March 22, 2018, with the purpose of proposing, among other matters, the distribution of dividend No. 206 of Ch\$3.14655951692 to each of the 99,444,132,192 shares, payable with charge to the distributable net income for the year ended December 31, 2017, corresponding to 60% of such net profits.

In addition, the Board of Directors agreed 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 pertaining to the 2017 financial year, through the issuance of fully paid-in shares, without nominal value, determined at a value of Ch\$93.73 per share, which will be distributed among the shareholders at the rate of 0.02238030880 shares per share and adopting the necessary agreements subject to the exercise of the options provided under Article 31 of Law No. 19,396.

(c) On January 25, 2018, Banco de Chile informed that in the Ordinary Session, the Board of Directors accepted the resignation presented by the Principal and Vice-Chairman, Mrs. Jane Fraser. Likewise, the Board of Directors appointed Mr. Álvaro Jaramillo Escallon as its Regular Director until his next Ordinary Shareholders Meeting. Additionally, in the same session, Mr. Jaramillo was appointed Vice Chairman of the Board.

(d) At the Ordinary Shareholders Meeting, held on March 22, 2018, our shareholders agreed to the dividend No 206, and its distribution in the amount of Ch\$3.14655951692 per Banco de Chile share, to be charged to net distributable income of Banco de Chile for 2017. Moreover, at the Extraordinary Shareholders Meeting held on the same date, our shareholders agreed to a stock dividend in connection with the capitalization of 40% of our distributable net income obtained during the fiscal year 2017, through the issuance of fully paid-in shares, of no par value, with a value of Ch\$93.73 per share.

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Additionally, the shareholders appointed of Mr. Álvaro Jaramillo Escallon as its Director until the next renewal of the Board of Directors.

(e) The Central Bank of Chile communicated to Banco de Chile that the Board of such institution (Consejo), in Special Session No 2140E, held on March 26, 2018, considered the resolutions adopted by the shareholders meetings of Banco de Chile on March 22, 2018, 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 fiscal year ending on December 31, 2017, the Council of the Central Bank of Chile 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 letter b) of article 31 of law No 19.396, regarding a modification of the way of payment of the subordinated obligation and other applicable legislation.

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS, continued

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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 INTERIM CONSOLIDATED FINANCIAL STATEMENTS, continued

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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 periods ended March 31, 2018 and 2017, 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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6. Business Segments, continued:

The following table presents the income by segment for the periods ended March, 2018 and 2017 for each of the segments defined above:

	Retail		Wholesale		Treasury		Subsidiaries		Subtotal		Consolidation adjustment		Total	
	March 2018	March 2017	March 2018	March 2017	March 2018	March 2017	March 2018	March 2017	March 2018	March 2017	March 2018	March 2017	March 2018	March 2017
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Net interest income	231,013	225,994	83,722	80,407	2,405	(2,019)	(1,329)	(1,425)	315,811	302,957	706	583	316,517	303,540
Net commissions income (loss)	46,918	48,475	11,183	10,852	(1,028)	(532)	35,306	31,504	92,379	90,299	(3,218)	(3,078)	89,161	87,221
Other operating income	12,745	8,119	10,014	7,199	10,316	10,472	7,563	7,502	40,638	33,292	(1,397)	(1,334)	39,241	31,958
Total operating revenue	290,676	282,588	104,919	98,458	11,693	7,921	41,540	37,581	448,828	426,548	(3,909)	(3,829)	444,919	422,719
Provision for loan losses	(65,903)	(67,658)	(5,127)	4,540			85	3	(70,945)	(63,115)			(70,945)	(63,115)
Depreciation and amortization	(7,201)	(6,721)	(1,202)	(1,088)	(23)	(37)	(745)	(713)	(9,171)	(8,559)			(9,171)	(8,559)
Other operating expenses	(134,096)	(125,081)	(37,913)	(36,053)	(1,308)	(1,286)	(25,668)	(25,043)	(198,985)	(187,463)	3,909	3,829	(195,076)	(183,634)
Income attributable to associates	943	798	180	168	15	14	19	11	1,157	991			1,157	991
Income before income taxes	84,419	83,926	60,857	66,025	10,377	6,612	15,231	11,839	170,884	168,402			170,884	168,402
Income taxes													(28,233)	(28,409)
Income after income taxes													142,651	139,993

The following table presents assets and liabilities of the periods ended March 31, 2018 and December 31, 2017 by each segment defined above

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	Retail		Wholesale		Treasury		Subsidiaries		Subtotal		Consolidation adjustment		Ma
	March	December	March	December	March	December	March	December	March	December	March	December	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MO
Assets	16,538,096	16,099,926	10,834,453	10,558,278	4,977,907	5,469,829	867,986	637,860	33,218,442	32,765,893	(278,179)	(232,137)	32,94
Current and deferred taxes													30
Total assets													33,24
Liabilities	10,466,873	10,380,250	10,187,620	10,272,607	9,033,181	8,815,056	727,185	479,244	30,414,859	29,947,157	(278,179)	(232,137)	30,13
Current and deferred taxes													
Total liabilities													30,14

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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 the end of each period are detailed as follows:

	March 2018 MCh\$	December 2017 MCh\$
Cash and due from banks:		
Cash (*)	546,531	522,869
Deposit in Chilean Central Bank (*)	139,164	162,421
Deposits in other domestic banks	9,306	9,922
Deposits abroad	225,444	362,181
Subtotal - Cash and due from banks	920,445	1,057,393
Net transactions in the course of collection	274,710	226,097
Highly liquid financial instruments (**)	818,512	719,069
Repurchase agreements	94,868	76,839
Total cash and cash equivalents	2,108,535	2,079,398

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

	March 2018 MCh\$	December 2017 MCh\$
Highly liquid financial instruments:		
Financial Assets Held-for-trading	818,512	710,162
Available-for-sale Instruments		8,907
Total	818,512	719,069

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(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:

	March 2018 MCh\$	December 2017 MCh\$
Assets		
Documents drawn on other banks (clearing)	187,667	204,624
Funds receivable	554,107	317,185
Subtotal transactions in the course of collection	741,774	521,809
Liabilities		
Funds payable	(467,064)	(295,712)
Subtotal transactions in the course of payment	(467,064)	(295,712)
Net transactions in the course of settlement	274,710	226,097

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8. Financial Assets Held-for-trading:

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

	March 2018 MCh\$	December 2017 MCh\$
Instruments issued by the Chilean Government and Central Bank of Chile:		
Central Bank of Chile bonds	320,619	400,368
Central Bank of Chile promissory notes	886,686	662,190
Other instruments issued by the Chilean Government and Central Bank	87,454	254,606
Other instruments issued in Chile		
Bonds from other domestic companies		
Bonds from domestic banks	2,044	2,070
Deposits in domestic banks	208,198	218,307
Other instruments issued in Chile	3,067	715
Instruments issued by foreign institutions		
Instruments from foreign governments or central banks		
Other instruments issued abroad		322
Mutual fund investments		
Funds managed by related companies	78,790	78,069
Funds managed by third-party		
Total	1,586,858	1,616,647

Under Instruments issued by the Chilean Government and Central Bank of Chile are classified instruments sold under repurchase agreements to customers and financial instruments, by an amount of Ch\$60,161 million as of March 31, 2018 (Ch\$5,096 million as of December 31, 2017). Repurchase agreements had a 3 days average expiration as of period-end (7 days in December 2017). Moreover, under this same item, other financial instruments are maintained as collateral guaranteeing the derivative transactions executed through Comder Contraparte Central S.A. for an amount of Ch\$34,585 million as of December 31, 2017. As of March 31, 2018, there are no guarantee instruments for this concept.

Other instruments issued in Chile include instruments sold under repurchase agreements with customers and financial instruments amounting to Ch\$159,869 million as of March 31, 2018 (Ch\$158,731 million as of December 31, 2017). The repurchase agreements have an average expiration of 9 days as of period-end (7 days in December 2017).

Additionally, the Bank holds financial investments in mortgage finance bonds issued by itself in the amount of Ch\$14,085 million as of March 31, 2018 (Ch\$15,032 million as of December 31, 2017), which are presented as a reduction of the liability line item Debt issued .

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

(a) Receivables for repurchase agreements: The Bank provides financing to its customers through repurchase agreements and security borrowings, in which the financial instrument serves as collateral. As of March 31, 2018 and December 31, 2017, the detail is as follows:

	Up to 1 month		Over 1 month and to 3 months		Over 3 months and to 12 months		Over 1 year and up to 3 years		Over 3 years and up to 5 years		Over 5 years		Total	
	March 2018	December 2017	March 2018	December 2017	March 2018	December 2017	March 2018	December 2017	March 2018	December 2017	March 2018	December 2017	March 2018	December 2017
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	29,868	13,297						29,868	13,297
Bonds from other Chilean companies									
Other instruments issued in Chile	47,425	47,357	34,358	19,207	7,463	5,090		89,246	71,654
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	77,293	67,344	34,358	19,207	7,463	5,090		119,114	91,641

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 March 31, 2018, the fair value of the instruments received amounts to Ch\$117,129 million (Ch\$95,665 million as of December, 2017).

Table of Contents**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS, continued**

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

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 March 31, 2018 and December 31, 2017, the repurchase agreements are the following:

	Up to 1 month		Over 1 month and to 3 months		Over 3 months and to 12 months		Over 1 year and up to 3 years		Over 3 years and up to 5 years		Over 5 years		Total	
	March 2018	December 2017	March 2018	December 2017	March 2018	December 2017	March 2018	December 2017	March 2018	December 2017	March 2018	December 2017	March 2018	December 2017
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Instruments issued by the Chilean Governments and Central Bank of Chile														
Central Bank bonds	10,091	5,169											10,091	5,169
Central Bank promissory notes	16,519	5,095											16,519	5,095
Other instruments issued by the Chilean Government and Central Bank	17,790												17,790	
Other Instruments Issued in Chile														
Deposit promissory notes from domestic banks														
Mortgage bonds from domestic														

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banks								
Bonds from domestic banks	2,044	2,013					2,044	2,013
Deposits in domestic banks	164,410	114,359	1,761	38,067	56,762		204,238	171,121
Bonds from other Chilean companies								
Other instruments issued in Chile	9,480	11,994					9,480	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	220,334	138,630	1,761	38,067	56,762		260,162	195,392

Securities sold:

The fair value of the financial instruments delivered as collateral by the Bank and its subsidiaries, in sales transactions with repurchase agreement and securities loans as of March 31, 2018 amounts to Ch\$260,115 million (Ch\$195,437 million in December 2017). In the event that the Bank and its subsidiaries enter into default or bankruptcy, the counterparty is authorized to sell or deliver these investments as collateral.

Table of Contents**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS, continued**

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

10. Derivative Instruments and Accounting Hedges:

(a) As of March 31, 2018 and December 31, 2017, the Bank's portfolio of derivative instruments is detailed as follows:

As of March 31, 2018	Notional amount of contract with final expiration date in						Fair Value		
	Up to 1 month March MCh\$	Over 1 month and up to 3 months March MCh\$	Over 3 months and up to 12 months March MCh\$	Over 1 year and up to 3 years March MCh\$	Over 3 year and up to 5 years March MCh\$	Over 5 years March MCh\$	Total March MCh\$	Assets March MCh\$	Liabilities March MCh\$
Derivatives held for hedging purposes									
Interest rate swap and cross currency swap					14,002		14,002		3,686
Interest rate swap				24,791	22,732	69,452	116,975	1,372	1,536
Total derivatives held for hedging purposes				24,791	36,734	69,452	130,977	1,372	5,222
Derivatives held as cash flow hedges									
Interest rate swap and cross currency swap		147,115	235,332	253,327	31,069	488,951	1,155,794	12,707	92,954
Total derivatives held as cash flow hedges		147,115	235,332	253,327	31,069	488,951	1,155,794	12,707	92,954
Trading derivatives									
Currency forward	7,322,365	6,959,940	15,845,776	1,365,042	145,357	27,229	31,665,709	427,197	487,643
Interest rate forward									
Interest rate swap	3,128,696	6,661,343	16,548,029	12,546,108	5,681,324	7,521,161	52,086,661	265,834	257,319
Interest rate swap and cross currency swap	183,096	397,758	2,027,733	3,491,246	2,476,908	2,971,677	11,548,418	520,085	541,808
Call currency options	10,441	41,593	77,716	3,432			133,182	419	656
Put currency options	7,799	46,435	89,753	2,797			146,784	1,787	3,515
Total trading derivatives	10,652,397	14,107,069	34,589,007	17,408,625	8,303,589	10,520,067	95,580,754	1,215,322	1,290,941
Total	10,652,397	14,254,184	34,824,339	17,686,743	8,371,392	11,078,470	96,867,525	1,229,401	1,389,117

Table of Contents**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS, continued**

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

10. Derivative Instruments and Accounting Hedges, continued:

(b) Portfolio of derivative instruments, continued:

As of December 31, 2017	Notional amount of contract with final expiration date in						Fair Value		
	Up to 1 month December MCh\$	Over 1 month and up to 3 months December MCh\$	Over 3 months and up to 12 months December MCh\$	Over 1 year and up to 3 years December MCh\$	Over 3 year and up to 5 years December MCh\$	Over 5 years December MCh\$	Total December MCh\$	Assets December MCh\$	Liabilities December 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

Table of Contents**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS, continued**

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

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 of March 31 2018 and December 31, 2017:

	March 2018 MCh\$	December 2017 MCh\$
Hedge element		
Commercial loans	14,002	13,914
Corporate bonds	116,975	78,970
Hedge instrument		
Cross currency swap	14,002	13,914
Interest rate swap	116,975	78,970

(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, 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 INTERIM CONSOLIDATED FINANCIAL STATEMENTS, continued

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

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:

Hedge element	Up to 1 month		Over 1 month and up to 3 months		Over 3 months and up to 12 months		Over 1 year and up to 3 years		Over 3 years and up to 5 years		Over 5 years		Total	
	March 2018	December 2017	March 2018	December 2017	March 2018	December 2017	March 2018	December 2017	March 2018	December 2017	March 2018	December 2017	March 2018	December 2017
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Outflows:														
Corporate Bond EUR	(672)				(580)	(1,246)	(2,505)	(2,491)	(2,505)	(2,491)	(82,787)	(82,348)	(89,049)	(88,571)
Corporate Bond HKD	(1,742)		(1,435)		(7,634)	(11,052)	(67,136)	(68,634)	(18,783)	(19,202)	(292,254)	(298,776)	(388,984)	(397,661)
Corporate Bond CHF			(159,761)	(986)	(81,863)	(161,529)	(112,704)	(192,519)	(474)	(474)	(95,250)	(95,174)	(450,052)	(450,681)
Obligation USD	(204)	(212)	(72)	(235)	(91,343)	(93,173)	(42,552)	(43,385)					(134,171)	(137,000)
Corporate Bond JPY			(446)	(292)	(33,946)	(1,150)	(41,761)	(72,098)	(30,032)	(28,886)	(65,500)	(63,002)	(171,685)	(165,421)
Hedge instrument														
Inflows:														
Cross Currency Swap EUR	672				580	1,246	2,505	2,491	2,505	2,491	82,787	82,348	89,049	88,571
Cross Currency Swap HKD	1,742		1,435		7,634	11,052	67,136	68,634	18,783	19,202	292,254	298,776	388,984	397,661
Cross Currency Swap CHF			159,761	986	81,863	161,529	112,704	192,519	474	474	95,250	95,174	450,052	450,681
	204	212	72	235	91,343	93,173	42,552	43,385					134,171	137,000

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Cross
Currency
Swap USD

Cross Currency Swap JPY	446	292	33,946	1,150	41,761	72,098	30,032	28,886	65,500	63,002	171,685	165,4
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Net cash
flows

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS, continued

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

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:

Hedge element	Up to 1 month		Over 1 month and up to 3 months		Over 3 months and up to 12 months		Over 1 year and up to 3 years		Over 3 years and up to 5 years		Over 5 years		Total	
	March 2018	December 2017	March 2018	December 2017	March 2018	December 2017	March 2018	December 2017	March 2018	December 2017	March 2018	December 2017	March 2018	December 2017
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Inflows:														
Cash flows in CLF	3,053		155,021	2,344	266,394	281,377	276,056	414,764	60,113	59,737	558,959	555,461	1,319,596	1,313,313
Outflows:														
Cross Currency Swap HKD	(1,690)		(630)		(7,143)	(9,404)	(66,605)	(66,188)	(16,468)	(16,365)	(286,862)	(285,066)	(379,398)	(377,398)
Cross Currency Swap JPY			(1,150)	(1,061)	(51,399)	(3,372)	(36,981)	(85,598)	(35,283)	(35,063)	(78,386)	(77,895)	(203,199)	(202,199)
Cross Currency Swap USD	(1,013)		(262)		(110,501)	(111,077)	(45,122)	(44,840)					(156,898)	(155,898)
Cross Currency Swap CHF			(152,447)	(1,283)	(96,465)	(155,767)	(123,807)	(214,620)	(4,823)	(4,793)	(108,549)	(107,870)	(486,091)	(484,091)
Cross Currency Swap EUR	(350)		(532)		(886)	(1,757)	(3,541)	(3,518)	(3,539)	(3,516)	(85,162)	(84,630)	(94,010)	(93,010)
Net cash flows														

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS, continued

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

10. Derivative Instruments and Accounting Hedges, continued:

(c) Cash flow Hedges, continued:

With respect to CLF assets hedged; these are revalued monthly according to the variation of the UF, which is equivalent to monthly reinvest the assets until maturity of the relationship hedging.

(c.3) The unrealized results generated during the period 2018 by those derivative contracts that conform the hedging instruments in this cash flow hedging strategy, have been recorded with charge to equity amounting to Ch\$15,249 million (charge to equity of Ch\$4,855 million in March 31, 2017). The net effect of taxes charge to equity amounts to Ch\$11,132 million (net charged to equity of Ch\$3,617 million credit to equity during the period March 2017).

The accumulated balance for this concept as of March 31, 2018 corresponds to a charge in equity amounted to Ch\$27,800 million (charge to equity of Ch\$12,551 million as of December 31, 2017).

(c.4) The net effect in income of derivatives cash flow hedges amount to Ch\$11,982 million charged to income during the period 2018 (Ch\$14,061 million charge to income during the period March 2017).

(c.5) As of March 31, 2018 and 2017, it 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 March 31, 2018 and 2017, the Bank does not have hedges of net investments in foreign business.

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

11. Loans and advances to Banks:

(a) At the end of each reporting period, the balances presented in the item Loans and advances to Banks are as follows:

	March 2018 MCh\$	December 2017 MCh\$
Domestic Banks		
Interbank loans of liquidity	120,017	120,017
Provisions for loans to domestic banks	(43)	(43)
Subtotal	119,974	119,974
Foreign Banks		
Interbank loans commercial	224,423	187,006
Credits with third countries	50,099	61,091
Chilean exports trade loans	33,922	41,255
Provisions for loans to foreign banks	(617)	(540)
Subtotal	307,827	288,812
Central Bank of Chile		
Non-available Central Bank deposits	360,045	350,000
Other Central Bank credits	631	916
Subtotal	360,676	350,916
Total	788,477	759,702

(b) The changes in provisions of the credits owed by the banks, during the periods 2018 and 2017, are summarized as follows:

Detail	Bank s Location		Total MCh\$
	Chile MCh\$	Abroad MCh\$	
Balance as of January 1, 2017	100	429	529
Provisions established		107	107
Provisions released	(79)		(79)
Balance as of March 31, 2017	21	536	557
Provisions established	22	4	26

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Provisions released			
Balance as of December 31, 2017	43	540	583
Provisions established		77	77
Provisions released			
Balance as of March 31, 2018	43	617	660

Table of Contents**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS, continued**

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

12. Loans to Customers, net:

(a.i) Loans to Customers:

As of March 31, 2018 and December 31, 2017, the portfolio of loans is composed as follows:

	As of March 31, 2018							Net assets MCh\$
	Normal Portfolio MCh\$	Assets before allowances Substandard Portfolio MCh\$	Non-Complying Portfolio MCh\$	Total MCh\$	Individual Provisions MCh\$	Allowances established Group Provisions MCh\$	Total MCh\$	
Commercial loans								
Commercial loans	10,466,204	76,222	297,704	10,840,130	(120,650)	(83,020)	(203,670)	10,636,460
Foreign trade loans	1,032,852	13,886	23,864	1,070,602	(42,424)	(1,859)	(44,283)	1,026,319
Current account debtors	210,925	2,906	2,502	216,333	(3,512)	(6,606)	(10,118)	206,215
Factoring transactions	585,605	1,681	1,362	588,648	(10,221)	(1,935)	(12,156)	576,492
Student loans	47,288		1,368	48,656		(1,291)	(1,291)	47,365
Commercial lease transactions (1)	1,369,462	16,133	25,852	1,411,447	(2,462)	(8,765)	(11,227)	1,400,220
Other loans and accounts receivable	80,620	265	7,422	88,307	(936)	(6,020)	(6,956)	81,351
Subtotal	13,792,956	111,093	360,074	14,264,123	(180,205)	(109,496)	(289,701)	13,974,422
Mortgage loans								
Letters of credit	25,531		1,957	27,488		(10)	(10)	27,478
Endorsable mortgage loans	48,822		1,624	50,446		(35)	(35)	50,411
Other residential lending	7,273,669		154,790	7,428,459		(29,736)	(29,736)	7,398,723
Credit from ANAP	7			7				7
Residential lease transactions								
Other loans and accounts receivable	8,525		124	8,649		(199)	(199)	8,450
Subtotal	7,356,554		158,495	7,515,049		(29,980)	(29,980)	7,485,069
Consumer loans								
Consumer loans in installments	2,407,844		224,797	2,632,641		(178,727)	(178,727)	2,453,914

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Current account debtors	305,818	2,267	308,085	(10,727)	(10,727)	297,358
Credit card debtors	1,117,803	21,293	1,139,096	(55,360)	(55,360)	1,083,736
Consumer lease transactions						
Other loans and accounts receivable						