BANK OF CHILE
Form 6-K
January 30, 2019
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FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Private Issuer

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

For the month of January, 2019

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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BANCO DE CHILE
REPORT ON FORM 6-K

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

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BANCO DE CHILE AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

As of December 31, 2018 and 2017

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BANCO DE CHILE AND SUBSIDIARIES

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

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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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Consolidated Financial Statements

BANCO DE CHILE AND SUBSIDIARIES

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BANCO DE CHILE AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

For the years ended December 31, 2018 and 2017

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

(Expressed in million of Chilean pesos)

	Notes	2018 MCh$	2017 MCh$
ASSETS			
Cash and due from banks	7	880,081	1,057,393
Transactions in the course of collection	7	580,333	521,809
Financial assets held-for-trading	8	1,745,366	1,616,647
Cash collateral on securities borrowed and reverse repurchase agreements	9	97,289	91,641
Derivative instruments	10	1,513,947	1,247,829
Loans and advances to banks	11	1,494,307	759,702
Loans to customers, net	12	27,307,223	24,881,353
Financial assets available-for-sale	13	1,043,440	1,516,063
Financial assets held-to-maturity	13		
Investments in other companies	14	44,561	38,041
Intangible assets	15	52,061	39,045
Property and equipment	16	215,872	216,259
Current tax assets	17	677	23,032
Deferred tax assets	17	277,922	267,400
Other assets	18	673,380	547,974
TOTAL ASSETS		**35,926,459**	**32,824,188**
LIABILITIES			
Current accounts and other demand deposits	19	9,584,488	8,915,706
Transactions in the course of payment	7	335,575	295,712
Cash collateral on securities lent and repurchase agreements	9	303,820	195,392
Savings accounts and time deposits	20	10,656,174	10,067,778
Derivative instruments	10	1,528,357	1,414,237
Borrowings from financial institutions	21	1,516,759	1,195,028
Debt issued	22	7,475,552	6,488,975
Other financial obligations	23	118,014	137,163
Current tax liabilities	17	20,924	3,453
Deferred tax liabilities	17		
Provisions	24	670,119	695,868
Other liabilities	25	412,524	309,161
TOTAL LIABILITIES		**32,622,306**	**29,718,473**
EQUITY	27		
Attributable to Bank s Owners:			
Capital		2,418,833	2,271,401
Reserves		617,597	563,188
Other comprehensive income		(39,222)	(8,040)
Retained earnings:			
Retained earnings from previous years		17,481	16,060
Income for the year		594,872	576,012
Less:			

Provision for minimum dividends	(305,409)	(312,907)
Subtotal	**3,304,152**	**3,105,714**
Non-controlling interests	**1**	**1**
TOTAL EQUITY	**3,304,153**	**3,105,715**
TOTAL LIABILITIES AND EQUITY	**35,926,459**	**32,824,188**

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

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BANCO DE CHILE AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

For the years ended December 31, 2018 and 2017

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

(Expressed in million of Chilean pesos)

	Notes	2018 MCh$	2017 MCh$
Interest revenue	28	1,999,551	1,881,443
Interest expense	28	(679,640)	(652,005)
Net interest income		**1,319,911**	**1,229,438**
Income from fees and commissions	29	505,114	471,702
Expenses from fees and commissions	29	(145,159)	(124,028)
Net fees and commission income		**359,955**	**347,674**
Net financial operating income	30	139,856	(8,250)
Foreign exchange transactions, net	31	2,701	104,875
Other operating income	36	50,860	35,533
Total operating revenues		**1,873,283**	**1,709,270**
Provisions for loan losses	32	(281,410)	(234,982)
OPERATING REVENUES, NET OF PROVISIONS FOR LOAN LOSSES		**1,591,873**	**1,474,288**
Personnel expenses	33	(442,577)	(409,331)
Administrative expenses	34	(331,477)	(311,455)
Depreciation and amortization	35	(37,681)	(35,251)
Impairment	35	(334)	(166)
Other operating expenses	37	(35,655)	(33,095)
TOTAL OPERATING EXPENSES		**(847,724)**	**(789,298)**
NET OPERATING INCOME		**744,149**	**684,990**
Income attributable to associates	14	7,255	6,057
Income before income tax		**751,404**	**691,047**
Income tax	17	(156,531)	(115,034)
NET INCOME FOR THE YEAR		**594,873**	**576,013**
Attributable to:			
Bank s Owners	27	594,872	576,012
Non-controlling interests		1	1
		Ch$	**Ch$**
Net income per share attributable to Bank s Owners:			

Basic net income per share	27	5.89	5.70
Diluted net income per share	27	5.89	5.70

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

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BANCO DE CHILE AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF

OTHER COMPREHENSIVE INCOME

For the years ended December 31, 2018 and 2017

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

(Expressed in million of Chilean pesos)

	Notes	2018 MCh$	2017 MCh$
NET INCOME FOR THE YEAR		**594,873**	**576,013**
OTHER COMPREHENSIVE INCOME THAT WILL BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS			
Net gains (losses) on available-for-sale instruments valuation	13	(11,787)	1,004
Net gains (losses) on derivatives held as cash flow hedges	10	(30,943)	14,979
Subtotal Other comprehensive income before income taxes		**(42,730)**	**15,983**
Income tax relating to the components of other comprehensive income that are reclassified in income for the year		11,548	(4,102)
Total other comprehensive income items that will be reclassified subsequently to profit or loss		**(31,182)**	**11,881**
OTHER COMPREHENSIVE INCOME THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS			
Adjustment for defined benefit plans	24	(127)	164
Subtotal other comprehensive income before income taxes		**(127)**	**164**
Income tax relating to the components of other comprehensive income that will not be reclassified to income for the year		35	(45)
Total other comprehensive income items that will not be reclassified subsequently to profit or loss		**(92)**	**119**
CONSOLIDATED COMPREHENSIVE INCOME FOR THE YEAR		**563,599**	**588,013**
Attributable to:			
Bank s Owners		563,598	588,012
Non-controlling interests		1	1

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

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BANCO DE CHILE AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2018 and 2017

(Free translation of consolidated 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$**	**Income Tax**	**Retained earnings from previous periods MCh$**	**Income (losses) for the year MCh$**	**Provision for minimum dividends MCh$**	**Attributable to equity holders of the parent MCh$**	**Non-controlling interest MCh$**
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:	27											
Defined benefit plans adjustment			119								119	
Derivatives cash flow hedge						14,979	(3,820)				11,159	
Valuation adjustment on available-for-sale instruments					1,004		(282)				722	
Income for the year 2017	27								576,012		576,012	
Provision for minimum dividends	27									(312,907)	(312,907)	
Balances as of December 31, 2017		**2,271,401**	**32,053**	**531,135**	**1,851**	**(12,551)**	**2,660**	**16,060**	**576,012**	**(312,907)**	**3,105,714**	
Capitalization of retained earnings	27	147,432							(147,432)			
Retention (release) of profits according to bylaws	27			54,501					(54,501)			
	27								(374,079)	312,907	(61,172)	(

Dividends distributions and paid											
Equity effect change in accounting policy								1,421			1,421
Other comprehensive income:	27										
Defined benefit plans adjustment			(92)								(92)
Derivatives cash flow hedge						(30,943)	8,354				(22,589)
Valuation adjustment on available-for-sale instruments					(11,787)		3,194				(8,593)
Income for the year 2018	27								594,872		594,872
Provision for minimum dividends	27									(305,409)	(305,409)
Balances as of December 31, 2018		**2,418,833**	**31,961**	**585,636**	**(9,936)**	**(43,494)**	**14,208**	**17,481**	**594,872**	**(305,409)**	**3,304,152**

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

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BANCO DE CHILE AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2018 and 2017

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

(Expressed in million of Chilean pesos)

	Notes	2018 MCh$	2017 MCh$
OPERATING ACTIVITIES:			
Net income for the period		594,873	576,013
Items that do not represent cash flows:			
Depreciation and amortization	35	37,681	35,251
Impairment	35	334	166
Provision for loans and accounts receivable from customers and owed by banks	32	344,490	280,109
Provision of contingent loans	32	(2,501)	4,350
Fair value adjustment of financial assets held-for-trading		(663)	1,614
Changes in assets and liabilities by deferred taxes	17	(7,819)	13,987
(Gain) loss attributable to investments in companies with significant influence, net	14	(6,811)	(5,511)
(Gain) loss from sales of assets received in lieu of payment,net	36	(8,779)	(6,212)
(Gain) loss on sales of property and equipment, net	36-37	(3,632)	(623)
Charge-offs of assets received in lieu of payment	37	6,638	7,550
Other charges (credits) to income that do not represent cash flows		(3,900)	(473)
Change in the exchange rate of assets and liabilities		(116,121)	38,374
Net interest variation, readjustment and accrued fees on assets and liabilities		161,169	(54,294)
Changes in assets and liabilities that affect operating cash flows:			
(Increase) decrease in loans and advances to banks, net		(734,330)	413,572
(Increase) decrease in loans to customers		(2,687,964)	(464,748)
(Increase) decrease in financial assets held-for-trading, net		275,225	36,398
(Increase) decrease in other assets and liabilities		(162,604)	41,348
Increase (decrease) in current account and other demand deposits		668,521	594,306
Increase (decrease) in payables from repurchase agreements and security lending		98,570	(20,474)
Increase (decrease) in savings accounts and time deposits		579,827	(441,173)
Sale of assets received in lieu of payment or adjudicated		31,403	17,950
Total cash flows from operating activities		**(936,393)**	**1,067,480**
INVESTING ACTIVITIES:			
(Increase) decrease in financial assets available-for-sale, net		463,558	(1,139,029)
Purchases of property and equipment	16	(28,065)	(23,224)
Sales of property and equipment		3,640	652
Acquisition of intangible assets	15	(23,512)	(18,779)
Acquisition of investments in companies		(30)	
Dividends received from investments in companies		855	1,030
Total cash flows from investing activities		**416,446**	**(1,179,350)**
FINANCING ACTIVITIES:			
Redemption of letters of credit		(4,388)	(5,818)

Issuance of bonds	22	2,157,587	1,399,001
Redemption of bonds		(1,436,232)	(1,024,758)
Dividends paid	27	(374,079)	(342,034)
Increase (decrease) in borrowings from foreign financial institutions		320,635	154,552
Increase (decrease) in other financial obligations		(8,753)	(44,938)
Increase (decrease) in other obligations with Central Bank of Chile		(1)	(2)
Other long-term borrowings		15	8
Payment of other long-term borrowings		(9,814)	(3,349)
Total cash flows from financing activities		**644,970**	**132,662**
TOTAL NET POSITIVE (NEGATIVE) CASH FLOWS FOR THE YEAR		**125,023**	**20,792**
Effect of exchange rate changes		**116,121**	**(38,374)**
Cash and cash equivalents at beginning of year		**2,079,398**	**2,096,980**
Cash and cash equivalents at end of year	7	**2,320,542**	**2,079,398**

Operational Cash flow interest:			
Interest paid		(400,686)	(753,379)

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

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BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Free translation of consolidated 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 Ahumada 251, Santiago, Chile and its website is www.bancochile.cl.

The Consolidated Financial Statements of Banco de Chile, for the period ended December 31, 2018 were approved by the Directors on January 24, 2019.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

2. Summary of Significant Accounting Principles:

(a) Basis of preparation:

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

Based on the aforementioned laws, banks should use the criteria provided by the Superintendency in accordance with the Compendium of Accounting Standards (which differ in certain aspects with the International Financial Reporting Standards IFRS), and any matter not addressed therein, as long as it does not contradict its instructions, they must adhere to the Generally Accepted Accounting Principles , which correspond to the technical standards issued by the Chilean Accountants Association, which coincide with the IFRS agreed by the International Accounting Standards Board (IASB). In case of discrepancies between these generally accepted accounting principles and the accounting criteria issued by the SBIF, the latter shall prevail.

(b) Basis of consolidation:

The financial statements of Banco de Chile as of December 31, 2018 and 2017 have been consolidated with its Chilean subsidiaries and foreign subsidiary using the global integration method (line-by-line). They include preparation of individual financial statements of the Bank and companies that participate in the consolidation and it include adjustments and reclassifications necessary to homologue accounting policies and valuation criteria applied by the Bank. The Consolidated Financial Statements have been prepared using the same accounting policies for similar transactions and other events in equivalent circumstances.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

2. Summary of Significant Accounting Principles, continued:

(b) Basis of consolidation, continued:

(i) Subsidiaries

Consolidated financial statements as of December 31, 2018 and 2017 incorporate financial statements of the Bank and its subsidiaries. According IFRS 10 Consolidated Financial Statements , control requires exposure or rights to variable returns and the ability to affect those returns through power over an investee. Specifically the Bank have power over the investee when has existing rights that give it the ability to direct the relevant activities of the investee.

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

- The amount of voting rights that the Bank has, related to the amount of voting rights of the others stakeholders.
- Potential voting rights maintained by the Bank, other holders of voting rights or other parties.
- Rights emanated from other contractual arrangements.
- Any additional circumstance that indicate that the Bank have or have not the ability to manage the relevant activities when that decisions need to be taken, including behavior patterns of vote in previous shareholders meetings.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

2. Summary of Significant Accounting Principles, continued:

(b) Basis of consolidation, continued:

(i) Subsidiaries, continued:

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

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

				Interest Owned					
				Direct		Indirect		Total	
RUT	Subsidiaries	Country	Functional Currency	2018 %	2017 %	2018 %	2017 %	2018 %	2017 %
96,767,630-6	Banchile Administradora General de Fondos S.A.	Chile	Ch$	99.98	99.98	0.02	0.02	100.00	100.00
96,543,250-7	Banchile Asesoría Financiera S.A.	Chile	Ch$	99.96	99.96			99.96	99.96
77,191,070-K	Banchile Corredores de Seguros Ltda.	Chile	Ch$	99.83	99.83	0.17	0.17	100.00	100.00
96,571,220-8	Banchile Corredores de Bolsa S.A.	Chile	Ch$	99.70	99.70	0.30	0.30	100.00	100.00
96,932,010-K	Banchile Securitizadora S.A.	Chile	Ch$	99.01	99.01	0.99	0.99	100.00	100.00
96,645,790-2	Socofin S.A.	Chile	Ch$	99.00	99.00	1.00	1.00	100.00	100.00

(ii) Associates and Joint Ventures

Associates

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

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2. Summary of Significant Accounting Principles, continued:

(b) Basis of consolidation, continued:

(ii) Associates and Joint Ventures, continued:

Joint Ventures

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

According to IFRS 11 Joint Arrangements , an entity will determine the type of joint arrangement in which it is involved, and may classify the agreement as a Joint operation or a Joint venture .

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

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

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

- Artikos S.A.
- Servipag Ltda.

(ii) Shares or rights in other companies

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

(iv) Special purpose entities

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

As of December 31, 2018 and 2017 the Bank does not control and has not created any SPEs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

2. Summary of Significant Accounting Principles, continued:

(b) Basis of consolidation, continued:

(v) Fund management

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

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

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

The Bank and its subsidiaries manage on behalf and for the benefit of investors, acting in that relationship only as Agent. Under this category, and as provided in the aforementioned rule, do not control these funds when they exercise their authority to make decisions. Therefore, as of December 31, 2018 and 2017 act as agent, and therefore do not consolidate any fund.

(c) Non-controlling interest:

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

(d) Use of estimates and judgment:

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

1. Provision for loan losses (Note No. 11. No. 12 and No. 32);
2. Useful life of intangible and property and equipment (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. Fair value of financial assets and liabilities (Note No. 39).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

2. Summary of Significant Accounting Principles, continued:

(d) Use of estimates and judgments, continued:

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

During the year ended December 31, 2018 there have been no significant changes in the estimates made other than those disclosed in Note No. 4 Changes in Accounting policies and Disclosures .

(e) Financial asset and liability valuation criteria:

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

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

(i) Initial recognition

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

(ii) Classification

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

2. Summary of Significant Accounting Principles, continued:

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

(iii) Derecognition of financial assets and financial liabilities

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

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

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

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

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

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

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

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2. Summary of Significant Accounting Principles, continued:

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

(iv) Offsetting

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

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

(v) Valuation at amortized cost

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

(vi) Fair value measurements

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

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

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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2. Summary of Significant Accounting Principles, continued:

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

(vi) Fair value measurements, continued:

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

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

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

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

(f) Functional currency:

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

(g) Transactions in foreign currency:

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

2. Summary of Significant Accounting Principles, continued:

(g) Transactions in foreign currency, continued:

As of December 31, 2018, the Bank applied the exchange rate of accounting representation according to the standards issued by the Superintendency of Banks, where assets expressed in dollars are shown to their equivalent value in Chilean pesos calculated using the following exchange rate of Ch$693.60 US$1 (Ch$615.43 to US$1 in 2017).

The gain of Ch$2,701 million for net foreign exchange transactions, net (foreign exchange income of Ch$104,875 million in 2017) shown in the Consolidated Statement of Comprehensive Income, includes recognition of the effects of exchange rate variations on assets and liabilities in foreign currency or indexed to exchange rates, and the result of foreign exchange transactions conducted by the Bank and its subsidiaries.

(h) Business Segments:

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

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

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

(iii) That separate financial information is available.

(i) Cash and cash equivalents:

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

2. Summary of Significant Accounting Principles, continued:

(i) Cash and cash equivalents, continued:

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

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

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

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

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

(j) Financial assets held-for-trading:

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

2. Summary of Significant Accounting Principles, continued:

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

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

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

As of December 31, 2018 and 2017 it not exist operations corresponding to securities lending.

(l) Derivative instruments:

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

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

In addition, the Bank includes in the valorization of derivatives the Credit Valuation Adjustment (CVA), to reflect the counterparty risk in the determination of fair value and the Bank s own credit risk, known as Debit valuation adjustment (DVA).

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

2. Summary of Significant Accounting Principles, continued:

(l) Derivative instruments, continued:

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

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

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

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

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

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

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

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

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

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2. Summary of Significant Accounting Principles, continued:

(l) Derivative instruments, continued:

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

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

(m) Loans to customers:

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

(i) Valuation method

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

2. Summary of Significant Accounting Principles, continued:

(m) Loans to customers, continued:

(ii) Lease contracts

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

(iii) Factoring transactions

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

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

(iv) Impairment of loans

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

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

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

(v) Allowance for loan losses

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

2. Summary of Significant Accounting Principles, continued:

(m) Loans to customers, continued:

(v) Allowance for loan losses, continued:

(v.i) Allowance for individual evaluations:

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

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

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

v.i.1 Normal Loans and Substandard Loans:

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

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

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

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

2. Summary of Significant Accounting Principles, continued:

(m) Loans to customers, continued:

(v) Allowance for loan losses, continued:

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

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

Allowances for Normal and Substandard Loans:

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

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

The banks must use the following equation:

Where:

ESA = Exposure subject to allowances

GE = Guaranteed exposure

ESA = (Loans + Contingent Loans) Financial Guarantees

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

v.i.2 Non-complying Loans

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

2. Summary of Significant Accounting Principles, continued:

(m) Loans to customers, continued:

(v) Allowance for loan losses, continued:

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

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

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

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

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

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

Expected loss = (TE R) / TE

Allowance = TE x (AP/100)

Where:

TE = total exposure

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

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2. Summary of Significant Accounting Principles, continued:

(m) Loans to customers, continued:

(v) Allowance for loan losses, continued:

(v.ii) Allowances for group evaluations

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

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

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

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

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

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

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

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

2. Summary of Significant Accounting Principles, continued:

(m) Loans to customers, continued:

(iv) Allowance for loan losses, continued

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

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

Provision factor applicable according past due and CMG

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

Where:

PD : Probability of default

LGD : Loss given default

EAD : Exposure at default

CMG : Outstanding loan capital Mortgage Guarantee value

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

2. Summary of Significant Accounting Principles, continued:

(m) Loans to customers, continued:

(iv) Allowance for loan losses, continued:

(v.iv) Portfolio in default

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

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

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

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

- At least one of the payments includes amortization of capital. (This condition does not apply in the case of debtors who only have credits for financing higher education in accordance with Law No. 20,027).

- If the debtor has a credit with partial payment periods less than six months, has already made two payments.

- If the debtor must pay monthly fees for one or more credits, has paid four consecutive dues.

- The debtor does not appear with unpaid debts direct according to the information recast by SBIF, except for insignificant amounts.

(vi) Charge-offs

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

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

2. Summary of Significant Accounting Principles, continued:

(m) Loans to customers, continued:

(vi) Charge-offs, continued:

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

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

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

b) When the debt without executive title expires 90 days after it was recorded in asset.

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

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

Type of Loan	**Term**
Consumer loans - secured and unsecured	6 months
Other transactions - unsecured	24 months

Commercial loans - secured	36 months
Residential mortgage loans	48 months

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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2. Summary of Significant Accounting Principles, continued:

(m) Loans to customers, continued:

(vi) Charge-offs, continued:

(vi.ii) Charge-offs of lease operations

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

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

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

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

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

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

(vii) Loan loss recoveries

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

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

(viii) Renegotiations of charge-off transactions

Any renegotiation of a credit already written off does not give rise to income, as long as the operation remains to have an impaired quality; the actual payments received must be treated as recoveries of credits written off, as indicated above.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

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2. Summary of Significant Accounting Principles, continued:

(n) Investment instruments:

Investment instruments are classified into two categories: Investments to maturity and Instruments available for sale. The category of Investments to maturity includes only those instruments in which it have the capacity and intention to hold them until their expiration date. The other investment instruments are considered as available-for-sale.

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

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

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

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

As of December 31, 2018 and 2017, the Bank does not held to maturity instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

2. Summary of Significant Accounting Principles, continued:

(o) Intangible:

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

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

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

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

(p) Property and equipment:

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

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

Estimated useful lives for 2018 and 2017 are as follows:

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

2. Summary of Significant Accounting Principles, continued:

(q) Deferred taxes and income taxes:

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

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

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

(r) Assets received in lieu of payment:

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

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

(s) Investment properties:

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

(t) Debt issued:

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

2. Summary of Significant Accounting Principles, continued:

(u) Provisions and contingent liabilities:

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

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

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

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

The following are classified as contingent in the complementary information:

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

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

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

iv. Documented guarantee: Guarantee with promissory notes.

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

2. Summary of Significant Accounting Principles, continued:

(u) Provisions and contingent liabilities, continued:

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

Exposure to credit risk on contingent loans:

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

2. Summary of Significant Accounting Principles, continued:

(v) Provisions for minimum dividends:

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

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

(w) Employee benefits:

(i) Staff accrued vacations

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

(ii) Short-term benefits

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

(iii) Staff severance indemnities

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

2. Summary of Significant Accounting Principles, continued:

(w) Employee benefits, continued:

(iii) Staff severance indemnities, continued:

Obligations for this defined benefits plan are valued according to the projected unit credit actuarial valuation method, using inputs such as staff turnover rates, expected salary growth in wages and probability that this benefit will be used, discounted at current long-term rates (4.25% as of December 31, 2018 and 4.53% as of December 31, 2017).

The discount rate used corresponds to the rate of 10-year Chilean Central Bank Bonds in pesos (BCP).

Losses and gains caused by changes in actuarial variables are recognized in Other Comprehensive Results. There are no other additional costs that must be recognized by the Bank.

(x) Earnings per share:

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

Diluted earnings per share are determined similarly to basic earnings, but the weighted average number of outstanding shares is adjusted to take into account the potential dilutive effect of the options on shares, warrants and convertible debt. As of December 31, 2018 and 2017 there are no concepts to adjust.

(y) Interest revenue and expense:

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

2. Summary of Significant Accounting Principles, continued:

(y) Interest revenue and expense, continued:

Loans with individual evaluation:

- Loans classified in categories C5 and C6: Accrual is suspended by the sole fact of being in the impaired portfolio.

- Loans classified in categories C3 and C4: The accrual is suspended after have fulfilled three months in the impaired portfolio.

Group evaluation loans:

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

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

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

(z) Fees and commissions:

Revenue and expenses from fees are recognized in the Consolidated Income Statement using the criteria established in IFRS 15 Revenue from contracts with customers .

Under IFRS 15, revenues are recognized considering the terms of the contract with customers. Revenue is recognized when or as the performance obligation is satisfied by transferring the goods or services committed to the customer.

Under IFRS 15, revenues are recognized using different criteria depending on their nature. The most significant are:

- Those that correspond to a singular act, when the act that originates them takes place.

- Those that originate in transactions or services that are extended over time, during the life of such transactions or services.

- Commissions on loan commitments and other fees related to credit operations are deferred (together with the incremental costs directly related to the placement) and recognized as an adjustment to the effective interest rate of the placement. In the case of loan commitments, when there is no certainty of the date of effective placement, the commissions are recognized in the period of the commitment that originates it on a linear basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

2. Summary of Significant Accounting Principles, continued:

(z) Fees and commissions, continued:

The fees registered by the Bank correspond mainly to:

- Commissions for lines of credit and overdrafts: they are accrued in the period related to the granting of lines of credit and overdrafts in current account.

- Commissions for guarantees and letters of credit: they are accrued in the period related to the granting of payment guarantees for real or contingent obligations of third parties.

- Commissions for card services: correspond to commissions earned and accrued during the period, related to the use of credit, debit and other cards.

- Commissions for account management: includes commissions for the maintenance of current accounts and other deposit accounts.

- Commissions for collections, collections and payments: correspond to collection, collection and payments services provided by the Bank.

- Commissions for intermediation and management of securities: correspond to income from brokerage service, placements, administration and custody of securities.

- Remuneration for insurance commercialization: Income generated by the sale of insurance is included.

- Commissions for investments in mutual funds and others: corresponds to commissions originated in the administration of mutual funds.

- Other commissions earned: Income generated by currency changes, financial advice, use of distribution channels, use of trademark agreement and placement of financial products and cash transfers, among others.

Fees for commissions include:

- Remuneration for card operations: commissions paid for the operation of credit and debit cards are included.

- Inter-bank transactions: Corresponds to commissions paid to the automatic clearing house for transactions carried out.

- Commissions for operations with securities: commissions for deposit and custody of securities and brokerage of securities are included.

- Other commissions: commissions for collection, payments and other online services are included.

(aa) Identifying and measuring impairment:

Financial assets, different to loans to customers

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

2. Summary of Significant Accounting Principles, continued:

(aa) Identifying and measuring impairment, continued:

An impairment loss on a financial asset available-for-sale is calculated based on its fair value. In this case, the objective evidence includes a significant and prolonged decline, under the original investment cost in the fair value of the investment.

If there is evidence of impairment, any amount previously recognized in equity, net gains (losses) not recognized in the income statement, are removed from equity and recognized in the income statement for the year, presenting as net gains (losses) related to financial assets available-for-sale. This amount is determined as the difference between the acquisition cost (net of any repayment and amortization) and the current fair value of the asset, less any impairment loss on that investment that has been previously recognized in the income statement.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

2. Summary of Significant Accounting Principles, continued:

(aa) Identifying and measuring impairment, continued:

Non-financial assets

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

2. Summary of Significant Accounting Principles, continued:

(ab) Lease transactions:

(i) The Bank acting as lessor

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

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

The leased investment properties, under the operating lease modality, are included in the statement of financial position as Other assets and depreciation is determined on the book value of these assets, applying a proportion of the value in a systematic way on the economic use of the estimated useful life. Lease income is recognized on a straight-line basis over the lease term.

(ii) The Bank acting as lessee

Assets held under finance leases are initially recognized on the balance sheet at an amount equal to the fair value of the leased property or, if lower, the present value of the minimum future payments guaranteed. As of December 31, 2018 and 2017, the Bank and its subsidiaries have not signed contracts of this nature.

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

2. Summary of Significant Accounting Principles, continued:

(ac) Fiduciary activities:

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

(ad) Customer loyalty program:

The Bank maintains a loyalty program to provide incentives to its customers, which allows to acquire goods and/or services, based on the exchange of prize points (Dolares-Premio), which are granted based on the purchases made with Bank s credit cards and the compliance of certain conditions established in said program. The consideration for the prizes is made by a third party. In accordance with IFRS 15, these associated benefit plans have the necessary provisions to meet the delivery of committed future performance obligations.

(ae) Additional provisions:

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

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

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

As of December 31, 2018 the additional provisions amounted Ch$213,252 million, which are presents in the item Provisions of the liability in the Consolidated Statement of Financial Position.

(af) Reclassifications:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

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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 Banks and Financial Institutions, which have been adopted by the Bank and its subsidiaries, are detailed below:

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.

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 use; 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.

This standard also establishes that the change in fair value that corresponds to own credit risk of the financial liabilities designated at fair value 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

(Free translation of consolidated 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, among others.

For the American regulator purposes, the impact of the transition to IFRS 9 will be disclosed in the Financial Statement included in the Report 20-F of the year 2018.

IFRS 15 Revenue from Contracts with Customers.

In May 2014 was issued IFRS 15, which it has like purpose established the principles that will apply an entity to present useful information to users of financial statements about the nature, amount, opportunity and uncertainty of the income for ordinaries activities and cash flows that it is related to a contract with a client.

This new standard replace the following current standard and interpretations: IAS 18 Revenue, IAS 11 Construction contracts, IFRIC 13 Customer Loyalty Programs, IFRIC 15 Agreements for the Construction of Real State, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue: Barter Transactions involving.

The new model will apply to all contracts with customers, except those that are inside to the scope of the others IFRS, such as leases, insurance contracts and financial instruments.

On April 12, 2016, IASB issued amendments to IFRS 15, clarifying requirements and providing a temporary relief to companies that are implementing the new standard. In short the amendments clarify how 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 application of this standard did not generate equity effects in the Bank and its subsidiaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

(Free translation of consolidated 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 .

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

3. New Accounting Pronouncements, continued:

Accounting standards issued by the Superintendency of Banks and Financial Institutions

• 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 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, which had no significant impact, were implemented as of June 30, 2018 and reported in the regulatory files defined by the SBIF, based on the information referred to the month of July 2018.

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 December 31, 2018, are detailed below:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

3. New Accounting Pronouncements, continued:

Accounting standards issued by IASB.

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.

The Bank and its subsidiaries, for purposes of the initial application of the standard, took the option to recognize the cumulative effect on the initial adoption date (January 1, 2019), not expressing comparative information, recording an asset for right of use for an amount equal to the lease liability for an amount of Ch$145,383 million, this amount was determined according to the present value of the remaining lease payments, discounted using the financing rate.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

(Free translation of consolidated 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 estimates that this standard will not have impact on the Consolidated Financial Statements of Banco de Chile and its subsidiaries.

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 will not have impact on the Consolidated Financial Statements of Banco de Chile and its subsidiaries.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

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3. New Accounting Pronouncements, continued:

Annual improvements to 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 Arrangements.

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 said asset, as part of the funds it has taken as current loans, from that moment on the interest will not be included as part of the cost of the asset.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

3. New Accounting Pronouncements, continued:

• IAS 19 Employee Benefits.

In February 2018 the IASB issued amendments to IAS 19 Employee Benefits , which relate to:

• If there is a modification, reduction or liquidation of a plan, it is now mandatory that the current service cost and net interest for the period after the new measurement be determined using the assumptions used for the new measurement.

• In addition, amendments have been included to clarify the effect of a modification, reduction or liquidation of a plan on the requirements with respect to the asset roof**.**

The date of application of this amendment is 1 January 2019. Early implementation is allowed.

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

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***. Early adoption is permitted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

3. New Accounting Pronouncements, continued:

• IFRS 3 Business Combinations. Definition of a Business.

The amendments clarify the definition of business, with the objective of helping entities determine whether a transaction should be accounted for as a business combination or as the acquisition of an asset.

(a) clarify that, to be considered a business, an acquired set of activities and assets must include, as a minimum, an input and a substantive process that together contribute significantly to the ability to produce outputs;

(b) eliminate the assessment of whether market participants can substitute missing processes or inputs and continue to produce outputs;

(c) add guides and illustrative examples to help entities assess whether a substantial process has been acquired;

(d) restrict definitions of a business or products by focusing on goods and services provided to clients and eliminate reference to the ability of reducing costs; and

(e) add an optional concentration test that allows a simplified assessment of whether an acquired set of activities and businesses acquired are not business.

Companies are required to apply the modified definition of a business to acquisitions made from January 1, 2020. Early application is allowed.

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

• IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Definition of Materiality or relative importance.

The IASB issued changes to IAS 1, Presentation of Financial Statements, and IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, to clarify the definition of materiality and align these standards with the Revised Conceptual Framework issued in March 2018, to facilitate companies to make materiality judgments.

Under the old definition omissions or misrepresentations of elements are important if they could, individually or collectively, influence the economic decisions that users make on the basis of financial statements (IAS 1 Presentation of Financial Statements).

The new definition states that information is material if the omission, distortion or concealment of the information can reasonably be expected to influence decisions that primary users of financial statements of general purpose make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The date of application of these amendments is ***January 1, 2020***. Early application is allowed.

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

3. New Accounting Pronouncements, continued:

Accounting standards issued by the Superintendency of Banks and Financial Institutions

• Circular N°3,638.

On July 6, 2018, the SBIF published amendments to the standards contained in Chapter B-1 Provisions for Credit Risk of the Compendium of Accounting Standards, which incorporates a standard model for the estimation of provisions for credit risk of the commercial portfolio of group analysis.

The proposed methods and risk factors considered are the following:

- Commercial Leasing Portfolio: considers default, the type of asset in leasing (real estate or non-real estate) and the current value over value of the asset of the operation.

- Student Portfolio: considers the type of loan granted, the enforceability of the payment and the default that it presents, in case the loan is required.

- Generic Commercial Portfolio: considers default and the existence of real guarantees that guarantee the placement. In the case of guarantees, the relationship between the placement and the value of the security right that covers it is considered.

With the changes introduced in the standard, the three standardized methods included in the model will constitute a prudential floor for internal methods currently used by the industry.

The new standards will come into force in ***July 2019.*** Banco de Chile is in the process of determining the impact of adopting this standard.

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4. Changes in Accounting policies and Disclosures:

The accounting policies adopted in the preparation of these 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 are from January 1, 2018.

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.

As of fiscal year 2018, the bonus that the Bank negotiated with its employees in collective bargaining in 2018 was recorded in the Other assets account in the item Expenses paid in advance and is amortized with a charge to results within the term of the collective bargaining agreement and according to the permanence of the employees at the date of issuance of the financial statements. Before the change, the payment of this benefit directly affected the result of the year. This modification was made because it is observed that this disbursement complies with the definition to be considered a right that has the potential to produce economic benefits considering the Conceptual Framework (modified) of the IFRS.

During 2018, the Bank renewed all determination models of provisions for the portfolios evaluated as a group. This renewal included both parameter the probability of default (PD) and the loss given default (LGD), in accordance with new guidelines and methodologies defined and considering both on best local and international practices on the matter. Thus, since August the PD is made as a single score per client at the segment level, facilitating its integration with the management and comprehensive capture of the customer s behavior. As for the LGD, changes were made in the traceability of the operations in order to determine more accurately the historical payment flows for each of the operations. The effect of this amendment was considered as a change in the accounting estimate in accordance with IAS 8, giving rise to a net charge of Ch$28,237 million to income for the year in August 2018.

In addition, during 2018 the Bank incorporated the Debit Valuation Adjustment (DVA) in the valuation of derivatives to reflect this risk in the determination of fair value. In accordance with IAS 8, this amendment is considered to be a change in an accounting estimate and its effect is registered in results for the year. The effect of this change implied a net credit to income in the year of Ch$21,939 million.

During the year ended December 31, 2018, there have been no others accounting changes that may significantly affect these Consolidated Financial Statements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

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. 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

5. Relevant Events, continued:

(f) On July 12, 2018, Banco de Chile reported as an essential fact regarding the capitalization of 40% of the net distributable profit for the 2017 fiscal year, through the issuance of fully paid-in shares agreed at the Extraordinary Shareholders Meeting held on March 22, 2018, the following:

- At the referred Extraordinary Shareholders Meeting, it was agreed to increase the capital of the Bank in the amount of CLP$147,432,502,459 through the issuance of 1,572,948,922 fully paid-in shares, with no par value, payable against the net distributable profit of the fiscal year 2017 that was not distributed as a dividend, as agreed in the Ordinary Shareholders Meeting held on the same day.

The Superintendency of Banks and Financial Institutions approved the bylaws reform, through Resolution No. 258 of May 29 of this year, which was registered in the Commercial Registry of Santiago to fs.41,929 No. 21,966 of the year 2018 and published in the Diario Oficial of Chile (equivalent to the Federal Register) of June 8, 2018.

The issue of the fully paid-in shares was recorded in the Securities Registry of the aforementioned Superintendence with No. 1/2018, dated July 9, 2018.

- The Board of Directors of Banco de Chile, in Session No. 2,883, dated July 12, 2018, agreed to set as the date for issuing and distributing the fully paid-in shares on July 26, 2018.

- The shareholders who are registered in the Register of Shareholders of the Company at July 20, 2018 shall be entitled to receive the new shares, at the rate of 0.02238030880 fully paid-in shares for each share.

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

- As a result of the issue of fully paid-in shares, the Bank s capital is divided into 101,017,081,114 nominative shares, with no par value, fully subscribed and paid.

(g) On October 23, 2018, Banco de Chile reported as an Essential Event that on the same date an amendment to the American Depositary Receipts (ADRs) Program was registered and published before the Securities and Exchange Commission (SEC), mainly revealing, the change in the ratio of the number of Banco de Chile shares represented by each ADR. Under the amendment, the current ratio of 600 shares represented by each ADR will be 200 shares by each ADR.

As a result, Banco de Chile s holders of ADRs, registered in the registers of the depository bank JP Morgan Chase Bank, N.A. As of November 15, 2018, they will receive two additional ADRs for each ADR in their possession. The materialization of the change in the relationship will be effective as of November 23, 2018.

The existing ADRs will continue to be valid and should not be exchanged for new ADRs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

5. Relevant Events, continued:

(h) On December 14, 2018, Banco de Chile informed as an Essential Fact that by public deed of December 10, 2018 granted in the Public Notary of Santiago de Chile by René Benavente Cash, Banco de Chile and its subsidiary Banchile Corredores de Seguros Limitada, have subscribed with Banchile Seguros de Vida S.A. the Collective Credit Life Insurance Contract, and the Collective Credit Life Insurance and Total and Permanent Disability 2/3 for mortgages credits operations Contract.

These Contracts have been signed in accordance with the provisions of article 40 of DFL N°251 of 1931, the General Rule N°330 of the Commission for the Financial Market and Circular N°3.530 of the Superintendence of Banks and Financial Institutions, both of March 21, 2012, pursuant to which the public bidding for the Credit Life insurance of Total and Permanent Disability was awarded to Banchile Seguros de Vida S.A., which offered the lowest rate in both cases, amounting to 0.0101% monthly and 0.0103% monthly, respectively, which include the Banchile Corredores de Seguros Limitada broker commission of 14.00%.

(i) On December 27, 2018, Banco de Chile informs that in an Ordinary session held on the same date, the Board of Directors accepted the resignation presented by the Titular Director Mr. Juan Enrique Pino Visinteiner.

Likewise, the Board of Directors appointed Mr. Julio Santiago Figueroa as Titular Director until the next Ordinary Shareholders Meeting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

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, among others.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

6. Business Segments, continued:

The financial information used to measure the performance of the Bank s business segments is not comparable with similar information from other financial institutions because each institution relies on its own definitions. The accounting policies applied to the segments is the same as those described in the summary of accounting principles. The Bank obtains the majority of the results for: interest, indexation and commissions, provisions for loan losses and operating expenses. Management is mainly based on these concepts to evaluate the performance of the segments and make decisions about the goals and allocations of resources of each unit. Although the results of the segments reconcile with those of the Bank at the total level, this is not necessarily the case in terms of the different concepts, given that management is measured and controlled individually and not on a consolidated basis, applying the following criteria:

- The net interest margin of loans and deposits is obtained aggregating the net financial margins of each individual operation of credit and uptake made by the bank. For these purposes, the volume of each operation and its contribution margin are considered, which in turn corresponds to the difference between the effective rate of the customer and the internal transfer price established according to the term and currency of each operation.

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

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

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

For the years ended December 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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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

6. Business Segments, continued:

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

	Retail		Wholesale		Treasury		Subsidiaries		Subtotal		Consolidation adjustment		Total	
	2018 MCh$	**2017 MCh$**	**2018 MCh$**	**2017 MCh$**	**2018 MCh$**	**2017 MCh$**	**2018 MCh$**	**2017 MCh$**	**2018 MCh$**	**2017 MCh$**	**2018 MCh$**	**2017 MCh$**	**2018 MCh$**	**201 MCh**
Net interest income	969,910	930,539	357,712	322,431	(2,414)	(21,169)	(8,995)	(4,336)	1,316,213	1,227,465	3,698	1,973	1,319,911	1,229,
Net commissions income (loss)	184,545	184,049	45,905	43,443	(4,031)	(4,306)	145,704	135,987	372,123	359,173	(12,168)	(11,499)	359,955	347,
Other operating income	43,290	19,095	59,376	34,712	63,929	56,328	33,341	26,884	199,936	137,019	(6,519)	(4,861)	193,417	132,
Total operating revenue	1,197,745	1,133,683	462,993	400,586	57,484	30,853	170,050	158,535	1,888,272	1,723,657	(14,989)	(14,387)	1,873,283	1,709,
Provision for loan losses	(287,165)	(256,262)	5,637	21,415			118	(135)	(281,410)	(234,982)			(281,410)	(234,
Depreciation and amortization	(29,571)	(27,669)	(5,008)	(4,547)	(91)	(141)	(3,011)	(2,894)	(37,681)	(35,251)			(37,681)	(35,
Other operating expenses	(561,512)	(507,771)	(152,921)	(153,360)	(4,693)	(5,022)	(105,906)	(102,281)	(825,032)	(768,434)	14,989	14,387	(810,043)	(754,
Income attributable to associates	5,450	4,372	1,224	1,026	119	108	462	551	7,255	6,057			7,255	6,
Income before income taxes	324,947	346,353	311,925	265,120	52,819	25,798	61,713	53,776	751,404	691,047			751,404	691,
Income taxes													(156,531)	(115,
Income after income taxes													594,873	576,

The following table presents assets and liabilities of the year ended 2018 and 2017 by each segment defined above:

	Retail		Wholesale		Treasury		Subsidiaries		Subtotal		Consolidation adjustment		
	2018 MCh$	2017 MCh$	2018 MCh$	2017 MCh$	2018 MCh$	2017 MCh$	2018 MCh$	2017 MCh$	2018 MCh$	2017 MCh$	2018 MCh$	2017 MCh$	201 MC
Assets	16,425,068	14,836,631	10,592,117	9,632,778	8,093,850	7,658,624	925,440	637,860	36,036,475	32,765,893	(388,615)	(232,137)	35,647
Current and deferred taxes													278
Total assets													35,926
Liabilities	10,369,534	9,369,206	9,873,018	9,553,312	11,982,709	10,545,395	764,736	479,244	32,989,997	29,947,157	(388,615)	(232,137)	32,601
Current and deferred taxes													20
Total liabilities													32,622

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

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 each year-end are detailed as follows:

	2018 MCh$	2017 MCh$
Cash and due from banks:		
Cash (*)	624,862	522,869
Deposit in Chilean Central Bank (*)	121,807	162,421
Deposits in other domestic banks	26,698	9,922
Deposits abroad	106,714	362,181
Subtotal - Cash and due from banks	880,081	1,057,393
Net transactions in the course of collection	244,758	226,097
Highly liquid financial instruments (**)	1,123,071	719,069
Repurchase agreements (**)	72,632	76,839
Total cash and cash equivalents	2,320,542	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 investment instruments, and repurchase contracts that meet the definition of cash and cash equivalents.

	2018 MCh$	2017 MCh$
Highly liquid financial instruments:		
Financial Assets Held-for-trading	1,122,974	710,162
Available-for-sale Instruments	97	8,907
Total	1,123,071	719,069

(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:

	2018 MCh$	2017 MCh$
Assets		
Documents drawn on other banks (clearing)	210,743	204,624
Funds receivable	369,590	317,185
Subtotal transactions in the course of collection	580,333	521,809
Liabilities		
Funds payable	(335,575)	(295,712)
Subtotal transactions in the course of payment	(335,575)	(295,712)
Net transactions in the course of settlement	244,758	226,097

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

8. Financial Assets Held-for-trading:

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

	2018 MCh$	2017 MCh$
Instruments issued by the Chilean Government and Central Bank of Chile		
Central Bank of Chile bonds	24,906	400,368
Central Bank of Chile promissory notes	1,410,080	662,190
Other instruments issued by the Chilean Government and Central Bank	88,486	254,606
Other instruments issued in Chile		
Bonds from other domestic companies	7,532	
Bonds from domestic banks	18,928	2,070
Deposits in domestic banks	101,484	218,307
Other instruments issued in Chile	1,663	715
Instruments issued Abroad		
Instruments from foreign governments or central banks		
Other instruments issued abroad	4,446	322
Mutual fund investments		
Funds managed by related companies	87,841	78,069
Funds managed by third-party		
Total	1,745,366	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$115,749 million as of December 31, 2018 (Ch$5,096 million as of December 31, 2017). Repurchase agreements had a 2 days average expiration at the end of year 2018 (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$34,456 as of December 31, 2018 (Ch$34,585 million as of December 31, 2017).

Other instruments issued in Chile include instruments sold under repurchase agreements with customers and financial instruments amounting to Ch$99,268 million as of December 31, 2018 (Ch$158,731 million as of December 31, 2017). The repurchase agreements have an average expiration of 10 days at the end of the year 2018 (7 days in December 2017).

Additionally, the Bank holds financial investments in mortgage finance bonds issued by itself in the amount of Ch$11,397 million as of December 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 December 31, 2018 and 2017, the detail is as follows:

	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	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	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		4,114												4,114
Central Bank promissory notes	742												742	
Other instruments issued by the Chilean Government and Central Bank		2,576												2,576
Subtotal	742	6,690											742	6,690
Other Instruments issued in Chile														
Deposit promissory notes from domestic banks														
Mortgage bonds from domestic banks														
Bonds from domestic banks	367												367	
Deposits in domestic banks	2,053	13,297											2,053	13,297
Bonds from other Chilean companies														

Other instruments issued in Chile	70,334	47,357	16,918	19,207	6,875	5,090					94,127	71,654
Subtotal	72,754	60,654	16,918	19,207	6,875	5,090					96,547	84,951
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												
Subtotal												
Total	73,496	67,344	16,918	19,207	6,875	5,090					97,289	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 December 31, 2018, the fair value of the instruments received amounts to Ch$95,316 million (Ch$95,665 million as of December, 2017).

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

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

(b) Liabilities for repurchase contracts: The Bank obtains financing by selling financial instruments and committing to purchase them at future dates, plus interest at a prefixed rate. As of December 31, 2018 and 2017, the repurchase agreements are the following:

	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	
	2018 MCh$	2017 MCh$	2018 MCh$	2017 MCh$	2018 MCh$	2017 MCh$	2018 MCh$	2017 MCh$	2018 MCh$	2017 MCh$	2018 MCh$	2017 MCh$	2018 MCh$	2017 MCh$
Instruments issued by the Chilean Governments and Central Bank of Chile														
Central Bank bonds	130,197	5,169											130,197	5,169
Central Bank promissory notes		5,095												5,095
Other instruments issued by the Chilean Government and Central Bank														
Subtotal	130,197	10,264											130,197	10,264
Other Instruments Issued in Chile														
Deposit promissory notes from domestic banks														
Mortgage bonds from domestic banks														
Bonds from domestic banks		2,013												2,013
Deposits in domestic banks	162,167	114,359	1,448		5,210	56,762							168,825	171,121

Bonds from other Chilean companies											
Other instruments issued in Chile	4,798	11,994								4,798	11,994
Subtotal	166,965	128,366	1,448		5,210	56,762				173,623	185,128
Instruments issued by foreign institutions											
Instruments from foreign governments or central bank											
Other instruments											
Subtotal											
Mutual fund investments											
Funds managed by related companies											
Funds managed by third-party											
Subtotal											
Total	297,162	138,630	1,448		5,210	56,762				303,820	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 December 31, 2018 amounts to Ch$298,708 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.

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10. Derivative Instruments and Accounting Hedges:

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

	Notional amount of contract with final expiration date in							Fair Value	
As of December 31, 2018	**Up to 1 month MCh$**	**Over 1 month and up to 3 months MCh$**	**Over 3 months and up to 12 months MCh$**	**Over 1 year and up to 3 years MCh$**	**Over 3 year and up to 5 years MCh$**	**Over 5 years MCh$**	**Total MCh$**	**Assets MCh$**	**Liabilities MCh$**
Derivatives held for hedging purposes									
Interest rate swap and cross currency swap					11,132		11,132		3,012
Interest rate swap			10,555		16,078	200,321	226,954	1,116	3,152
Total derivatives held for hedging purposes			10,555		27,210	200,321	238,086	1,116	6,164
Derivatives held as cash flow hedges									
Interest rate swap and cross currency swap		142,045	213,518	136,852	163,027	482,015	1,137,457	34,298	31,818
Total derivatives held as cash flow hedges		142,045	213,518	136,852	163,027	482,015	1,137,457	34,298	31,818
Trading derivatives									
Currency forward	8,414,296	9,941,108	13,350,051	3,843,703	92,395	35,374	35,676,927	735,444	631,047
Interest rate forward									
Interest rate swap	3,977,068	9,065,335	25,723,239	17,216,272	7,219,269	9,129,644	72,330,827	287,611	284,840
Interest rate swap and cross currency swap	227,185	369,509	1,983,836	4,366,801	3,339,946	3,695,613	13,982,890	450,519	570,033
Call currency options	16,988	71,243	131,175	9,769			229,175	4,839	2,921
Put currency options	16,141	62,809	103,834	9,769			192,553	120	1,534
Total trading derivatives	12,651,678	19,510,004	41,292,135	25,446,314	10,651,610	12,860,631	122,412,372	1,478,533	1,490,375
Total	12,651,678	19,652,049	41,516,208	25,583,166	10,841,847	13,542,967	123,787,915	1,513,947	1,528,357

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

10. Derivative Instruments and Accounting Hedges, continued:

(a) Portfolio of derivative instruments, continued:

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

(Free translation of consolidated 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 assets 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 December 31, 2018 and 2017:

	2018 MCh$	2017 MCh$
Hedge element		
Commercial loans	11,132	13,914
Corporate bonds	226,954	78,970
Hedge instrument		
Cross currency swap	11,132	13,914
Interest rate swap	226,954	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 CONSOLIDATED FINANCIAL STATEMENTS, continued

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10. Derivative Instruments and Accounting Hedges, continued:

(c) Cash flow Hedges, continued:

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

	Up to 1 month		Over 1 month and up to 3 months		Over 3 months and up to 12 months		Over 1 year and up to 3 years		Over 3 years and up to 5 years		Over 5 years		Total	
	2018 MCh$	2017 MCh$	2018 MCh$	2017 MCh$	2018 MCh$	2017 MCh$	2018 MCh$	2017 MCh$	2018 MCh$	2017 MCh$	2018 MCh$	2017 MCh$	2018 MCh$	2017 MCh$
Hedge element														
Outflows:														
Corporate Bond EUR					(1,338)	(1,246)	(2,675)	(2,491)	(2,675)	(2,491)	(87,097)	(82,348)	(93,785)	(88,576)
Corporate Bond HKD					(66,378)	(11,052)	(21,601)	(68,634)	(83,608)	(19,202)	(263,206)	(298,776)	(434,793)	(397,664)
Corporate Bond CHF			(89,256)	(986)	(125,993)	(161,529)	(1,450)	(192,519)	(82,552)	(474)	(106,050)	(95,174)	(405,301)	(450,682)
Corporate Bond USD					(1,476)		(2,952)		(2,952)		(42,060)		(49,440)	
Obligation USD	(870)	(212)	(86)	(235)	(49,401)	(93,173)	(105,622)	(43,385)					(155,979)	(137,005)
Corporate Bond JPY			(49,362)	(292)	(1,072)	(1,150)	(33,487)	(72,098)	(32,882)	(28,886)	(71,830)	(63,002)	(188,633)	(165,428)
Hedge instrument														
Inflows:														
Cross Currency Swap EUR					1,338	1,246	2,675	2,491	2,675	2,491	87,097	82,348	93,785	88,576
Cross Currency Swap HKD					66,378	11,052	21,601	68,634	83,608	19,202	263,206	298,776	434,793	397,664
Cross Currency Swap CHF			89,256	986	125,993	161,529	1,450	192,519	82,552	474	106,050	95,174	405,301	450,682
					1,476		2,952		2,952		42,060		49,440	

Cross Currency Swap USD														
Cross Currency Swap USD	870	212	86	235	49,401	93,173	105,622	43,385					155,979	137,005
Cross Currency Swap JPY			49,362	292	1,072	1,150	33,487	72,098	32,882	28,886	71,830	63,002	188,633	165,428
Net cash flows														

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10. Derivative Instruments and Accounting Hedges, continued:

(c) Cash flow Hedges, continued:

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

	Up to 1 month		Over 1 month and up to 3 months		Over 3 months and up to 12 months		Over 1 year and up to 3 years		Over 3 years and up to 5 years		Over 5 years		Total	
	2018 MCh$	2017 MCh$	2018 MCh$	2017 MCh$	2018 MCh$	2017 MCh$	2018 MCh$	2017 MCh$	2018 MCh$	2017 MCh$	2018 MCh$	2017 MCh$	2018 MCh$	2017 MCh$
Hedge element														
Inflows:														
Cash flows in CLF			144,458	2,344	237,340	281,377	173,263	414,764	195,590	59,737	542,523	555,461	1,293,174	1,313,683
Hedge instrument														
Outflows:														
Cross Currency Swap HKD					(59,667)	(9,404)	(16,835)	(66,188)	(68,362)	(16,365)	(233,286)	(285,066)	(378,150)	(377,023)
Cross Currency Swap JPY			(50,247)	(1,061)	(2,740)	(3,372)	(37,432)	(85,598)	(35,213)	(35,063)	(78,611)	(77,895)	(204,243)	(202,989)
Cross Currency Swap USD					(47,797)	(111,077)	(107,893)	(44,840)	(1,243)		(36,888)		(193,821)	(155,917)
Cross Currency Swap CHF			(94,211)	(1,283)	(125,325)	(155,767)	(7,482)	(214,620)	(87,164)	(4,793)	(108,488)	(107,870)	(422,670)	(484,333)
Cross Currency Swap EUR					(1,811)	(1,757)	(3,621)	(3,518)	(3,608)	(3,516)	(85,250)	(84,630)	(94,290)	(93,421)
Net cash flows														

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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10. Derivative Instruments and Accounting Hedges, continued:

(c) Cash flow Hedges, continued:

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 year 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$30,943 million (credit to equity of Ch$14,979 million in December 31, 2017). The net effect of taxes charge to equity amounts to Ch$22,589 million (net credit to equity of Ch$11,159 million credit to equity during the period December 2017).

The accumulated balance for this concept as of December 31, 2018 corresponds to a charge in equity amounted to Ch$43,494 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$85,659 million credit to income during the year 2018 (Ch$93,612 million debit to income during the period December 2017).

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

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11. Loans and advances to Banks:

(a) As of December 31, 2018 and 2017, the balances presented in the item Loans and advances to Banks are as follows:

	2018 MCh$	2017 MCh$
Domestic Banks		
Interbank loans of liquidity	100,023	120,017
Provisions for loans to domestic banks	(83)	(43)
Subtotal	99,940	119,974
Foreign Banks		
Interbank loans commercial	239,797	187,006
Credits with third countries	41,872	61,091
Chilean exports trade loans	12,873	41,255
Provisions for loans to foreign banks	(1,006)	(540)
Subtotal	293,536	288,812
Central Bank of Chile		
Non-available Central Bank deposits	1,100,306	350,000
Other Central Bank credits	525	916
Subtotal	1,100,831	350,916
Total	1,494,307	759,702

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

	Bank s Location		
Detail	**Chile MCh$**	**Abroad MCh$**	**Total MCh$**
Balance as of January 1, 2017	100	429	529
Provisions established		111	111
Provisions released	(57)		(57)
Balance as of December 31, 2017	43	540	583
Provisions established	40	466	506
Provisions released			
Balance as of December 31, 2018	83	1,006	1,089

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

12. Loans to Customers, net:

(a.i) Loans to Customers:

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

	2018							
	Assets before allowances				Allowances established			
	Normal Portfolio MCh$	Substandard Portfolio MCh$	Non-Complying Portfolio MCh$	Total MCh$	Individual Provisions MCh$	Group Provisions MCh$	Total MCh$	Net assets MCh$
Commercial loans								
Commercial loans	11,135,653	56,275	298,916	11,490,844	(104,382)	(100,310)	(204,692)	11,286,152
Foreign trade loans	1,290,718	7,619	14,012	1,312,349	(36,984)	(3,449)	(40,433)	1,271,916
Current account debtors	215,228	3,500	3,443	222,171	(3,723)	(9,067)	(12,790)	209,381
Factoring transactions	694,367	3,847	2,517	700,731	(11,289)	(1,901)	(13,190)	687,541
Student loans	50,230		1,667	51,897		(1,502)	(1,502)	50,395
Commercial lease transactions (1)	1,524,226	23,270	24,092	1,571,588	(5,283)	(3,947)	(9,230)	1,562,358
Other loans and accounts receivable	72,163	382	8,367	80,912	(1,543)	(6,579)	(8,122)	72,790
Subtotal	14,982,585	94,893	353,014	15,430,492	(163,204)	(126,755)	(289,959)	15,140,533
Mortgage loans								
Letters of credit	19,820		1,552	21,372		(5)	(5)	21,367
Endorsable mortgage loans	40,790		1,474	42,264		(29)	(29)	42,235
Other residential lending	7,816,433		157,416	7,973,849		(26,245)	(26,245)	7,947,604
Credit from ANAP	6			6				6
Residential lease transactions								
Other loans and accounts receivable	9,949		268	10,217		(167)	(167)	10,050
Subtotal	7,886,998		160,710	8,047,708		(26,446)	(26,446)	8,021,262

Consumer loans								
Consumer loans in installments	2,711,285		246,207	2,957,492		(231,753)	(231,753)	2,725,739
Current account debtors	310,344		2,401	312,745		(13,870)	(13,870)	298,875
Credit card debtors	1,145,106		19,958	1,165,064		(44,579)	(44,579)	1,120,485
Consumer lease transactions (1)	9			9				9
Other loans and accounts receivable	8		804	812		(492)	(492)	320
Subtotal	4,166,752		269,370	4,436,122		(290,694)	(290,694)	4,145,428
Total	27,036,335	94,893	783,094	27,914,322	(163,204)	(443,895)	(607,099)	27,307,223

(1) In this item, the Bank finances its customers purchases of assets, including real estate and other personal property, through finance lease agreements. As of December 31, 2018 Ch$758,772 million correspond to finance leases for real estate and Ch$812,825 million correspond to finance leases for movable assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

12. Loans to Customers net, continued:

(a.i) Loans to Customers, continued:

	2017							
	Assets before allowances				Allowances established			
	Normal Portfolio MCh$	Substandard Portfolio MCh$	Non-Complying Portfolio MCh$	Total MCh$	Individual Provisions MCh$	Group Provisions MCh$	Total MCh$	Net assets MCh$
Commercial loans								
Commercial loans	10,199,048	67,602	294,976	10,561,626	(118,710)	(81,377)	(200,087)	10,361,539
Foreign trade loans	948,547	10,627	24,364	983,538	(38,752)	(2,311)	(41,063)	942,475
Current account debtors	265,842	2,706	2,392	270,940	(3,509)	(6,350)	(9,859)	261,081
Factoring transactions	643,352	2,552	931	646,835	(9,349)	(2,037)	(11,386)	635,449
Student loans	44,407		1,617	46,024		(1,319)	(1,319)	44,705
Commercial lease transactions (1)	1,337,411	17,468	26,637	1,381,516	(4,946)	(8,215)	(13,161)	1,368,355
Other loans and accounts receivable	55,521	298	6,815	62,634	(912)	(5,688)	(6,600)	56,034
Subtotal	13,494,128	101,253	357,732	13,953,113	(176,178)	(107,297)	(283,475)	13,669,638
Mortgage loans								
Letters of credit	27,568		2,105	29,673		(11)	(11)	29,662
Endorsable mortgage loans	52,229		1,800	54,029		(58)	(58)	53,971
Other residential lending	7,229,037		151,691	7,380,728		(31,478)	(31,478)	7,349,250
Credit from ANAP	8			8				8
Residential lease transactions								
Other loans and accounts receivable	8,127		441	8,568		(217)	(217)	8,351
Subtotal	7,316,969		156,037	7,473,006		(31,764)	(31,764)	7,441,242
Consumer loans								
Consumer loans in installments	2,311,482		227,239	2,538,721		(175,659)	(175,659)	2,363,062
Current account debtors	314,506		2,149	316,655		(10,446)	(10,446)	306,209

Credit card debtors	1,134,476		22,654	1,157,130		(56,525)	(56,525)	1,100,605
Consumer lease transactions								
Other loans and accounts receivable	8		902	910		(313)	(313)	597
Subtotal	3,760,472		252,944	4,013,416		(242,943)	(242,943)	3,770,473
Total	24,571,569	101,253	766,713	25,439,535	(176,178)	(382,004)	(558,182)	24,881,353

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(1) In this item, the Bank finances its customers purchases of assets, including real estate and other personal property, through finance lease agreements. As of December 31, 2017 Ch$653,575 million correspond to finance leases for real estate and Ch$727,941 million correspond to finance leases for movable assets.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

12. Loans to Customers, net, continued:

(a.ii) Impaired Portfolio:

As of December 31, 2018 and 2017, the Bank presents the following details of normal and impaired portfolio:

	Assets before Allowances						Allowances established						
	Normal Portfolio		Impaired Portfolio		Total		Individual Provisions		Group Provisions		Total		Net a
	2018 MCh$	2017 MCh$	2018 MCh$	2017 MCh$	2018 MCh$	2017 MCh$	2018 MCh$	2017 MCh$	2018 MCh$	2017 MCh$	2018 MCh$	2017 MCh$	2018 MCh$
Commercial loans	15,075,493	13,593,249	354,999	359,864	15,430,492	13,953,113	(163,204)	(176,178)	(126,755)	(107,297)	(289,959)	(283,475)	15,140,533
Mortgage loans	7,886,998	7,316,969	160,710	156,037	8,047,708	7,473,006			(26,446)	(31,764)	(26,446)	(31,764)	8,021,262
Consumer loans	4,166,752	3,760,472	269,370	252,944	4,436,122	4,013,416			(290,694)	(242,943)	(290,694)	(242,943)	4,145,428
Total	27,129,243	24,670,690	785,079	768,845	27,914,322	25,439,535	(163,204)	(176,178)	(443,895)	(382,004)	(607,099)	(558,182)	27,307,223

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

12. Loans to Customers, continued:

(b) Credit risk provisions:

The changes in credits risk provisions, during the years 2018 and 2017, are summarized as follows:

	Commercial		Mortgage	Consumer	
	Individual MCh$	Group MCh$	Group MCh$	Group MCh$	Total MCh$
Balance as of January 1, 2017	221,085	105,174	33,866	249,866	609,991
Charge-offs	(13,774)	(44,942)	(5,093)	(254,981)	(318,790)
Sales or transfers of credits	(13,074)				(13,074)
Allowances established		47,065	2,991	248,058	298,114
Allowances released	(18,059)				(18,059)
Balance as of December 31, 2017	176,178	107,297	31,764	242,943	558,182
Balance as of January 01,2018	176,178	107,297	31,764	242,943	558,182
Charge-offs	(5,750)	(46,669)	(6,993)	(233,511)	(292,923)
Sales or transfers of credits	(2,144)				(2,144)
Allowances established (*)		66,150	1,675	281,262	349,087
Allowances released	(5,080)	(23)			(5,103)
Balance as of December 31, 2018	163,204	126,755	26,446	290,694	607,099

(*) See Note No.4 Changes in Accounting policies and Disclosures .

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

Other disclosures:

1. As of December 31, 2018 and 2017, the Bank and its subsidiaries have made purchases and sales of loan

portfolios. The effect in income is no more than 5% of net income before taxes, as described in Note No. 12 (e) and (f).

2. As of December 31, 2018 and 2017 the Bank and its subsidiaries have derecognized 100% of its sold loan portfolio and all risks and benefits related to these financial assets have been transferred all or substantially to it. (See Note No. 12 (f)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

12. Loans to Customers, continued:

(c) Finance lease contracts:

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

	Total receivable		Unearned income		Net balance receivable (*)	
	2018 MCh$	2017 MCh$	2018 MCh$	2017 MCh$	2018 MCh$	2017 MCh$
Within one year	519,186	461,354	(60,216)	(54,216)	458,970	407,138
From 1 to 2 years	383,164	338,305	(44,066)	(39,946)	339,098	298,359
From 2 to 3 years	255,997	230,920	(28,740)	(26,136)	227,257	204,784
From 3 to 4 years	162,310	146,921	(19,471)	(17,680)	142,839	129,241
From 4 to 5 years	108,453	99,268	(13,992)	(12,564)	94,461	86,704
After 5 years	336,705	278,607	(33,666)	(27,315)	303,039	251,292
Total	1,765,815	1,555,375	(200,151)	(177,857)	1,565,664	1,377,518

(*) The net balance receivable does not include past-due portfolio totaling Ch$5,933 million as of December 31, 2018 (Ch$3,998 million as of December 31, 2017).

The Bank maintains financial lease operations associated with real estate, industrial machinery, vehicles and transportation equipment. These leases contracts have an average term between 2 and 15 years.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

12. Loans to Customers, continued:

(d) Loans by industry sector:

The following table details the Bank s loan portfolio (before allowances for loans losses) as of December 31, 2018 and 2017 by the customer s industry sector:

	Location							
	Chile		Abroad		Total			
	2018 MCh$	2017 MCh$	2018 MCh$	2017 MCh$	2018 MCh$	%	2017 MCh$	%
Commercial loans:								
Commerce	2,284,128	2,005,706	38,430	21,718	2,322,558	8.32	2,027,424	7.97
Financial Services	2,119,641	1,845,464	2,784	6,185	2,122,425	7.60	1,851,649	7.28
Services	2,107,146	1,964,238	348		2,107,494	7.55	1,964,238	7.72
Construction	1,751,219	1,493,373			1,751,219	6.27	1,493,373	5.87
Agriculture and livestock	1,581,701	1,354,069			1,581,701	5.67	1,354,069	5.32
Manufacturing	1,544,090	1,369,293	34,613	30,399	1,578,703	5.66	1,399,692	5.50
Transportation and telecommunication	1,480,285	1,612,930	17,369		1,497,654	5.37	1,612,930	6.34
Electricity, gas and water	461,348	565,695			461,348	1.65	565,695	2.22
Mining	453,331	422,176			453,331	1.62	422,176	1.66
Fishing	156,444	145,266			156,444	0.56	145,266	0.57
Others	1,397,615	1,116,601			1,397,615	5.01	1,116,601	4.39
Subtotal	15,336,948	13,894,811	93,544	58,302	15,430,492	55.28	13,953,113	54.84
Residential mortgage loans	8,047,708	7,473,006			8,047,708	28.83	7,473,006	29.38
Consumer loans	4,436,122	4,013,416			4,436,122	15.89	4,013,416	15.78
Total	27,820,778	25,381,233	93,544	58,302	27,914,322	100.00	25,439,535	100.00

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

12. Loans to Customers, continued:

(e) Purchase of loan portfolio:

During the year 2018, the Bank acquired portfolio loans, whose nominal value amounted to Ch$36,919 million. The transaction involved the purchase of a portfolio from a local bank.

During the year 2017, the Bank acquired loan portfolios, whose nominal value amounted to Ch$1,495 million.

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

During the year 2018 and 2017 sale operations or assignments of receivables have been carried out from the loan portfolio according to the following:

	2018			
	Carrying amount MCh$	Allowances MCh$	Sale price MCh$	Effect on income (loss) gain MCh$
Sale of current loans	22,277	(2,144)	21,876	1,743
Sale of written off loans				
Total	22,277	(2,144)	21,876	1,743

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

(g) Securitization of own assets:

During the years 2018 and 2017, there is no securitization transactions executed involving its own assets.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

13. Investment Securities:

As of December 31, 2018 and 2017, investment securities classified as available-for-sale and held-to-maturity are detailed as follows:

	2018			2017		
	Available-for-sale MCh$	Held-to-maturity MCh$	Total MCh$	Available-for -sale MCh$	Held-to-maturity MCh$	Total MCh$
Instruments issued by the Chilean Government and Central Bank of Chile						
Bonds issued by the Central Bank of Chile	135,145		135,145	204,128		204,128
Promissory notes issued by the Central Bank of Chile				3,346		3,346
Other instruments of the Chilean Government and the Central Bank of Chile	29,077		29,077	148,894		148,894
Other instruments issued in Chile						
Deposit promissory notes from domestics banks						
Mortgage bonds from domestic banks	92,491		92,491	99,572		99,572
Bonds from domestic banks	5,351		5,351	5,415		5,415
Deposits from domestic banks	559,108		559,108	956,733		956,733
Bonds from other Chilean companies	6,599		6,599	14,969		14,969
Promissory notes issued by other Chilean companies						
Other instruments issued in Chile	107,125		107,125	83,006		83,006
Instruments issued Abroad						
Instruments from foreign governments or Central Banks						
Other instruments	108,544		108,544			
Total	1,043,440		1,043,440	1,516,063		1,516,063

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

13. Investment Securities, continued:

Instruments issued by the Chilean Government and Central Bank include instruments with repurchase agreements sold to clients and financial institutions, totaling Ch$6,965 million as of December 31, 2018 (Ch$5,177 million as of December 31, 2017). The repurchase agreements have an average maturity of 3 days as of December 31, 2018 (3 days in December 2017). Additionally, under the 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$31,415 million as of December 31, 2017. As of December 31, 2018, there is no amount for this concept.

In instruments of Foreign Institutions include mainly bank bonds.

As of December 31, 2018, the portfolio of financial assets available-for-sale includes an accumulated unrealized gain of Ch$9,936 million (accumulated unrealized gain of Ch$1,851 million in December 2017), recorded as an equity valuation adjustment.

During the years 2018 and 2017, there is no evidence of impairment of financial assets available-for-sale.

Gross profits and losses realized on the sale of available-for-sale investments as of December 31, 2018 and 2017 are shown in Note No. 30 Net Financial Operating Income . The changes on results at the end of each period are as fallow:

	2018 MCh$	**2017 MCh$**
Unrealized (losses) gains	(11,387)	6,153
Realized losses (gains) reclassified to income	(400)	(5,149)
Subtotal	(11,787)	1,004
Income tax on other comprehensive income	3,194	(282)
Net effect in equity	(8,593)	722

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

14. Investments in Other Companies:

(a) Investments in other companies include investments of Ch$44,561 million as of December 31, 2018 (Ch$38,041 million as of December 31, 2017), as follows:

Company	Shareholder	Ownership Interest 2018 %	Ownership Interest 2017 %	Equity 2018 MCh$	Equity 2017 MCh$	Book Value 2018 MCh$	Book Value 2017 MCh$	Income (Loss) 2018 MCh$	Income (Loss) 2017 MCh$
Associates									
Transbank S.A.	Banco de Chile	26.16	26.16	69,358	56,804	18,468	15,070	3,262	2,117
Soc. Operadora de Tarjetas de Crédito Nexus S.A.	Banco de Chile	25.81	25.81	16,805	13,781	4,557	3,822	735	884
Administrador Financiero del Transantiago S.A.	Banco de Chile	20.00	20.00	17,978	15,490	3,680	3,098	582	317
Redbanc S.A.	Banco de Chile	38.13	38.13	8,356	7,484	3,219	2,894	325	403
Centro de Compensación Automatizado S.A.	Banco de Chile	33.33	33.33	5,592	4,696	1,894	1,589	305	236
Sociedad Imerc OTC S.A.	Banco de Chile	12.33	12.33	11,952	11,490	1,474	1,417	56	66
Sociedad Interbancaria de Depósitos de Valores S.A.	Banco de Chile	26.81	26.81	4,161	3,659	1,129	995	204	215
Soc. Operadora de la Cámara de Compensación de Pagos de Alto Valor S.A.	Banco de Chile	15.00	15.00	6,106	5,838	944	908	58	66
Subtotal Associates				140,308	119,242	35,365	29,793	5,527	4,304
Joint Ventures									
Servipag Ltda.	Banco de Chile	50.00	50.00	11,398	9,997	5,699	4,999	701	700
Artikos Chile S.A.	Banco de Chile	50.00	50.00	2,025	1,654	1,188	979	583	507
Subtotal Joint Ventures				13,423	11,651	6,887	5,978	1,284	1,207
Subtotal				153,731	130,893	42,252	35,771	6,811	5,511
Investments valued at cost (1)									
Bolsa de Comercio de Santiago S.A. (*)	Banchile Corredores de Bolsa					1,646	1,646	376	480
Banco Latinoamericano de Comercio Exterior S.A. (Bladex)	Banco de Chile					309	309	57	58
Bolsa Electrónica de Chile S.A. (**)	Banchile Corredores de Bolsa					257	257	10	7
Sociedad de Telecomunicaciones Financieras Interbancarias Mundiales (Swift) (***)	Banco de Chile					89	50		
CCLV Contraparte Central S.A.	Banchile Corredores de					8	8	1	1

Bolsa				
Subtotal	2,309	2,270	444	546
Total	44,561	38,041	7,255	6,057

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

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

(**) In the extraordinary shareholders meeting held on May 13, 2017, the exchange of 100,000 shares for each share of the company was agreed. Product of the above Banchile Corredores de Bolsa S.A. obtained 300,000 shares by owning 3 shares.

(***) As a result of the reallocation of shares, Banco de Chile made the purchase of 8 shares of the Company. With the above, the total number of shares is equivalent to 58 titles.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

14. Investments in Other Companies, continued:

(b) Associates:

	2018							
	Centro de Compensación Automatizado S.A. MCh$	Soc. Operadora de la Cámara de Compensación de Pagos de Alto Valor S.A. MCh$	Soc. Operadora de Tarjetas de Crédito Nexus S.A. MCh$	Sociedad Interbancaria de Depósitos de Valores S.A. MCh$	Redbanc S.A. MCh$	Transbank S.A. MCh$	Administrador Financiero del Transantiago S.A. MCh$	Soci Imerc S. MC
Current assets	3,088	5,871	12,918	153	6,084	818,587	55,406	1
Non-current assets	3,985	857	22,221	4,239	14,741	85,971	412	
Total Assets	**7,073**	**6,728**	**35,139**	**4,392**	**20,825**	**904,558**	**55,818**	**2**
Current liabilities	1,321	622	14,179	231	9,907	833,788	36,676	1
Non-current liabilities	160		4,155		2,562	1,412	1,164	
Total Liabilities	1,481	622	18,334	231	12,469	835,200	37,840	1
Equity	5,592	6,106	16,805	4,161	8,356	69,358	17,978	1
Minority interest								
Total Liabilities and Equity	**7,073**	**6,728**	**35,139**	**4,392**	**20,825**	**904,558**	**55,818**	**2**
Revenue	3,214	3,302	50,319	1	35,314	191,568	3,435	
Operating expenses	(2,005)	(3,016)	(46,426)	(35)	(33,895)	(177,440)	(2,615)	(
Other income (expenses)	(25)	177	(173)	796	(260)	2,380	2,982	
Gain before tax	1,184	463	3,720	762	1,159	16,508	3,802	
Income tax	(268)	(79)	(870)		(308)	(4,038)	(894)	
Gain for the year	**916**	**384**	**2,850**	**762**	**851**	**12,470**	**2,908**	

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

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14. Investments in Other Companies, continued:

(c) Joint Ventures:

The Bank has a 50% interest in the jointly controlled entities Artikos S.A. and Servipag Ltda. Bank s interest of both entities is accounted for using the equity method in the consolidated financial statements.

Below the summary financial information of the jointly controlled companies:

	Artikos S.A.		Servipag Ltda.	
	2018 MCh$	2017 MCh$	2018 MCh$	2017 MCh$
Current assets	1,397	1,231	59,142	56,188
Non-current assets	1,503	1,246	15,371	16,669
Total Assets	**2,900**	**2,477**	**74,513**	**72,857**
Current liabilities	875	823	57,847	56,397
Non-current liabilities			5,268	6,463
Total Liabilities	875	823	63,115	62,860
Equity	2,025	1,654	11,398	9,997
Total Liabilities and Equity	**2,900**	**2,477**	**74,513**	**72,857**
Revenue	3,544	3,194	42,679	40,580
Operating expenses	(2,519)	(2,352)	(40,318)	(38,401)
Other income (expenses)	12	17	(339)	(473)
Gain before tax	**1,037**	**859**	**2,022**	**1,706**
Income tax	130	154	(621)	(305)
Gain for the year	**1,167**	**1,013**	**1,401**	**1,401**

(d) The change of investments in companies registered under the equity method in the years of 2018 and 2017, are as follows:

	2018 MCh$	2017 MCh$

Initial book value	35,771	30,314
Acquisition of investments in companies		
Participation on income in companies with significant influence and joint control	6,811	5,511
Dividends receivable		(136)
Dividends Minimum	136	560
Dividends received	(411)	(484)
Others	(55)	6
Total	42,252	35,771

(e) During the year ended as of December 31, 2018 and 2017 no impairment has incurred in these investments.

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15. Intangible Assets:

(a) As of December 31, 2018 and 2017 intangible assets are detailed as follows:

	Years									
	Useful Life		Average remaining amortization		Gross balance		Accumulated Amortization		Net balance	
	2018	2017	2018	2017	2018 MCh$	2017 MCh$	2018 MCh$	2017 MCh$	2018 MCh$	2017 MCh$
Other Intangible Assets:										
Software or computer programs	6	6	5	5	144,968	122,480	(92,907)	(83,435)	52,061	39,045
Total					144,968	122,480	(92,907)	(83,435)	52,061	39,045

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

15. Intangible Assets, continued:

(b) The change of intangible assets as of December 31, 2018 and 2017 are as follows:

	2018 Software or computer programs MCh$
Gross Balance	
Balance as of January 1, 2018	122,480
Acquisition	23,512
Disposals/ write-downs	(1,024)
Total	144,968
Accumulated Amortization	
Balance as of January 1, 2018	(83,435)
Amortization for the year (*)	(10,496)
Disposals/ write-downs	1,024
Total	(92,907)
Balance as of December 31, 2018	52,061

	2017 Software or computer programs MCh$
Gross Balance	
Balance as of January 1, 2017	109,491
Acquisition	18,779
Disposals/ write-downs	(5,790)
Total	122,480
Accumulated Amortization	
Balance as of January 1, 2017	(80,150)
Amortization for the year (*)	(9,075)
Disposals/ write-downs	5,790
Total	(83,435)
Balance as of December 31, 2017	39,045

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

(c) As of December 31, 2018 and 2017, the Bank maintains the following amounts with technological developments:

	Commitment Amount	
	2018	2017
Detail	**MCh$**	**MCh$**
Software and licenses	11,806	5,129

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

16. Property and equipment:

(a) The properties and equipment as of December 31, 2018 and 2017 are composed as follows:

	Years									
	Useful Life		Average remaining depreciation		Gross balance		Accumulated Depreciation		Net balance	
	2018	2017	2018	2017	2018 MCh$	2017 MCh$	2018 MCh$	2017 MCh$	2018 MCh$	2017 MCh$
Type of property and equipment:										
Land and Buildings	26	27	21	21	320,585	311,428	(150,099)	(142,768)	170,486	168,660
Equipment	5	5	3	3	183,220	184,369	(148,455)	(148,006)	34,765	36,363
Others	7	6	4	4	53,500	52,552	(42,879)	(41,316)	10,621	11,236
Total					557,305	548,349	(341,433)	(332,090)	215,872	216,259

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

16. Property and equipment, continued:

(b) The changes in properties and equipment as of December 31, 2018 and 2017 are as follows:

	2018			
	Land and Buildings MCh$	Equipment MCh$	Others MCh$	Total MCh$
Gross Balance				
Balance as of January 1, 2018	311,428	184,369	52,552	548,349
Additions	12,589	12,702	2,774	28,065
Disposals/write-downs/Sales	(3,145)	(13,845)	(1,785)	(18,775)
Impairment losses (*)	(287)	(6)	(41)	(334)
Total	320,585	183,220	53,500	557,305
Accumulated Depreciation				
Balance as of January 1, 2018	(142,768)	(148,006)	(41,316)	(332,090)
Depreciation charges of the year (*) (**)	(9,193)	(14,291)	(3,333)	(26,817)
Sales and disposals of the year	1,862	13,842	1,770	17,474
Total	(150,099)	(148,455)	(42,879)	(341,433)
Balance as of December 31, 2018	170,486	34,765	10,621	215,872

	2017			
	Land and Buildings MCh$	Equipment MCh$	Others MCh$	Total MCh$
Gross Balance				
Balance as of January 1, 2017	302,187	180,322	50,404	532,913
Additions	10,606	8,898	3,720	23,224
Disposals/write-downs/Sales	(1,365)	(4,851)	(1,569)	(7,785)
Impairment losses (*) (***)			(3)	(3)
Total	311,428	184,369	52,552	548,349
Accumulated Depreciation				
Balance as of January 1, 2017	(134,900)	(139,277)	(39,654)	(313,831)
Depreciation charges of the year (*) (**)	(9,040)	(13,723)	(3,045)	(25,808)
Sales and disposals of the year	1,172	4,851	1,526	7,549
Transfers		143	(143)	
Total	(142,768)	(148,006)	(41,316)	(332,090)
Balance as of December 31, 2017	168,660	36,363	11,236	216,259

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

(**) This amount does not include the depreciation of the year of the Investment Properties, amount is included in Other Assets for Ch$368 million (Ch$368 million as of December 31, 2017).

(***) This amount does not include charge-offs provision of Property and Equipment of Ch$163 million as of December 31, 2017.

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16. Property and equipment, continued:

(c) As of December 31, 2018 and 2017, the Bank has operating lease contracts that cannot be terminated unilaterally. The information on future payments is detailed as follows:

		Lease Contracts						
	Expense for the year MCh$	Up to 1 month MCh$	Over 1 month and up to 3 months MCh$	Over 3 months and up to 12 months MCh$	Over 1 year and up to 3 years MCh$	Over 3 years and up to 5 years MCh$	Over 5 years MCh$	Total MCh$
Year 2018	34,773	2,929	5,828	23,578	46,143	28,730	26,697	133,905
Year 2017	33,017	2,764	5,522	23,462	45,891	33,789	34,401	145,829

As these lease agreements are operating leases under IAS 17 the leased assets are not presented in the Bank s statement of financial position.

The Bank has commercial leases of investment properties. These leases have an average life of 5 years.

(d) As of December 31, 2018 and 2017, the Bank does not have any financial lease contracts and, therefore, there are no property and equipment balances that are in financial lease at the end of both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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17. Current Taxes and Deferred Taxes:

(a) Current Taxes:

The Bank and its subsidiaries at the end of each year, have constituted a First Category Income Tax Provision, which was determined based on current tax regulations, and has been reflected in the statement of financial position net of taxes to be recovered or payable, as applicable, as of December 31, 2018 and 2017, according to the following detail:

	2018 MCh$	2017 MCh$
Income tax	150,798	108,844
Less:		
Monthly prepaid taxes	(126,917)	(123,717)
Credit for training expenses	(2,224)	(2,036)
Others	(1,410)	(2,670)
Total	20,247	(19,579)
Tax rate	27.0%	25.5%

	2018 MCh$	2017 MCh$
Current tax assets	677	23,032
Current tax liabilities	(20,924)	(3,453)
Total tax (payable) receivable	(20,247)	19,579

(b) Income Tax:

The effect of the tax expense during the years between January 1 and December 31, 2018 and 2017, broken down as follows:

	2018 MCh$	2017 MCh$
Income tax expense:		

Current year tax	159,153	105,024
Tax Previous year	2,574	(1,401)
Subtotal	161,727	103,623
Charge (credit) for deferred taxes:		
Origin and reversal of temporary differences	(7,819)	20,962
Effect of exchange rates on deferred tax		(6,975)
Subtotal	(7,819)	13,987
Others	2,623	(2,576)
Net charge to income for income taxes	156,531	115,034

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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17. Current and Deferred Taxes, continued:

(c) Reconciliation of effective tax rate:

The following is a reconciliation of the income tax rate to the effective rate applied to determine the Bank s income tax expense as of December 31, 2018 and 2017:

	2018		2017	
	Tax rate %	MCh$	Tax rate %	MCh$
Income tax calculated on net income before tax	27.00	202,879	25.50	176,217
Additions or deductions	(0.37)	(2,792)	(0.21)	(1,482)
Subordinated debt (*)	(3.26)	(24,515)	(5.64)	(38,997)
Price-level restatement	(3.87)	(29,102)	(2.65)	(18,312)
Tax Previous year	0.34	2,574	(0.20)	(1,401)
Effect in deferred taxes (changes in tax rate)			(1.01)	(6,975)
Other	1.00	7,487	0.87	5,984
Effective rate and income tax expense	20.84	156,531	16.66	115,034

(*) The tax expense related to the subordinated debt held by SAOS S.A, it ended during the current fiscal year, as a result of the generation of sufficient resources to pay off the total debt.

The effective rate for income tax for the year 2018 is 20.84% (16.66% in December 2017).

On September 29, 2014, Law 20,780 was published in the Diario Oficial of Chile (equivalent to the Federal Register), amended the System of Income Taxation and introduces various adjustments in the tax system.

In the same line, on February 8, 2016 Law 20,899 was published, which establishes that open corporations must apply the tax regime of first category with partial deduction of the credit in the final taxes, a regime characterized by the fact that shareholders will only be entitled to allocate against personal taxes (Global Supplementary or Additional), 65% of the first category tax paid by the company.

For this tax regime, the law establishes a gradual increase of first category tax rates according to the following periodicity:

Year	Rate
2014	21.0%
2015	22.5%
2016	24.0%
2017	25.5%
2018	27.0%

Additionally, according to No. 11 of Article 1 of Law 20,780, as from January 1, 2017, the rate of sole tax has been increased to rejected expenses of article 21 from 35% to 40%.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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17. Current and Deferred Taxes, continued:

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

The Bank and its subsidiaries have recorded the effects of deferred taxes in their financial statements. The effects of deferred taxes on assets, liabilities and income accounts are detailed as follows:

	Balances as of December 31, 2017 MCh$	Effect on Income MCh$	Effect on Equity MCh$	Balances as of December 31, 2018 MCh$
Debit Differences:				
Allowances for loan losses	195,192	11,005		206,197
Personnel provisions	12,238	756		12,994
Staff vacations	6,908	333		7,241
Accrued interests adjustments from impaired loans	3,414	(182)		3,232
Staff severance indemnities provision	573	(8)	35	600
Provision of credit cards expenses	8,955	858		9,813
Provision of accrued expenses	16,358	(3,203)		13,155
Adjustment for valuation of financial assets available-for-sale			2,695	2,695
Leasing	32,549	10,439		42,988
Other adjustments	17,372	(4,980)		12,392
Total Debit Differences	**293,559**	**15,018**	**2,730**	**311,307**
Credit Differences:				
Depreciation and price-level restatement of property and equipment	14,281	709		14,990
Adjustment for valuation of financial assets available-for-sale	499		(499)	
Transitory assets	4,331	28		4,359
Loans accrued to effective rate	1,608	(39)		1,569
Advance payment of lump-sum under union contracts		6,173	526	6,699
Other adjustments	5,440	328		5,768
Total Credit Differences	**26,159**	**7,199**	**27**	**33,385**
Deferred, Net	**267,400**	**7,819**	**2,703**	**277,922**

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17. Current and Deferred Taxes, continued:

(e) For the purpose of complying with the Circular No. 47 issued by the Chilean Internal Revenue Service (SII) and No. 3,478 issued by the Superintendency of Banks and Financial Institutions, dated August 18, 2009 the movements and effects generated by the application of Article 31, No. 4 of the Income Tax Law are detailed below:

As the circular requires, the information corresponds only to the Bank s credit operations and does not consider operations of subsidiary entities that are consolidated in these Consolidated Financial Statements.

	2018				
				Tax value assets	
(e.1) Loans to customers as of December 31, 2018	**Book value assets (*) MCh$**	**Tax value assets MCh$**	**Past-due loans with guarantees MCh$**	**Past-due loans without guarantees MCh$**	**Total Past-due loans MCh$**
Loans and advance to banks	1,494,307	1,495,395			
Commercial loans	13,018,976	13,519,191	21,584	59,773	81,357
Consumer loans	4,145,419	4,850,068	731	24,424	25,155
Residential mortgage loans	8,021,262	8,047,078	8,818	210	9,028
Total	26,679,964	27,911,732	31,133	84,407	115,540

	2017				
				Tax value assets	
(e.1) Loans to customers as of December 31, 2017	**Book value assets (*) MCh$**	**Tax value assets MCh$**	**Past-due loans with guarantees MCh$**	**Past-due loans without guarantees MCh$**	**Total Past-due loans MCh$**
Loans and advance to banks	759,702	760,284			
Commercial loans	11,722,962	12,187,728	22,603	52,169	74,772
Consumer loans	3,770,473	4,366,937	682	24,024	24,706
Residential mortgage loans	7,441,242	7,471,121	9,117	211	9,328
Total	23,694,379	24,786,070	32,402	76,404	108,806

(*) In accordance with the mentioned Circular and instructions from the SII, the value of financial statement assets, are presented on an individual basis (only Banco de Chile) net of allowance for loan losses and do not include lease and factoring operations.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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17. Current and Deferred Taxes, continued:

(e.2) Provisions on past-due loans	Balance as of January 1, 2018 MCh$	Charge-offs against provisions MCh$	2018 Provisions established MCh$	Provisions released MCh$	Balance as of December 31, 2018 MCh$
Commercial loans	52,169	(40,576)	93,336	(45,156)	59,773
Consumer loans	24,024	(230,382)	259,589	(28,807)	24,424
Residential mortgage loans	211	(2,660)	13,067	(10,408)	210
Total	76,404	(273,618)	365,992	(84,371)	84,407

(e.2) Provisions on past-due loans	Balance as of January 1, 2017 MCh$	Charge-offs against provisions MCh$	2017 Provisions established MCh$	Provisions released MCh$	Balance as of December 31, 2017 MCh$
Commercial loans	54,044	(40,761)	83,773	(44,887)	52,169
Consumer loans	22,386	(251,609)	278,168	(24,921)	24,024
Residential mortgage loans	168	(1,320)	11,375	(10,012)	211
Total	76,598	(293,690)	373,316	(79,820)	76,404

(e.3) Charge-offs and recoveries	2018 MCh$	2017 MCh$
Charge-offs Art. 31 No. 4 second subparagraph	12,914	17,002
Write-offs resulting in provisions released	711	747
Recovery or renegotiation of written-off loans	60,579	49,479

(e.4) Application of Art. 31 No. 4 first & third subsections	2018 MCh$	2017 MCh$
Charge-offs in accordance with first subsection		
Write-offs in accordance with third subsection	711	747

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18. Other Assets:

(a) Item composition:

At the end of each year, the item is composed as follows:

	2018 MCh$	2017 MCh$
Assets held for leasing (*)	101,848	127,979
Assets received or awarded as payment (**)		
Assets awarded at judicial sale	14,171	11,433
Assets received in lieu of payment	3,623	2,730
Provision for assets received in lieu of payment or awarded	(806)	(818)
Subtotal	16,988	13,345
Other Assets		
Deposits by derivatives margin	336,548	174,254
Recoverable income taxes	44,665	20,437
Prepaid expenses	37,394	12,180
Other accounts and notes receivable	29,080	99,201
Trading and brokerage (***)	28,478	32,593
VAT receivable	15,021	11,965
Servipag available funds	13,991	12,626
Investment properties	13,938	14,306
Commissions receivable	12,155	6,387
Accounts receivable for sale of assets received in lieu of payment	4,816	3,353
Pending transactions	2,070	2,151
Rental guarantees	1,895	1,849
Assets recovered from leasing for sale	1,064	3,053
Materials and supplies	745	662
Others	12,684	11,633
Subtotal	554,544	406,650
Total	673,380	