Consolidated Financial Statements

BANCO DE CHILE AND SUBSIDIARIES

December 31, 2010 and 2011

Index

Ch$ or CLP	=	Chilean pesos
MCh$	=	Millions of Chilean pesos
US$ or USD	=	U.S. dollars
ThUS$	=	Thousands of U.S. dollars
JPY	=	Japanese yen
EUR	=	Euro
MXN	=	Mexican pesos
U.F. or CLF	=	Unidad de fomento (The unidad de fomento is an inflation-indexed, Chilean peso denominated monetary unit set daily in advance on the basis of the previous month's inflation rate).

BANCO DE CHILE AND SUBSIDIARIES

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Banco de Chile:

We have audited the accompanying consolidated financial statements of Banco de Chile and its subsidiaries (the "Bank") which comprise the consolidated statements of financial position as of December 31, 2011 and 2010, and the related consolidated statements of comprehensive income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2011. These consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Banco de Chile and subsidiaries at December 31, 2011 and 2010 and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2011, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Bank's internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated April 18, 2012, expressed an unqualified opinion thereon.

ERNST & YOUNG LIMITADA

Santiago, Chile, April 18, 2012

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Report of Independent Registered Public Accounting Firm on Internal Control over Financial Reporting

To the Board of Directors and Shareholders of Banco de Chile:

We have audited Banco de Chile and subsidiaries' internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Banco de Chile's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Banco de Chile maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on the COSO criteria.

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We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the 2011 consolidated financial statements of Banco de Chile and our report dated April 18, 2012, expressed an unqualified opinion thereon.

ERNST & YOUNG LIMITADA

Santiago, Chile, April 18, 2012

BANCO DE CHILE AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As of December 31, 2010 and 2011
(Expressed in millions of Chilean pesos)

	Notes	2010 MCh$	2011 MCh$	2011 ThUS$
ASSETS				
Cash and due from banks	5	772,329	881,146	1,695,164
Transactions in the course of collection	5	429,756	373,639	718,813
Financial assets held-for-trading	6	279,765	304,912	586,595
Receivables from Repurchase Agreements and Security Borrowing	7	82,787	47,981	92,307
Derivative instruments	8	488,354	381,055	733,080
Loans and advance to banks	9	349,588	648,425	1,247,451
Loans to customers, net	10	14,029,968	17,023,756	32,750,589
Financial assets available-for-sale	11	1,157,105	1,471,120	2,830,165
Investments in other companies	12	11,072	13,196	25,387
Intangible assets	13	88,463	81,026	155,879
Property and equipment	14	204,352	207,888	399,938
Investment properties	15	17,459	17,079	32,857
Current tax assets	16	3,363	—	—
Deferred tax assets, net	16	57,678	60,025	115,477
Other assets	17	304,425	254,310	489,246
TOTAL ASSETS		**18,276,464**	**21,765,558**	**41,872,948**
LIABILITIES				
Current accounts and other demand deposits	18	4,446,181	4,895,426	9,417,903
Transactions in the course of payment	5	208,750	155,424	299,007
Payables from Repurchase Agreements and Security Lending	7	81,755	223,202	429,400
Saving accounts and time deposits	19	7,697,968	9,282,324	17,857,491
Derivative instruments	8	528,445	429,913	827,074
Borrowings from financial institutions	20	1,281,372	1,690,939	3,253,057
Debt issued	21	1,764,165	2,388,341	4,594,731
Other financial obligations	22	179,160	184,785	355,492
Current tax liabilities	16	—	3,095	5,954
Provisions	23	114,685	131,344	252,682
Employee benefits	24	55,433	60,634	116,649
Other liabilities	25	224,225	279,462	537,634
TOTAL LIABILITIES		**16,582,139**	**19,724,889**	**37,947,074**
EQUITY				
Attributable to equity holders of the parent:				
Capital		1,158,752	1,436,083	2,762,761
Reserves		158,282	229,464	441,447
Other comprehensive income		8,210	265	510
Retained earnings:				
Retained earnings from previous periods		65,023	65,311	125,646
Income for the year		417,615	438,186	842,990
Less:				
Provision for minimum dividends		(113,559)	(128,642)	(247,484)
Non-controlling interest		2	2	4
TOTAL EQUITY	27	**1,694,325**	**2,040,669**	**3,925,874**
TOTAL LIABILITIES AND EQUITY		**18,276,464**	**21,765,558**	**41,872,948**

BANCO DE CHILE AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the years ended December 31, 2009, 2010 and 2011
(Expressed in million of Chilean pesos)

	Notes	2009 MCh$	2010 MCh$	2011 MCh$	2011 ThUS$
A. STATEMENT OF INCOME					
Interest revenue	28	900,407	1,092,003	1,501,684	2,888,965
Interest expense	28	(222,883)	(324,377)	(624,209)	(1,200,864)
Net interest income		677,524	767,626	877,475	1,688,101
Income from fees and commissions	29	296,009	342,219	367,966	707,899
Expenses from fees and commissions	29	(44,154)	(49,957)	(59,193)	(113,876)
Net fees and commissions income		251,855	292,262	308,773	594,023
Net financial operating income	30	(138,179)	17,163	58,101	111,776
Foreign exchange transaction, net	31	220,999	63,762	(7,973)	(15,339)
Other operating income	35	22,190	23,584	24,735	47,586
Total operating revenues		1,034,389	1,164,397	1,261,111	2,426,147
Provisions for loan losses	32	(241,345)	(157,651)	(146,925)	(282,657)
OPERATING REVENUES, NET OF PROVISIONS FOR LOAN LOSSES		793,044	1,006,746	1,114,186	2,143,490
Personnel expenses	33	(256,782)	(272,737)	(316,991)	(609,833)
Administrative expenses	34	(176,998)	(197,669)	(229,919)	(442,322)
Depreciation and amortization	13-14-15	(36,447)	(34,964)	(35,131)	(67,586)
Impairments	13-14	—	(1,044)	(631)	(1,214)
Other operating expenses	36	(21,522)	(37,813)	(30,939)	(59,521)
TOTAL OPERATING EXPENSES		(491,749)	(544,227)	(613,611)	(1,180,476)
NET OPERATING INCOME		301,295	462,519	500,575	963,014
Income attributable to associates	12	840	1,609	3,054	5,875
Income before income taxes		302,135	464,128	503,629	968,889
Income taxes	16	(40,389)	(46,513)	(65,442)	(125,897)
NET INCOME FOR THE YEAR		261,746	417,615	438,187	842,992
Attributable to:					
Equity holders of the parent		261,744	417,614	438,186	842,990
Non-controlling interest		2	1	1	2
Net income per share from continued operations attributable to equity holders of the parent:		$	$	$	US$
Basic net income per share		3.18	5.06	5.04	0.01
Diluted net income per share		3.18	5.06	5.04	0.01

2009	**2010**	**2011**	**2011**

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

BANCO DE CHILE AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the years ended December 31, 2009, 2010 and 2011
(Expressed in million of Chilean pesos)

B. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME		MCh$	MCh$	MCh$	ThUS$
NET INCOME FOR THE YEAR		261,746	417,615	438,187	842,992
OTHER COMPREHENSIVE INCOME					
Net unrealized gains (losses):					
Net change in unrealized gains (losses) on available for sale instruments	11	27,941	(363)	(9,484)	(18,245)
Gains and losses on derivatives held as cash flow hedges	8	—	—	(485)	(933)
Cumulative translation adjustment		(91)	(45)	68	131
Other comprehensive income before income taxes		27,850	(408)	(9,901)	(19,047)
Income tax related to other comprehensive income	16	(4,750)	(162)	1,956	3,763
Total other comprehensive income items		23,100	(570)	(7,945)	(15,284)
TOTAL CONSOLIDATED COMPREHENSIVE INCOME		284,846	417,045	430,242	827,708
Attributable to:					
Equity holders of the parent		284,844	417,044	430,241	827,706
Non-controlling interest		2	1	1	2
Comprehensive net income per share from continued operations attributable to equity holders of the parent:		$	$	$	US$
Basic net income per share		3.47	5.05	4.95	0.01
Diluted net income per share		3.47	5.05	4.95	0.01

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

BANCO DE CHILE AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the years ended December 31, 2009, 2010 and 2011

(Expressed in million of Chilean pesos)

			Reserves		Other comprehensive income			Retained earnings					
	Nota	Paid-in Capital	Other reserves	Reserves from earnings	Unrealized gains (losses) on available-for- sale	Cumulative translation adjustment	Cash flow hedge adjustment	Retained earnings from previous periods	Income for the year	Provision for minimum dividends	Attributable to equity holders of the parent	Non-controlling interest	Total equity
		MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
Balances as of January 1, 2009		**1,106,491**	**(1,024)**	**85,914**	**(14,352)**	**32**	—	**72,713**	**365,052**	**(109,516)**	**1,505,310**	**8**	**1,505,318**
Capitalization of retained earnings		52,261	100,317	—	—	—	—	(7,690)	(144,888)	—	—	—	—
Dividends distributions and paid	27	—	—	—	—	—	—	—	(220,164)	109,516	(110,648)	—	(110,648)
Cumulative translation adjustment		—	—	—	—	(91)	—	—	—	—	(91)	—	(91)
Valuation adjustment on available-for- sale instruments (net)	11	—	—	—	23,191	—	—	—	—	—	23,191	—	23,191
Merger of subsidiaries		—	—	—	—	—	—	—	—	—	—	(7)	(7)
Income for the year			—	—	—	—	—	—	261,744	—	261,744	2	261,746
Provision for minimum dividends	27	—	—	—	—	—	—	—	—	(78,524)	(78,524)	—	(78,524)
Balances as of December 31, 2009		**1,158,752**	**99,293**	**85,914**	**8,839***	**(59)***	—	**65,023**	**261,744**	**(78,524)**	**1,600,982**	**3**	**1,600,985**
Capitalization of retained earnings		—	—	—	—	—	—	—	—	—	—	—	—
Retention (release) earnings		—	—	(26,925)	—	—	—	—	26,925	—	—	—	—
Dividends distributions and paid	27	—	—	—	—	—	—	—	(288,669)	78,524	(210,145)	(2)	(210,147)
Cumulative translation adjustment		—	—	—	—	(45)	—	—	—	—	(45)	—	(45)
Valuation adjustment on available-for-sale instruments (net)	11	—	—	—	(525)	—	—	—	—	—	(525)	—	(525)
Income for the year		—	—	—	—	—	—	—	417,615	—	417,615	1	417,616
Provision for minimum dividends	27	—	—	—	—	—	—	—	—	(113,559)	(113,559)	—	(113,559)
Balances as of December 31, 2010		**1,158,752**	**99,293**	**58,989**	**8,314***	**(104)***	—	**65,023**	**417,615**	**(113,559)**	**1,694,323**	**2**	**1,694,325**
Capitalization of retained earnings	27	67,217	—	—	—	—	—	—	(67,217)	—	—	—	—
Retention (release) earnings		—	—	71,182	—	—	—	—	(71,182)	—	—	—	—
Dividends distributions and paid	27	—	—	—	—	—	—	—	(279,216)	113,559	(165,657)	(1)	(165,658)
Capital increase	27	210,114	—	—	—	—	—	—	—	—	210,114	—	210,114
Cumulative translation adjustment		—	—	—	—	68	—	—	—	—	68	—	68
Valuation adjustment on available-for-sale instruments (net)	11	—	—	—	(7,618)	—	—	—	—	—	(7,618)	—	(7,618)
Cash flow hedge adjustment, net		—	—	—	—	—	(395)	—	—	—	(395)	—	(395)
Equity adjustment in subsidiary		—	—	—	—	—	—	288	—	—	288	—	288
Income for the year		—	—	—	—	—	—	—	438,186	—	438,186	1	438,187
Provision for minimum dividends	27	—	—	—	—	—	—	—	—	(128,642)	(128,642)	—	(128,642)
Balances as of December 31, 2011		**1,436,083**	**99,293**	**130,171**	**696***	**(36)***	**(395)***	**65,311**	**438,186**	**(128,642)**	**2,040,667**	**2**	**2,040,669**

* As of December 31, 2009, 2010 and 2011 total other comprehensive income is MCh$8,780, MCh$ 8,210 and MCh$265, respectively.

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

BANCO DE CHILE AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
for the years ended December 31, 2009, 2010 and 2011
(Expressed in million of Chilean pesos)

	Notes	2009 MCh$	2010 MCh$	2011 MCh$	2011 ThUS$
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net income for the year		261,746	417,615	438,186	842,990
Items that do not represent cash flows:					
Depreciation and amortization	13-14-15	36,447	34,964	35,130	67,584
Impairment property and equipment	13-14	—	1,044	631	1,214
Provision for loan losses	32	269,647	184,452	193,070	371,433
Provision financial guarantees	32	(1,423)	5,368	(490)	(943)
Fair value adjustment of financial assets held-for-trading		5,669	(2,433)	(1,242)	(2,389)
Income attributable to associates	12	(840)	(1,609)	(3,054)	(5,875)
Net gain on sales of assets received in lieu of payment	35	(5,212)	(6,440)	(5,918)	(11,385)
Net gain loss on sales of property and equipment		(83)	(753)	(1,311)	(2,522)
Other credits which do not represent cash flows		(63,208)	(91,814)	(52,264)	(100,548)
Net changes in interest and fee accruals		23,727	(164,310)	(27,475)	(52,857)|
Changes in assets and liabilities that affect operating cash flows:					
(Increase) decrease in loans and advances to banks, net		(127,011)	99,183	(298,023)	(573,342)
(Increase) decrease in loans to customers, net		319,902	(1,218,628)	(3,013,422)	(5,797,272)
(Increase) decrease in financial assets held-for-trading, net		289,816	(150,791)	(23,024)	(44,294)
Increase in deferred taxes, net		(23,907)	(15, 788)	(2,347)	(4,515)
Increase in current accounts and other demand deposits		711,326	727,613	447,990	861,851
Increase (decrease) in payables from repurchase agreements and security lending		(112,602)	(221,745)	196,821	378,648
Increase (decrease) in saving accounts and time deposits		(880,371)	294,017	1,540,523	2,963,684
(Increase) decrease in other operating assets and liabilities		821	(6,701)	118,524	228,018
Proceeds from sale of assets received in lieu of payment		8,695	9,491	10,221	19,664
Total cash flows from operating activities		**713,139**	**(107,265)**	**(447,474)**	**(860,856)**
CASH FLOWS FROM INVESTING ACTIVITIES:					
(Increase) decrease in financial assets available-for-sale		(183,233)	222,706	(316,083)	(608,086)
Purchases of property and equipment	14	(15,325)	(22,329)	(22,073)	(42,464)
Proceeds from sales of property and equipment		326	3,130	1,711	3,292
Purchases of intangible assets		—	(15,326)	(9,597)	(18,463)
Investments in other companies		—	(4)	—	—
Proceeds from sale investment in other companies	12	169	—	—	—
(Increase) decrease in other assets and liabilities		(227,281)	(60,712)	10,505	20,210
Dividends received from investments in other companies	12	1,002	984	761	1,464
Total cash flows from investing activities		**(424,342)**	**128,449**	**(334,776)**	**(644,047)**
CASH FLOWS FROM FINANCING ACTIVITIES:					
Increase (decrease) in borrowings from financial institutions		181,670	(20,559)	(7,916)	(15,229)
Increase (decrease) in other financial obligations		81,740	(18,182)	11,491	22,107
Increase (decrease) borrowings from Central Bank		—	(155,090)	22,759	43,784
Borrowings with Central Bank of Chile (long-term)		130	100	91	175
Payment of borrowings from Central Bank (long-term)		(315)	(151)	(106)	(204)
Long-term foreign borrowings		905,831	811,520	805,594	1,549,815
Payment of long-term foreign borrowings		(1,165,972)	(633,835)	(446,448)	(858,884)
Other long-term borrowings		30,201	26,797	3,894	7,491
Payment of other long-term borrowings		(27,926)	(5,656)	(9,811)	(18,875)
Increase in mortgage finance bonds		416	—	—	—
Repayment of mortgage finance bonds		(60,094)	(53,206)	(38,433)	(73,938)
Proceeds from bond issuances	21	21,137	592,371	749,586	1,442,066
Redemption from bond issuances		(154,822)	(322,786)	(109,624)	(210,896)
Subscription and payment of shares	27	—	—	210,114	404,221
Dividends paid	27	(220,164)	(288,669)	(279,216)	(537,160)
Total cash flows from financing activities		**(408,168)**	**(67,346)**	**911,975**	**1,754,473**
TOTAL NET POSITIVE (NEGATIVE) CASH FLOWS FOR THE YEAR		**(119,371)**	**(46,162)**	**129,725**	**249,570**
Cash and cash equivalents at beginning of year		1,207,557	1,088,186	1,042,024	2,004,663
Cash and cash equivalents at end of year	5	**1,088,186**	**1,042,024**	**1,171,749**	**2,254,233**
Supplemental disclosure of cash flow information:					
Cash paid during the year for:					
Income taxes paid		5,672	29,622	68,672	132,112

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

1. Company Information:

Banco de Chile, resulting from the merger of Banco Nacional de Chile, Banco Agrícola and Banco de Valparaíso, was formed on October 28, 1893 in the city of Santiago, in the presence of the Notary Eduardo Reyes Lavalle.

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

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

Banco de Chile's legal domicile is Ahumada 251, Santiago, Chile and its Web site is www.bancochile.cl.

The consolidated financial statements of the Group for the year ended December 31, 2011 were authorized for issuance in accordance with the directors' resolution on April 18, 2012.

2. Summary of Significant Accounting Principles:

(a) Basis of preparation:

The Bank's consolidated financial statements for the year 2010 and 2011 have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the IASB.

The bank presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the statement of financial position date (current) and more than 12 months after the statement of financial position date (non–current) is presented in note 39.

The consolidated financial statements comprise the consolidated income statement and statement of comprehensive income, the statements of financial position, changes in equity and cash flows and the related notes. The consolidated financial statements have been prepared under the historical cost convention, except for available-for-sale financial assets, financial assets and financial liabilities designated at fair value through profit or loss and derivative contracts, which have been measured at fair value.

Banco de Chile and subsidiaries classify its expenses according to the nature of expense method.

2. Summary of Significant Accounting Principles, continued:

(a) Basis of preparation, continued:

The consolidated statement of cash flows shows the changes in cash and cash equivalents arising from operating activities, investing activities and financing activities during the period.

When compared to prior year's IFRS financial statements minor reclassifications of certain line items have been made in order to ensure comparability of the information presented for 2011.

(b) Basis of consolidation:

The financial statements of Banco de Chile as of and for the years ended December 31, 2010 and 2011 have been consolidated with those of its subsidiaries. The financial statements of the bank's subsidiaries are prepared for the same reporting year as for Banco de Chile, using consistent accounting policies.

(i) Subsidiaries

Subsidiaries are entities controlled by the Bank which is the parent of the group. The Bank controls entities when it has the power to govern the financial and operating policies of the entity, generally accompanying a shareholding, either directly or indirectly, of more than one half of the voting rights. The existence of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Bank controls an entity.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date control is obtained until the loss of control. The financial statements have been prepared using uniform accounting policies for similar transactions and other events under equivalent circumstances.

The following table details the entities in which the Bank - directly or indirectly – owns a controlling interest and that are therefore consolidated in these financial statements:

			Functional	Interest Owned					
Rut	Subsidiaries	Country	Currency	Direct		Indirect		Total	
				2010 %	2011 %	2010 %	2011 %	2010 %	2011 %
44,000,213-7	Banchile Trade Services Limited	Hong Kong	US$	100.00	100.00	—	—	100.00	100.00
96,767,630-6	Banchile Administradora General de Fondos S.A.	Chile	$	99.98	99.98	0.02	0.02	100.00	100.00
96,543,250-7	Banchile Asesoría Financiera S.A.	Chile	$	99.96	99.96	—	—	99.96	99.96
77,191,070-K	Banchile Corredores de Seguros Ltda.	Chile	$	99.83	99.83	0.17	0.17	100.00	100.00
96,894,740-0	Banchile Factoring S.A.	Chile	$	99.75	99.75	0.25	0.25	100.00	100.00
96,571,220-8	Banchile Corredores de Bolsa S.A.	Chile	$	99.70	99.70	0.30	0.30	100.00	100.00
96,932,010-K	Banchile Securitizadora S.A.	Chile	$	99.00	99.00	1.00	1.00	100.00	100.00
96,645,790-2	Socofin S.A.	Chile	$	99.00	99.00	1.00	1.00	100.00	100.00
96,510,950-1	Promarket S.A.	Chile	$	99.00	99.00	1.00	1.00	100.00	100.00

2. Summary of Significant Accounting Principles, continued:

(b) Basis of consolidation, continued:

(i) Subsidiaries, continued

Significant intercompany transactions and balances between the Bank and its subsidiaries and among its subsidiaries have been eliminated for consolidation purposes. Any non-controlling interest is recognized as a separate item within the Bank's consolidated equity.

(ii) Associates

An associate is an entity over which's operating and financial management policy decisions the Bank has significant influence, yet in which it does not hold a controlling interest. Significant influence is generally presumed when the Bank holds between 20% and 50% of the voting rights. The existence of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Bank has significant influence. Investments in associates are accounted for using the equity method. Other factors considered 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 require the application of the equity method for a particular investment even though the Bank's holdings are for less than 20% of the voting stock.

According to the equity method, the Bank's investments in associates are initially recorded at cost, and subsequently increased (or decreased) to reflect both the Bank's prorata share of the post-acquisition net income (or loss) of the associate and other movements directly recognized in the associate's equity. Goodwill arising on the acquisition of an associate is included in the carrying value of the investment (net of any accumulated impairment loss). Since goodwill is not reported separately associates are not tested individually for impairment. Rather, the entire investment is tested for impairment as follows.

After the application of the equity method, the Bank determines whether it is necessary to recognize an additional impairment loss on the Bank's investment in its associates. The Bank determines at each reporting date whether there is objective evidence that the investment in the associate is impaired. If this is the case, the Bank calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in its income statement.

2. Summary of Significant Accounting Principles, continued:

(b) Basis of consolidation, continued:

(iii) Special purpose entities

Special purpose entities (SPEs) are generally created to comply with a specific and well-defined objective, such as securitizing specific assets or carrying out a specific loan transaction. A SPE is consolidated if, based on an assessment of its relationship with the Bank and the risks and benefits of the SPE, the Bank concludes that it has control. As of December 31, 2010 and 2011, the Bank does not control any SPEs.

(iv) Fund management

The Bank manages assets maintained in common investment funds and other investment products on behalf of investors. The financial statements of these entities are not included in these consolidated financial statements except when the Bank controls the entity. The Bank does not control or consolidate any of these funds.

(c) Non-controlling interest:

Non-controlling interest represents the share of losses, income and net assets that the Bank does not control, neither directly nor 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.

2. **Summary of Significant Accounting Principles, continued:**

(d) Use of estimates and judgment, continued:

Relevant estimates and assumptions are reviewed regularly by the senior management in order to quantify certain assets, liabilities, income, expenses and uncertainties. Revisions to accounting estimates are recognized in the year in which the estimate is revised and in any future period that is affected.

Some accounting matters particularly underlie uncertainties and therefore require a considerable degree of estimation and critical judgment when applying accounting policies. Details on the use of estimates and judgment and their effect on the amounts recognized in the financial statement are included in the following notes:

- Impairment of loans (Note 9 and 10)
- Impairment of other financial assets (Note 11)
- Useful lives of property, equipment and intangible assets (Notes 13 y 14)
- Goodwill valuation (Note 13)
- Deferred taxes and income taxes (Note 16)
- Employee benefits (Note 24)
- Commitments and contingencies (Note 26)
- Provisions for loan losses (Note 32)
- Fair value of financial assets and liabilities (Note 38)

(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.

These bases or methods include the following:

(i) Recognition

Initially, the Bank and its subsidiaries recognize loans to customers, trading and investment securities, deposits, debt issued and subordinated liabilities on the date they originated. 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. All other assets and liabilities (including assets and liabilities at fair value through profit and loss) are initially recognized as of the trade date on which the Bank becomes a party to the contractual provisions of the instrument.

Financial assets or liabilities are initially recognized at fair value plus transaction costs directly attributable to their purchase or issuance.

2. Summary of Significant Accounting Principles, continued:

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

(ii) Derecognition of financial assets and liabilities

The Bank and its subsidiaries derecognize a financial asset (or where applicable, part of a financial asset) from its 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. The bank does not enter into 'pass-through'- arrangements.

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 it 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 entity has retained control, it will continue to recognize the financial asset to the extent of its continuing involvement in the financial asset.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

If an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of the existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the income statement.

2. Summary of Significant Accounting Principles, continued:

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

(iii) 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.

(iv) 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.

(v) Fair value measurements

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

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 makes maximum use of 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 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 technique and tests it for validity using prices from observable current market transactions in the same instrument or based on any available observable market data.

2. Summary of Significant Accounting Principles, continued:

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

(v) 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. 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 depending on the individual facts and circumstances of the transaction but not later than the valuation is supported wholly by observable market data or the transaction is closed out.

Generally, the Bank has assets and liabilities that offset each other's market risks which are derivatives and available-for-sale. Assets and long positions are measured at a bid price; liabilities and short positions are measured at an asking price. Where the Bank has positions with offsetting risks, mid-market prices are used to measure the offsetting risk positions and a bid or asking price adjustment is applied only to the net open position as appropriate. Fair values reflect the credit risk of the instrument and include adjustments to account for the credit risk of the issuer, as appropriate.

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.

When the transaction price is different to the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Bank immediately recognizes the difference between the transaction price and fair value (a "Day 1" profit or loss) in "Net financial operating income". In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognized in the income statement when the inputs become observable, or when the instrument is derecognized.

The Bank's fair value disclosures are included in Note 38.

(f) Presentation and 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.

2. Summary of Significant Accounting Principles, continued:

(g) Transactions in foreign currency:

Transactions and balances

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 charge or credit to income.

Assets and liabilities in foreign currencies are shown at their equivalent value in Chilean pesos, calculated using the following exchange rates as of December 31, 2010 and 2011, Ch$468.37 and Ch$519.80 to US$1, Ch$5.74 and Ch$6.75 per JPY1, Ch$619.87 and Ch$674.96 per Euro1.

The loss of MCh$7,973 (income of MCh$63,762 in 2010) for net foreign exchange income shown in the Consolidated Statement of Comprehensive Income, includes recognition of the effects of exchange rates 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) Segment reporting:

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

(i) That it develops 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:

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with original maturity of three months or less, highly liquid investments that are readily convertible to a known amount of cash, and that are subject to an insignificant risk of changes in value.

The Bank has included as cash and cash equivalents to the account "Cash and due from banks", plus (minus) the net balance of transactions in the course of collection that are shown in the Consolidated Statement Financial Position, plus short-term repurchase agreements. It also includes investments in fixed-income mutual funds that are presented in "Other Assets" in the Consolidated Statement of Financial Position.

2. Summary of Significant Accounting Principles, continued:

(j) Financial assets held-for-trading:

Financial assets held-for-trading consist of debt instruments, including money-market paper, traded corporate and bank loans, and equity instruments, as well as financial assets with embedded derivatives acquired in order to generate profits from short-term price fluctuations or as a result of brokerage activities, or which 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 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 "Net financial operating income" in the Consolidated Statement of Comprehensive Income. Dividends, interest and indexations are reported as "Net financial operating income".

All purchases and sales of financial assets held-for-trading that must be executed within the period established by market regulations or conventions are recorded using the trade date, which is the date on which the purchase or sale of the asset is committed. Any other purchase or sale is treated as a derivative (forward) until settlement occurs.

(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 not recognized on the Bank's Statement of Financial Position. The consideration paid is recognized under "Receivables from Repurchase Agreements and Security Lending" reflecting the transaction's economic substance as a loan granted by the Bank. The difference between the purchase and resale price is recorded in "Net Interest Income" and is accrued over the duration of the agreement using its effective interest rate. This treatment reflects the economic substance as a loan to the Bank.

The Bank also enters into security repurchase agreements as a form of financing. The securities sold under agreement to repurchase at a specific date in the future are not derecognized from the Statement of Financial Position as the Bank retains all the risks and rewards of ownership. The corresponding cash received is recognized in the balance sheet as an asset with a corresponding obligation to return it, including accrued interest, as a liability within "Payables from Repurchase Agreements and Security Lending". The difference between the sale and repurchase price is treated as "Interest Expense" and is accrued over the duration of the agreement using the effective interest rate.

The treatment of security lending and borrowing transactions follows the principles laid out above. Securities borrowed are not recorded on and, securities lent are not derecognized from the Statement of Financial Position.

2. Summary of Significant Accounting Principles, continued:

(l) Derivative instruments:

Derivative instruments, which include foreign currency and U.F. forwards, interest rate forwards, currency and interest rate swaps, currency and interest rate options and other financial derivative instruments, are recorded in the Statement of Financial Position at fair value regardless of whether they are held-for-trading or for non-trading purposes.

The fair value is obtained from market quotes, discounted cash flows models and options valuation models, as and where applicable. Derivative contracts are reported as an asset when their fair value is positive and as a liability when negative under the item "Derivative Instruments".

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 inception, a derivative contract must be designated by the Bank as a derivative instrument for trading or hedging purposes.

Changes in the fair value of derivative contracts maintained for trading purposes are included in "Net financial operating income", in the Consolidated Statement of Comprehensive Income.

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.

Certain derivatives transactions that do not qualify for hedge accounting are treated and reported as derivatives for trading purposes even though they provide an effective hedge on the risk of net positions.

2. Summary of Significant Accounting Principles, continued:

(l) Derivative instruments, continued:

Fair Value Hedges

When a derivative instrument hedges the risk of changes in the fair value of an existing asset or liability, the asset or liability is recorded at its fair value with respect to the specific hedged risk. Gains or losses from fair value adjustments, both the hedged item and the derivative instrument, are recognized in income.

Should the hedged item in a fair value hedge be a firm commitment, changes in the fair value of the commitment with respect to the hedged risk are recorded as an asset or liability against net income for the year. Gains or losses from fair value adjustments of the hedging derivative are recorded in income. When an asset or liability is acquired as a result of the commitment, the initial recognition of the asset or liability acquired is adjusted to incorporate the accumulated effect of the valuation at fair value of the firm commitment, which was previously recorded in the Statement of Financial Position.

Cash Flow Hedges

When a derivative hedges the risk of changes in the cash flows of existing assets or liabilities or forecasted transactions, the effective portion of changes in the fair value related to the hedged risk is recorded in equity net on income taxes. Any ineffective portion is directly recorded in income. The accumulated amounts recorded in equity are transferred to income at the moment that the hedged item affects income.

(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 subsequently measured at amortized cost using the effective interest rate method.

(ii) Lease contracts

Accounts receivable relating to 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

The Bank and its subsidiary Banchile Factoring S.A. carry out factoring transactions, where they receive invoices and other commercial instruments representative of credit, with or without recourse, and they advance to the assignor a percentage of the total amounts to be collected from the original debtor.

2. Summary of Significant Accounting Principles, continued:

(m) Loans to customers, continued:

(iii) Factoring transactions, continued

As of December 31, 2010 and 2011, the caption “Loans to customers” includes MCh$477,133 and MCh$589,098 respectively, corresponding to the amount advanced to the assignor plus accrued interest net of payments received.

(iv) Impairment of loans

At each balance sheet date, Banco de Chile and subsidiaries assess whether there is objective evidence that a loan asset or a group of loans is impaired. A loan asset or a group of loans is considered impaired and impairment losses are incurred if:

(a) there is objective evidence of impairment as a result of a loss event that occurred after the initial recognition of the asset and up to the balance sheet date (“a loss event”);

(b) the loss event had an impact on the estimated future cash flows of the financial asset or the group of financial assets and;

(c) a reliable estimate of the loss amount can be made.

Banco de Chile and subsidiaries first assess whether objective evidence of impairment exists for loans that are individually significant. It then assesses collectively for loans that are not individually significant and loans which are significant but for which no objective evidence of impairment was observed as a result of the individual assessment.

(i) Allowances 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. The cut-off amount for the individual evaluation is ThCh$111,470.

To allow management to determine whether a loss event has occurred on an individual basis, all significant counterparty relationships are reviewed periodically. This evaluation considers current information and events related to the counterparty, such as whether the counterparty is experiencing significant financial difficulty or in breach of contract as, for example, default or delinquency in interest or principal payments.

The individual evaluation requires assigning a risk category to each debtor and its respective loans. This risk category should consider the following factors: industry or sector, group considerations and management, financial situation, payment behavior and payment capacity.

2. Summary of Significant Accounting Principles, continued:

(m) Loans to customers, continued:

(iv) Impairment of Loans, continued:

(i) Allowances for individual evaluations, continued:

If there is evidence of impairment leading to an impairment loss for an individual counterparty relationship, then the amount of the loss is determined as the difference between the carrying amount of the loan(s), including accrued interest, and the present value of expected future cash flows discounted at the loan's original effective interest rate or the effective interest rate established upon reclassification to loans, including cash flows that may result from foreclosure less costs for obtaining and selling the collateral. The carrying amount of the loans is reduced by the use of an allowance account and the amount of the loss is recognized in the income statement as a component of the provision for credit losses.

(ii) Allowances for group evaluations:

The collective assessment of impairment is principally to establish an allowance amount relating to loans that are either individually significant but for which there is no objective evidence of impairment, or are not individually significant but for which there is, on a portfolio basis, a loss amount that is probable of having occurred and is reasonably estimable. The loss amount has two components.

The first component is an allowance amount representing the incurred losses on the portfolio of smaller balance homogeneous loans, which are loans to individuals and small business customers of the private and retail business. The loans are grouped according to similar credit risk characteristics and the allowance for each group is determined using statistical models based on historical experience. The second component represents an estimate of incurred losses inherent in the group of loans that have not yet been individually identified or measured as part of the smaller-balance homogeneous loans. Loans that were found not to be impaired when evaluated on an individual basis are included in the scope of this component of the allowance.

Once a loan is identified as impaired, although the accrual of interest in accordance with the contractual terms of the loan is discontinued, the accretion of the net present value of the written down amount of the loan due to the passage of time is recognized as interest income based on the original effective interest rate of the loan.

At each balance sheet date, all impaired loans are reviewed for changes to the present value of expected future cash flows discounted at the loan's original effective interest rate. Any change to the previously recognized impairment loss is recognized as a change to the allowance account and recorded in the income statement as a component of the provision for credit losses.

2. Summary of Significant Accounting Principles, continued:

(m) Loans to customers, continued:

(iv) Impairment of Loans, continued:

Loans are written-off when collection efforts have been exhausted, but not later than the following maximum periods:

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
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.

Cash recoveries on written-off loans are recorded directly in income, through the provision for credit losses in the Consolidated Statement of Comprehensive Income.

If in a subsequent period the amount of a previously recognized impairment loss decreases and the decrease is due to an event occurring after the impairment was recognized, the impairment loss is reversed by reducing the allowance account accordingly. Such reversal is recognized in profit or loss.

(v) Renegotiated loans:

The bank attempts to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. After having renegotiated the terms, any impairment is measured using the original effective interest rate as calculated before the modification of terms and the loan is no longer considered past due. Renegotiated loans are continuously reviewed by management to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate.

(vi) Provision for contingencies resulting from the loan business:

Provision for contingencies is applied to all off-balance sheet accounts (e.g. guarantees, letters of credit, standby letters, immediately available credit lines and other commitments) and the process to determine the provision for off-balance sheet positions is similar to the methodology used for loans. Any loss amounts are recognized as an allowance in the consolidated balance sheet within other liabilities and charged to the consolidated statement of income as a component of the provision for credit losses". For a further description of the allowances for loan losses see Note 2 (m)(iv) to the Consolidated Financial Statements.

2. Summary of Significant Accounting Principles, continued:

(n) Financial guarantees:

In its ordinary course of business the Bank gives financial guarantees consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognized in the financial statements at fair value being the premium received. Subsequent to initial recognition, the Bank's liability is measured at the higher of the amount originally recognized less, when appropriate, cumulative amortization recognized in the income statement and the best estimate of expenditure required to settle the financial obligation arising as the result of the guarantee. The premium received is recognized in the income statement in "Income from Fees and Commissions" on a straight line basis over the guarantee period.

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

Financial assets held-to-maturity include only those securities for which the Bank has the ability and intention of keeping until maturity. The remaining investments are considered as financial assets available-for-sale. The Bank reassesses on an ongoing basis whether the ability and intention to sell available-for-sale instruments remains to be given.

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.

Financial assets available-for-sale are subsequently measured at their fair value based on market prices or valuation models. Unrealized gains or losses as result of fair value adjustments are recorded in other comprehensive income within equity. When these investments are sold, the cumulative fair value adjustments existing within equity will be recorded directly in income under "Net financial operating income".

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.

Interest and indexations of financial assets held to maturity and available-for-sale are included in the line item "Interest revenue". Dividends earned whilst holding available–for–sale financial investments are recognized in the income statement as 'Other operating income' when the right to receive the payment has been established.

Investment securities, which are subject to hedge accounting, are adjusted according to the rules for hedge accounting.

Purchases and sales of investment securities that must be delivered within a period established by market regulations or conventions are recorded using the trade date that is the date on which the purchase or sale of the asset is committed. Any other purchase or sale is treated as a derivative (forward) until liquidation occurs.

As of December 31, 2010 and 2011, the Bank does not hold held to maturity instruments.

2. Summary of Significant Accounting Principles, continued:

(p) Debt issued and other financial liabilities:

Financial instruments issued by the Bank, which are not designated at fair value through profit and loss, are classified under “Debt issued”, 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 or another financial asset for a fixed number of own equity shares.

After initial measurement, 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.

The Bank applies the same accounting policies for its other financial liabilities.

(q) Intangible assets:

Intangible assets are identified as non-monetary assets (separated from other assets) without physical substance that arise as the result of a legal transaction or that are developed internally by the consolidated entities. They are assets whose cost can be reliably estimated and for which the consolidated entities consider that it is probable that future economic benefits will be recognized.

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries and associates representing the excess of the fair value of the purchase consideration over the net fair value of the Bank’s share of the identifiable assets acquired and the liabilities and contingent liabilities assumed on the date of the acquisition.

For the purpose of calculating goodwill, fair values of acquired assets, liabilities and contingent liabilities are determined by reference to market values or by discounting expected future cash flows to present value. This discounting is either performed using market rates or by using risk-free rates and risk-adjusted expected future cash flows.

Goodwill originating from the acquisition of subsidiaries is capitalized and reviewed for impairment annually or more frequently if there are indications that impairment may have occurred. Impairment is determined by comparing the present value of expected future cash flows from each cash generating unit with the carrying value of its net assets, including attributable goodwill. Goodwill is allocated to cash generating units for the purpose of impairment testing considering the business level at which goodwill is monitored for internal management purposes.

Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

2. Summary of Significant Accounting Principles, continued:

(q) Intangible assets, continued:

(ii) Software and computer programs

Computer software purchased by the Bank and its subsidiaries is 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.

Expense for internally developed software is recorded in income for each year.

(iii) Other identifiable intangible assets

This item applies to identifiable intangible assets for which the cost can be reliably measured and which are likely to generate future economic benefits for the Bank. The estimated useful life of other intangible assets is a maximum of 7 years.

(r) Property and equipment:

Property and equipment is stated at cost excluding servicing cost, less accumulated depreciation and accumulated impairment. Changes in the expected useful life are accounted for by changing the depreciation period or method, as appropriate, and treated as changes in accounting estimates.

This cost includes expenses that 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 2010 and 2011 are as follows:

Buildings	50 years
Installations (in general)	10 years
Equipments	3 years
Office furniture	5 years

Property and equipment is derecognized on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in “Impairments” in the income statement in the year the asset is derecognized.

2. Summary of Significant Accounting Principles, continued:

(s) 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 and liabilities are recorded at their book value as of the date the deferred taxes are measured. Deferred tax assets are recognized only when it is likely that future tax profits will be sufficient to recover deductions for temporary differences.

(t) Assets received in lieu of payment:

Assets received in lieu of payment are classified under "Other Assets" and they are recorded at the lower of its carrying amount and fair value, less costs to sell.

(u) Investment Properties:

Investment 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 initially measured at cost, including transaction costs. Subsequent to initial recognition, they are carried at cost less accumulated depreciation and impairments using the same accounting policies as property and equipment.

(v) 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 likely that the Bank or its subsidiaries have to disburse resources to settle the obligation and,

iii) the amount can be reliably measured.

A contingent asset or liability is any right or obligation arisen from past events whose existence will be confirmed by one or more uncertain future events which are not within the control of the Bank. Contingent assets and liabilities are not recognized in the Statement of Financial Position.

2. Summary of Significant Accounting Principles, continued:

(w) Provision for minimum dividends:

The Bank records within liabilities the portion of net income for the year that should be distributed to comply with the Corporations Law. For these purposes, the Bank establishes a provision in a complementary equity account within retained earnings.

(x) Employee benefits:

(i) Staff vacations

The annual costs of vacations and staff benefits are recognized on an accruals 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 results from payments to specified retiring employees with more than 30 years of service, is recorded at the present value of the accrued benefits. It is calculated by applying an equivalent discount rate to the accrued benefits. These benefits accrue over the estimated average remaining service period.

Obligations for this defined benefit plan are valued according to the projected unit credit actuarial valuation method, using inputs such as staff turnover rates, expected growth in wages and the probability that this benefit will be used, discounted at current long-term rates (5.91% as of December 31, 2010 and 6.04% as of December 31, 2011). The discount rate used corresponds to the return on bonds of the Central Bank with maturity (BCP) in 5 years.

Actuarial gains and losses are recognized as income or expense at the end of each reporting period. There is no past service costs that would have to be recognized by the Bank.

2. Summary of Significant Accounting Principles, continued:

(y) Equity reserves:

The equity reserves recorded in the Bank's Statement of Financial Position include:

Reserves from Earnings:
This item includes all the reserves that were originated from earnings and that by legal or statutory dispositions, or agreements of the shareholders' meeting, will not be distributed in the form of future dividends.

Other reserves:
This item includes all the reserves that do not come from earnings and that do not correspond to those indicated in previous items.

Unrealized gains (losses) on available-for-sale instruments:
This item comprises changes in the fair value of these instruments.

Cumulative translation adjustment:
This item is used to record exchange differences arising from the translation of the net investment in foreign operations.

(z) Earnings per share:

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

Diluted earnings per share is determined in a similar manner as basic earnings per share, but the average weighted number of shares in circulation is adjusted to account for the dilutive effect of stock options, warrants and convertible debt. As of December 31, 2010 and 2011, the Bank does not have any instruments or contracts that could cause dilutions. Therefore, no adjustments have been made.

(aa) Interest revenue and expense:

Interest revenue 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 net 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.

2. Summary of Significant Accounting Principles, continued:

(ab) Fees and commissions:

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

(i) Fees earned from an individual act are recognized once the act has taken place.

(ii) Fees earned from transactions or services provided over a longer period of time are recognized over the life of the transactions or services. These fees include commissions and asset management, custody or other management and advisory fees.

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

(ac) Identifying and measuring impairment:

Financial assets (other than loans)

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.

A financial asset or group of financial assets is impaired and impairment losses are incurred if:

- there is objective evidence of impairment as a result of a loss event that occurred after the initial recognition of the asset and up to the balance sheet date ("a loss event");
- the loss event had an impact on the estimated future cash flows of the financial asset or the group of financial assets and;
- a reliable estimate of the loss amount can be made.

An impairment loss for financial assets 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.

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

In the case of equity investments classified as available-for-sale financial assets, objective evidence includes a significant or prolonged decline in the fair value of the investment below cost. The bank considers 'significant' generally as 20% and 'prolonged' generally as greater than 6 months. In the case of debt securities classified as available-for-sale financial assets, the Bank assesses whether there exists objective evidence for impairment based on the same criteria as for loans.

2. Summary of Significant Accounting Principles, continued:

(ac) Identifying and measuring impairment, continued:

Financial assets (other than loans), continued:

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

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

Individually significant financial assets are individually examined to determine impairment. Remaining financial assets are collectively evaluated in groups that share similar credit risk characteristics. Both criterions are similar as those described in Note 2 (m) Loans to customer to determine impairment individually and group.

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 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. The amount of the reversal is recognized in profit or loss up to the amount previously recognized as impairment. Impairment losses recognized in profit or loss for an investment in an equity instrument classified as available for sale are not reversed through profit or loss.

2. Summary of Significant Accounting Principles, continued:

(ac) Identifying and measuring impairment, continued:

Non-financial assets

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, or if annual impairment testing for an asset is required, the Bank estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU 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.

For assets, excluding goodwill, impairment losses recognized in prior years are assessed at each reporting date in search of any indication that the loss has decreased or disappeared. A previously recognized impairment is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment was recognized. An impairment loss is reversed only to the extent that the book value of the asset does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. Such reversal is recognized in the income statement.

Impairment losses relating to goodwill cannot be reversed in future periods.

(ad) Finance and operating leases:

The determination of whether an arrangement is a lease, or it contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

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.

2. Summary of Significant Accounting Principles, continued:

(ad) Lease transactions, continued:

The Bank acting as lessor, continued

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

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 lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. The discount rate used in calculating the present value of the minimum lease payments is either the interest rate implicit in the lease, if it is practicable to determine, or the incremental borrowing rate. Contingent rentals are recognized as expense in the periods in which they are incurred. As of December 31, 2010 and 2011, 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.

(ae) 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.

(af) Customer loyalty programs:

The Bank maintains a customer loyalty program as an incentive to its clients. The scheme grants its customers certain points depending on the value of credit card purchases they make. The so-collected points can be used to obtain services from a third party. The costs which the Bank incurs providing this incentive are recognized at fair value when the corresponding revenue is recognized, considering the probabilities of being used by the customers to obtain the third party's service. The points collected cannot be used to obtain services directly from the Bank.

3. New and amendment standards and interpretations:

The accounting policies adopted are consistent with those of the previous financial year. Amendments resulting from Improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Bank:

- IFRS 24 Related Party Disclosures effective January 1, 2011.
- IFRIC 14 Limit of a defined benefits asset, obligation to maintain minimum financing level and their interaction effective January 1, 2011.

4. Segment Reporting:

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

Retail: This segment focuses on individuals and small and medium-sized companies with annual sales up to Ch$1,500 million, 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 Ch$1,500 million, where the product offering focuses primarily on commercial loans, checking accounts and liquidity management services, debt instruments, foreign trade, derivative contracts and leases.

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

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

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

Entity

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

4. Segment Reporting, continued:

The financial information used to measure the performance of the Bank's business segments is not necessarily comparable with similar information from other financial institutions because it is based on internal reporting policies. The accounting policies used to prepare the Bank's operating segment information are similar as those described in Note 2 "Summary of Significant Accounting Principles", except as noted below:

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

- The results associated with gap management (interest rate and currency mismatches) are allocated to the business segments by considering the amount of loans and demand deposits managed by each segment.

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

- In addition to direct costs (consisting mainly of labor and administrative expenses), the Bank allocates all of its indirect operating costs to each business segment by utilizing a different cost driver in order to allocate such costs to the specific segment.

- The Bank applies local banking regulator accounting principles when measuring and recording its allowance for loan losses, assets received in lieu of payments, minimum dividend allowances and some other minor items for internal reporting purposes. These accounting policies differ in some significant aspects from IFRS.

The Bank obtains the majority of its income from: interest, indexations and fees, discounted the credit cost and expenses. Management mainly bases its evaluation of segment performance and decision-making regarding goals, allocation of resources for each unit individually on these concepts. Even though the results of the segments reconcile with those of the Bank at total level, differences exist in the single segments' figures due to different measurement concepts indicated above.

The Bank did not enter into transactions with a particular customer or third party that exceed 10% of its total income in 2010 and 2011.

The Bank carries out its business operations in Chile.

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

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

4. Segment Reporting, continued:

	As of December 31, 2009							
	Retail MCh$	Wholesale MCh$	Treasury MCh$	Subsidiaries MCh$	Subtotal MCh$	Reclassifications and adjustments to conform IFRS MCh$	Note	Total MCh$
Net interest income	436,035	196,314	24,704	14,039	671,092	6,432		677,524
Net fees and commissions income	136,068	31,861	(123)	96,491	264,297	(12,442)		251,855
Other operating income	16,270	30,852	35,491	20,567	103,180	1,830		105,010
Total operating revenue	588,373	259,027	60,072	131,097	1,038,569	(4,180)	(1)	1,034,389
Provisions for loan losses	(154,685)	(68,137)	—	(619)	(223,441)	(17,904)	(2)	(241,345)
Depreciation and amortization	(16,745)	(7,217)	(5,529)	(2,536)	(32,027)	(4,420)	(3)	(36,447)
Other operating expenses	(300,735)	(107,033)	(2,926)	(75,763)	(486,457)	31,155	(4)	(455,302)
Income attributable to associates	520	(23)	—	343	840	—		840
Income before income taxes	116,728	76,617	51,617	52,522	297,484	4,651		302,135
Income taxes					(39,597)	(792)	(5)	(40,389)
Income after income taxes					257,887	3,859		261,746
Assets	6,169,113	7,336,807	3,095,493	1,056,358	17,657,771	(206,045)		17,451,726
Current and deferred taxes					83,012	(33,279)		49,733
Total assets					17,740,783	(239,324)	(6)	17,501,459
Liabilities	4,560,558	7,463,580	3,415,522	855,294	16,294,954	(433,498)		15,861,456
Current and deferred taxes					53,081	(14,063)		39,018
Total liabilities					16,348,035	(447,561)	(7)	15,900,474

4. Segment Reporting, continued:

Reclassifications and adjustments to conform IFRS

(1) The total effect due to the elimination adjustments to conform the total operating revenue correspond to MCh$(12,307). The total effect of IFRS adjustments correspond to MCh$8,127 which mainly stems from reclassification of allowances for loan losses and amortization of fair value loans from Citibank Chile.

(2) The total effect relates to IFRS adjustments of MCh$(17,904), which mainly stem from differing allowances for loan losses.

(3) The total effect relates to IFRS adjustments of MCh$(4,420), which stem from the amortization of intangibles and depreciation of property and equipment, from Citibank Chile.

(4) The total effect due to the elimination adjustments to conform other operating expenses correspond to MCh$12,307. The total effect of IFRS adjustments correspond to MCh$18,848, which mainly stems from deviating provision for loan losses.

(5) The total effect relates to IFRS adjustments of MCh$(792), which stem from deferred taxes.

(6) The total effect due to the elimination adjustments to conform the consolidated financial position data in assets correspond to MCh$(280,564). The total effect of IFRS adjustments in assets correspond to MCh$41,240, which mainly stems from deviating allowances for loan losses, acquisition of Citibank Chile and deferred taxes effects.

(7) The total effect due to the elimination adjustments to conform the consolidated financial position data in liabilities correspond to MCh$(280,564). The total effect of IFRS adjustments in liabilities correspond to MCh$(166,997), which mainly stems from providing for minimum dividends and differing allowances for loan losses.

4. Segment Reporting, continued:

	As of December 31, 2010							
	Retail MCh$	Wholesale MCh$	Treasury MCh$	Subsidiaries MCh$	Subtotal MCh$	Reclassifications and adjustments to conform IFRS MCh$	Note	Total MCh$
Net interest income	517,459	218,348	21,997	10,144	767,948	(322)		767,626
Net fees and commissions income	145,316	40,955	(367)	117,561	303,465	(11,203)		292,262
Other operating income	9,752	21,755	56,093	22,607	110,207	(5,698)		104,509
Total operating revenue	672,527	281,058	77,723	150,312	1,181,620	(17,223)	(1)	1,164,397
Provisions for loan losses	(133,823)	(71,647)	—	(3,120)	(208,590)	50,939	(2)	(157,651)
Depreciation and amortization	(18,625)	(6,630)	(3,349)	(1,940)	(30,544)	(4,420)	(3)	(34,964)
Other operating expenses	(339,197)	(95,344)	(9,512)	(83,320)	(527,373)	18,110	(4)	(509,263)
Income attributable to associates	1,233	388	—	305	1,926	(317)		1,609
Income before income taxes	182,115	107,825	64,862	62,237	417,039	47,089		464,128
Income taxes					(38,509)	(8,004)	(5)	(46,513)
Income after income taxes					378,530	39,085		417,615
Assets	7,198,879	7,547,025	2,902,332	845,837	18,494,073	(278,650)		18,215,423
Current and deferred taxes					88,231	(27,190)		61,041
Total assets					18,582,304	(305,840)	(6)	18,276,464
Liabilities	5,459,085	7,812,367	3,277,059	629,666	17,178,177	(596,038)		16,582,139
Current and deferred taxes					—	—		—
Total liabilities					17,178,177	(596,038)	(7)	16,582,139

4. Segment Reporting, continued:

Reclassifications and adjustments to conform IFRS

(1) The total effect due to the elimination adjustments to conform the total operating revenue correspond to MCh$(12,275). The total effect of IFRS adjustments correspond to MCh$(4,948) which mainly stems from reclassification of allowances for loan losses and amortization of fair value loans from Citibank Chile.

(2) The total effect relates to IFRS adjustments of MCh$50,939, which mainly stem from differing allowances for loan losses.

(3) The total effect relates to IFRS adjustments of MCh$(4,420), which stem from the amortization of intangibles and depreciation of property and equipment, from Citibank Chile.

(4) The total effect due to the elimination adjustments to conform other operating expenses correspond to MCh$12,838. The total effect of IFRS adjustments correspond to MCh$5,272, which represents reversal of write-offs of assets received in lieu of payments.

(5) The total effect relates to IFRS adjustments of MCh$(8,004), which stem from deferred taxes.

(6) The total effect due to the elimination adjustments to conform the consolidated financial position data in assets correspond to MCh$(375,552). The total effect of IFRS adjustments in assets correspond to MCh$69,712, which mainly stems from deviating allowances for loan losses, acquisition of Citibank Chile and deferred taxes effects.

(7) The total effect due to the elimination adjustments to conform the consolidated financial position data in liabilities correspond to MCh$(375,552). The total effect of IFRS adjustments in liabilities correspond to MCh$(220,486), which mainly stems from providing for minimum dividends and differing allowances for loan losses.

4. Segment Reporting, continued:

	As of December 31, 2011							
	Retail MCh$	Wholesale MCh$	Treasury MCh$	Subsidiaries MCh$	Subtotal MCh$	Reclassifications and adjustments to conform IFRS MCh$	Note	Total MCh$
Net interest income	589,040	247,471	20,460	4,204	861,175	16,300		877,475
Net fees and commissions income	163,232	39,406	(536)	116,955	319,057	(10,284)		308,773
Other operating income	15,478	1,181	11,508	27,511	55,678	19,185		74,863
Total operating revenue	767,750	288,058	31,432	148,670	1,235,910	25,201	(1)	1,261,111
Provisions for loan losses	(111,701)	(10,082)	(964)	(2,093)	(124,840)	(22,085)	(2)	(146,925)
Depreciation and amortization	(21,174)	(6,299)	(1,718)	(1,520)	(30,711)	(4,420)	(3)	(35,131)
Other operating expenses	(377,165)	(123,355)	(8,486)	(86,259)	(595,265)	16,785	(4)	(578,480)
Income attributable to associates	2,252	710	—	338	3,300	(246)		3,054
Income before income taxes	259,962	149,032	20,264	59,136	488,394	15,235		503,629
Income taxes					(59,588)	(5,854)	(5)	(65,442)
Income after income taxes					428,806	9,381		438,187
Assets	8,416,826	9,268,380	3,415,922	1,069,135	22,170,263	(464,730)		21,705,533
Current and deferred taxes					89,974	(29,949)		60,025
Total assets					22,260,237	(494,679)	(6)	21,765,558
Liabilities	6,468,025	8,983,599	4,214,432	855,006	20,521,062	(796,173)		19,724,889
Current and deferred taxes					—	—		—
Total liabilities					20,521,062	(796,173)	(7)	19,724,889

4. Segment Reporting, continued:

Reclassifications and adjustments to conform IFRS

(1) The total effect due to the elimination adjustments to conform the total operating revenue correspond to MCh$31,822. The total effect of IFRS adjustments correspond to MCh$(6,621) which mainly stems from reclassification of allowances for loan losses, amortization of fair value loans from Citibank Chile and embedded derivatives.

(2) The total effect relates to IFRS adjustments of MCh$22,085, which mainly stem from differing allowances for loan losses.

(3) The total effect relates to IFRS adjustments of MCh$(4,420), which stem from the amortization of intangibles and depreciation of property and equipment, from Citibank Chile.

(4) The total effect due to the elimination adjustments to conform other operating expenses correspond to MCh$12,128. The total effect of IFRS adjustments correspond to MCh$4,657, which represents reversal of write-offs of assets received in lieu of payments.

(5) The total effect relates to IFRS adjustments of MCh$(5,854), which stem from deferred taxes.

(6) The total effect due to the elimination adjustments to conform the consolidated financial position data in assets correspond to MCh$(547,005). The total effect of IFRS adjustments in assets correspond to MCh$52,326, which mainly stems from deviating allowances for loan losses, acquisition of Citibank Chile and deferred taxes effects.

(7) The total effect due to the elimination adjustments to conform the consolidated financial position data in liabilities correspond to MCh$(547,005). The total effect of IFRS adjustments in liabilities correspond to MCh$(249,168), which mainly stems from providing for minimum dividends and differing allowances for loan losses.

5. Cash and Cash Equivalents:

(a) Details of cash and cash equivalents and its reconciliation to the statement of cash flows at each period are as follows:

	2010 MCh$	2011 MCh$
Cash and due from banks:		
Cash	309,348	346,169
Current account with the Chilean Central Bank	310,358	139,328
Deposits in other domestic banks	110,000	106,656
Deposits abroad	42,623	288,993
Subtotal – Cash and due from banks	772,329	881,146
Net transactions in the course of collection	221,006	218,215
Highly liquid financial instruments (shown in other assets)	28,787	31,910
Repurchase agreements	19,902	40,478
Total cash and cash equivalents	1,042,024	1,171,749

Amounts in cash and Central Bank deposits are regulatory reserve deposits for which the Bank must maintain a certain monthly average.

(b) Transactions in the course of collection

Transactions in the course of settlement are transactions for which the only remaining step is settlement, which will increase or decrease the funds in the Central Bank or in foreign banks, normally occurring within 12 to 24 business hours and are detailed as follows:

	2010 MCh$	2011 MCh$
Assets		
Documents drawn on other banks (clearing)	231,339	185,342
Funds receivable	198,417	188,297
Subtotal transactions in the course of collection	429,756	373,639
Liabilities		
Funds payable	(208,750)	(155,424)
Subtotal transactions in the course of payment	(208,750)	(155,424)
Net transactions in the course of collection	221,006	218,215

6. Financial Assets Held-for-Trading:

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

	2010 MCh$	2011 MCh$
Instruments issued by the Chilean Government and Central Bank of Chile:		
Central Bank bonds	44,624	66,243
Central Bank promissory notes	3,266	4,657
Other instruments issued by the Chilean Government and Central Bank	109,302	6,942
Other instruments issued in Chile		
Mortgage bonds from domestic banks	196	61
Bonds from domestic banks	1,740	585
Deposits in domestic banks	119,002	191,003
Other instruments issued in Chile	1,635	370
Instruments issued by foreign institutions		
Other instruments issued abroad	—	35,051
Total	279,765	304,912

Instruments issued by the Chilean Government and Central Bank include instruments sold under agreements to repurchase to customers and financial institutions, equivalent to MCh$29,811 as of December 31, 2011 (MCh$10,792 in 2010).

"Other instruments issued in Chile" include instruments sold under agreements to repurchase to customers and financial instruments, amounting to MCh$152,431 as of December 31, 2011 (MCh$56,743 in 2010).

Agreements to repurchase have an average expiration of 7 days as of year-end (8 days in 2010).

Additionally, the Bank holds financial investments in mortgage finance bonds issued by itself in the amount of MCh$64,929 as of December 31, 2011 (MCh$76,334 in 2010), which are presented as a reduction of the liability line item "Debt issued".

7. Repurchase Agreements and Security Lending and Borrowing:

(a) The Bank provides financing to its customers through “Receivables from Repurchase Agreements and Security Borrowing”, in which the financial instrument serves as collateral. As of December 31, 2010 and 2011, the Bank has the following receivables resulting from such transactions:

	Up to 1 month		Over 1 month and up to 3 month		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	
	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011
	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	92	10,021	—	—	—	—	—	—	—	—	—	—	92	10,021
Other instruments issued by the Chilean Government and Central Bank	5,014	—	—	—	—	—	—	—	—	—	—	—	5,014	—
Other Instruments Issued in Chile														
Other instruments issued in Chile	7,610	30,191	68,346	6,270	1,725	1,499	—	—	—	—	—	—	77,681	37,960
Total	12,716	40,212	68,346	6,270	1,725	1,499	—	—	—	—	—	—	82,787	47,981

7. Repurchase Agreements and Security Lending and Borrowing, continued:

(b) The Bank obtains financing by selling financial instruments and committing to repurchase them at future dates, plus interest at a prefixed rate. As of December 31, 2010 and 2011 , the Bank has the following payables resulting from such transactions:

	Up to 1 month		Over 1 month and up to 3 month		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	
	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011
	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	12,013	49,025	—	—	—	—	—	—	—	—	—	—	12,013	49,025
Central Bank promissory notes	—	1,139	—	—	—	—	—	—	—	—	—	—	—	1,139
Other instruments issued by the Chilean Government and Central Bank	13,665	—	—	—	—	—	—	—	—	—	—	—	13,665	—
Other Instruments Issued in Chile														
Deposit promissory notes from domestic banks	53,807	168,414	40	4,553	—	71	—	—	—	—	—	—	53,847	173,038
Bonds from domestic banks	2,230	—	—	—	—	—	—	—	—	—	—	—	2,230	—
Total	81,715	218,578	40	4,553	—	71	—	—	—	—	—	—	81,755	223,202

(c) Securities given:
The carrying amount of securities lent and of "Payables from Repurchase Agreements and Security Lending" at December 31, 2011 is Ch$208,530 million (Ch$77,191 million in 2010). The counterparty is allowed to sell or repledge those securities in the absence of default by the Bank.

(d) Securities received:
As part of reverse repurchase and securities borrowing agreements the Bank has received securities that it is allowed to sell or repledge in the absence of default by the owner. At December 31, 2011 the Bank held securities with a fair value of Ch$47,022 million (Ch$74,895 million in 2010) on such terms. The Bank has an obligation to return the securities to its counterparties.

8. Derivative Instruments and Accounting Hedges:

(a) As of December 31, 2010 and 2011, the Bank's portfolio of derivative instruments is detailed as follows:

	As of December 31, 2010							
	Notional amount of contract with final expiration date in						Fair value	
	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	Asset	Liability
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
Derivatives held for hedging of fair value								
Cross currency swap	—	—	—	29,485	23,601	107,569	65	4,212
Interest rate swap	—	—	—	14,192	22,624	116,268	2,061	7,246
Total derivatives held for hedging purposes	—	—	—	43,677	46,225	223,837	2,126	11,458
Derivatives held as cash flow hedges								
Interest rate swap and cross currency swap	—	—	—	—	—	—	—	—
Total Derivatives held as cash flow hedges	—	—	—	—	—	—	—	—
Derivatives held-for-trading purposes								
Currency forward	3,697,884	2,505,564	3,590,728	417,789	1,076	—	118,705	191,280
Cross currency swap	127,949	320,000	1,050,845	2,223,196	245,930	240,437	284,702	227,381
Interest rate swap	295,000	182,456	828,375	1,923,619	514,806	538,621	82,688	97,767
Call currency options	9,836	30,725	49,436	—	—	—	133	109
Put currency options	468	30,725	2,084	—	—	—	—	429
Others	—	—	—	—	—	647,096	—	21
Total derivatives held-for-trading purposes	4,131,137	3,069,470	5,521,468	4,564,604	761,812	1,426,154	486,228	516,987
Total	**4,131,137**	**3,069,470**	**5,521,468**	**4,608,281**	**808,037**	**1,649,991**	**488,354**	**528,445**

8. Derivative Instruments and Accounting Hedges, continued:

	As of December 31, 2011							
	Notional amount of contract with final expiration date in						Fair value	
	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	Asset	Liability
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
Derivatives held for hedging of fair value								
Cross currency swap	—	—	—	13,376	17,260	125,952	—	11,148
Interest rate swap	—	—	—	15,750	25,108	184,784	—	27,273
Total derivatives held for hedging purposes	—	—	—	29,126	42,368	310,736	—	38,421
Derivatives held as cash flow hedges								
Interest rate swap and cross currency swap	57,128	—	—	55,940	—	—	—	1,514
Total Derivatives held as cash flow hedges	57,128	—	—	55,940	—	—	—	1,514
Derivatives held-for-trading purposes								
Currency forward	3,673,409	2,376,646	4,107,029	328,970	28,080	—	121,133	115,797
Cross currency swap	133,883	145,791	1,065,272	1,497,511	685,216	891,617	181,092	174,984
Interest rate swap	200,243	506,595	1,473,712	1,620,359	621,418	584,082	77,589	97,992
Call currency options	11,072	34,671	46,262	—	—	—	1,239	1,149
Put currency options	468	988	3,119	—	—	—	2	35
Others	—	—	—	—	—	672,384	—	21
Total derivatives held-for-trading purposes	4,019,075	3,064,691	6,695,394	3,446,840	1,334,714	2,148,083	381,055	389,978
Total	**4,076,203**	**3,064,691**	**6,695,394**	**3,531,906**	**1,377,082**	**2,458,819**	**381,055**	**429,913**

8. 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. The aforementioned hedge instruments change the effective cost of long-term issuances from a fixed interest rate to a variable interest rate, decreasing the duration and modifying the sensitivity to the shortest segments of the curve.

Below is a detail of the hedged elements and hedge instruments under fair value hedges as of December 31, 2010 and 2011:

	As of December 31,	
	2010	**2011**
	MCh$	**MCh$**
Hedged element		
Commercial loans	160,655	156,588
Corporate bonds	153,084	225,642
Total	313,739	382,230
Hedge instrument		
Cross currency swap	160,655	156,588
Interest rate swap	153,084	225,642
Total	313,739	382,230

8. Derivative Instruments and Accounting Hedges, continued:

(c) Cash flow Hedges:

(c.1) The Bank, starting in 2011, uses CLF/MNX cross currency swaps that hedge the exposure to two identified risks. The first risk being hedged is the exchange rate risk from bonds denominated in Mexican Pesos (MXN), and the second risk being hedged is the inflation risk from cash flows denominated in Unidad de Fomento (CLF). The Bank has documented and matched cash flows of the cross currency swaps to each hedged item.

(c.2) Below is an estimate of the periods in which the estimated cash flows, that includes the interest and the capital amount, of the hedged item(s) are expected to be generated:

	2011						
	Up to1 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
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
Hedged item (Corporate bonds MXN)							
Outflows	(235)	(470)	(2,349)	(62,048)	—	—	(65,102)
Hedged Instrument (Cross currency swap MXN leg)							
Inflows	235	470	2,349	62,048	—	—	65,102
Net cash flows	—	—	—	—	—	—	—

	2011						
	Up to1 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
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
Hedged item (Cash flows CLF)							
Inflows	—	—	1,591	60,337	—	—	61,928
Hedged Instrument (Cross currency swap CLF leg)							
Outflows	—	—	(1,591)	(60,337)	—	—	(61,928)
Net cash flows	—	—	—	—	—	—	—

8. Derivative Instruments and Accounting Hedges, continued:

(c) Cash flow Hedges, continued:

(c.3) Unrealized profit of Ch$485 millions generated from hedging instruments has been recorded in equity.

(c.4) The net effect in income of derivatives cash flow hedges amount to Ch$1,029 millions.

9. Loans and Advance to Banks, net:

(a) As of December 31, 2010 and 2011 , amounts are detailed as follows:

	2010 MCh$	2011 MCh$
Domestic Banks		
Interbank loans	13,149	15,059
Other credits with domestic banks	—	—
Provisions for loans to domestic banks	—	(5)
Subtotal	13,149	15,054
Foreign Banks		
Loans to foreign banks	141,088	190,838
Overdrafts in current accounts	1	—
Credits with third countries	21,290	15,639
Other credits with foreign banks	174,514	127,076
Provisions for loans to foreign banks	(610)	(1,001)
Subtotal	336,283	332,552
Central Bank of Chile		
Unavailable Central Bank deposits	—	300,000
Other Central Bank credits	156	819
Subtotal	156	300,819
Total	349,588	648,425

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

	Bank's Location		
Detail	**Chile MCh$**	**Abroad MCh$**	**Total MCh$**
Balance as of January 1, 2009	—	316	316
Charge-offs	—	—	—
Provisions established	—	861	861
Provisions released	—	—	—
Balance as of December 31, 2009	—	1,177	1,177
Charge-offs	—	—	—
Provisions established	—	—	—
Provisions released	—	(567)	(567)
Balance as of December 31, 2010	—	610	610
Charge-offs	—	—	—
Provisions established	5	391	396
Provisions released	—	—	—
Balance as of December 31, 2011	5	1,001	1,006

10. Loans to Customers, net:

(a) Loans to Customers:

As of December 31, 2010 and 2011, the composition of the portfolio of loans is the following:

	As of December 31, 2010						
	Asset before Allowance			Allowances established			
	Normal Porfolio MCh$	Substandard Loans MCh$	Total MCh$	Individual Provisions MCh$	Group Provision MCh$	Total MCh$	Net Assets MCh$
Commercial loans							
Commercial loans	6,597,336	372,038	6,969,374	(80,002)	(48,147)	(128,149)	6,841,225
Foreign trade loans	783,422	130,236	913,658	(50,249)	(279)	(50,528)	863,130
Current account debtors	109,881	12,225	122,106	(5,342)	(1,931)	(7,273)	114,833
Factoring transactions	465,750	11,383	477,133	(5,567)	(507)	(6,074)	471,059
Commercial lease transactions (1)	706,707	70,587	777,294	(11,958)	(5,723)	(17,681)	759,613
Other loans and accounts receivable	34,385	3,456	37,841	(363)	(1,490)	(1,853)	35,988
Subtotal	8,697,481	599,925	9,297,406	(153,481)	(58,077)	(211,558)	9,085,848
Mortgage loans							
Mortgage bonds (2)	149,039	15,435	164,474	—	(1,443)	(1,443)	163,031
Transferable mortgage loans	197,745	7,515	205,260	—	(1,106)	(1,106)	204,154
Other residential real estate mortgage loans	2,507,963	48,372	2,556,335	—	(12,700)	(12,700)	2,543,635
Other loans and accounts receivable	116	436	552	—	(25)	(25)	527
Subtotal	2,854,863	71,758	2,926,621	—	(15,274)	(15,274)	2,911,347
Consumer loans							
Consumer loans in installments	1,389,887	92,169	1,482,056	—	(101,415)	(101,415)	1,380,641
Current account debtors	221,093	9,674	230,767	—	(4,261)	(4,261)	226,506
Credit card debtors	429,266	11,525	440,791	—	(15,485)	(15,485)	425,306
Other loans and accounts receivable	336	18	354	—	(34)	(34)	320
Subtotal	2,040,582	113,386	2,153,968	—	(121,195)	(121,195)	2,032,773
Total	13,592,926	785,069	14,377,995	(153,481)	(194,546)	(348,027)	14,029,968

(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, 2010, MCh$353,455 corresponds to finance leases for real estate and MCh$423,839 correspond to finance leases for other assets.

(2) For mortgage Bonds that finance residential mortgage loans, it is important to note that the Bank is solely responsible for the payment of that obligation to the mortgage bond holders, regardless of the payment behavior of the residential mortgage borrower. Accordingly, none of our residential mortgage loans serves as a guarantee or collateral for our mortgage bonds.

10. Loans to Customers, net, continued:

(b) Loans to Customers continued:

	As of December 31, 2011						
	Asset before Allowance			Allowances established			
	Normal Porfolio MCh$	Substandard Loans MCh$	Total MCh$	Individual Provisions MCh$	Group Provision MCh$	Total MCh$	Net Assets MCh$
Commercial loans							
Commercial loans	7,705,590	210,906	7,916,496	(107,796)	(57,420)	(165,216)	7,751,280
Foreign trade loans	1,442,460	66,687	1,509,147	(58,458)	(504)	(58,962)	1,450,185
Current account debtors	212,595	1,884	214,479	(2,178)	(2,074)	(4,252)	210,227
Factoring transactions	586,576	2,522	589,098	(4,499)	(613)	(5,112)	583,986
Commercial lease transactions (1)	973,013	23,553	996,566	(9,275)	(7,105)	(16,380)	980,186
Other loans and accounts receivable	27,430	4,177	31,607	(372)	(1,905)	(2,277)	29,330
Subtotal	10,947,664	309,729	11,257,393	(182,578)	(69,621)	(252,199)	11,005,194
Mortgage loans							
Mortgage bonds (2)	123,797	10,580	134,377	—	(871)	(871)	133,506
Transferable mortgage loans	169,424	5,834	175,258	—	(881)	(881)	174,377
Other residential real estate mortgage loans	3,250,235	47,096	3,297,331	—	(14,151)	(14,151)	3,283,180
Other loans and accounts receivable	64	404	468	—	(1)	(1)	467
Subtotal	3,543,520	63,914	3,607,434	—	(15,904)	(15,904)	3,591,530
Consumer loans							
Consumer loans in installments	1,661,799	101,302	1,763,101	—	(110,190)	(110,190)	1,652,911
Current account debtors	223,871	9,101	232,972	—	(5,806)	(5,806)	227,166
Credit card debtors	553,574	15,716	569,290	—	(22,570)	(22,570)	546,720
Other loans and accounts receivable	251	6	257	—	(22)	(22)	235
Subtotal	2,439,495	126,125	2,565,620	—	(138,588)	(138,588)	2,427,032
Total	16,930,679	499,768	17,430,447	(182,578)	(224,113)	(406,691)	17,023,756

(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, 2011, MCh$305,600 corresponds to finance leases for real estate and MCh$600,966 correspond to finance leases for other assets.

(2) For mortgage Bonds that finance residential mortgage loans, it is important to note that the Bank is solely responsible for the payment of that obligation to the mortgage bond holders, regardless of the payment behavior of the residential mortgage borrower. Accordingly, none of our residential mortgage loans serves as a guarantee or collateral for our mortgage bonds.

10. Loans to Customers, net, continued:

(b) Allowances for loan losses:

Movements in allowances for loan losses during 2009, 2010 and 2011 periods are as follows:

	Allowances		
	Individual MCh$	Group MCh$	Total MCh$
Balance as of January 1, 2009	105,854	119,254	225,108
Charge-offs:			
Commercial loans	(79,509)	(6,521)	(86,030)
Mortgage loans	—	(2,088)	(2,088)
Consumer loans	—	(93,675)	(93,675)
Total charge-offs	(79,509)	(102,284)	(181,793)
Allowances established	101,609	168,696	270,305
Allowances released	—	(1,519)	(1,519)
Balance as of December 31, 2009	127,954	184,147	312,101
Balance as of January 1, 2010	127,954	184,147	312,101
Charge-offs:			
Commercial loans	(13,838)	(32,581)	(46,419)
Mortgage loans	—	(2,376)	(2,376)
Consumer loans	—	(100,298)	(100,298)
Total charge-offs	(13,838)	(135,255)	(149,093)
Allowances established	39,365	145,654	185,019
Allowances released	—	—	—
Balance as of December 31, 2010	153,481	194,546	348,027
Balance as of January 1, 2011	153,481	194,546	348,027
Charge-offs:			
Commercial loans	(7,548)	(30,588)	(38,136)
Mortgage loans	—	(2,923)	(2,923)
Consumer loans	—	(92,951)	(92,951)
Total charge-offs	(7,548)	(126,462)	(134,010)
Allowances established	36,645	156,029	192,674
Allowances released	—	—	—
Balance as of December 31, 2011	182,578	224,113	406,691

10. Loans to Customers, net, continued:

(c) During 2010 and 2011, the Bank and its subsidiaries presented the following allowance for loan losses associated with impaired loans and with non-impaired loans:

	As of December 31,	
	2010	2011
	MCh$	MCh$
Individual impaired	113,705	127,717
Group impaired	90,550	102,989
Allowances for loans impaired	204,255	230,706
Provision for not yet identified but incurred impairment	143,772	175,985
Total allowances for loan losses	348,027	406,691

10. Loans to Customers, net, continued:

(d) Finance Lease Contracts:

The Bank's scheduled cash flows to be received from finance leasing contracts have the following maturities:

	Total receivable		Unearned income		Net lease receivable (*)	
	2010 MCh$	2011 MCh$	2010 MCh$	2011 MCh$	2010 MCh$	2011 MCh$
Due within one year	261,877	338,406	(32,363)	(42,362)	229,514	296,044
Due after 1 year but within 2 years	188,469	257,239	(24,587)	(31,668)	163,882	225,571
Due after 2 years but within 3 years	129,086	176,620	(16,910)	(20,847)	112,176	155,773
Due after 3 years but within 4 years	87,809	110,512	(11,870)	(14,280)	75,939	96,232
Due after 4 years but within 5 years	57,461	68,860	(8,635)	(10,089)	48,826	58,771
Due after 5 years	163,553	183,112	(19,535)	(22,831)	144,018	160,281
Total	888,255	1,134,749	(113,900)	(142,077)	774,355	992,672

(*) The net balance receivable does not include past-due portfolio totaling MCh$2,939 and MCh$3,894 as of December 31, 2010 and 2011, respectively.

The leasing contracts are related to real estate, industrial machinery, vehicles and computer equipment. The leasing contracts have an average life of between 3 and 8 years.

10. Loans to Customers, continued:

(e) Loans by industry sector:

The following table details the Bank's loan portfolio (before allowances for loans losses) as of December 31, 2010 and 2011 by the customer's industry sector:

	Location				Total			
	Chile		Abroad					
	2010 MCh$	2011 MCh$	2010 MCh$	2011 MCh$	2010 MCh$	%	2011 MCh$	%
Commercial loans:								
Services	2,186,184	2,553,931	659,338	772,782	2,845,522	19.79	3,326,713	19.09
Commerce	1,508,252	1,388,792	7,311	2,804	1,515,563	10.54	1,391,596	7.98
Manufacturing	1,174,339	1,462,267	—	—	1,174,339	8.17	1,462,267	8.39
Construction	932,436	1,158,367	—	—	932,436	6.49	1,158,367	6.65
Agriculture and livestock	639,711	793,272	—	—	639,711	4.45	793,272	4.55
Transportation	472,043	419,043	—	—	472,043	3.28	419,043	2.40
Mining	104,696	350,641	—	65,976	104,696	0.73	416,617	2.39
Electricity, gas and water	189,669	223,328	—	—	189,669	1.32	223,328	1.28
Fishing	157,208	173,016	—	—	157,208	1.09	173,016	0.99
Telecom	110,585	142,147	—	—	110,585	0.77	142,147	0.82
Forestry	44,136	41,479	—	—	44,136	0.31	41,479	0.24
Other	1,081,301	1,656,246	30,197	53,302	1,111,498	7.73	1,709,548	9.81
Subtotal	8,600,560	10,362,529	696,846	894,864	9,297,406	64.67	11,257,393	64.59
Residential mortgage loans	2,926,621	3,607,434	—	—	2,926,621	20.36	3,607,434	20.70
Consumer loans	2,153,968	2,565,620	—	—	2,153,968	14.97	2,565,620	14.71
Total	13,681,149	16,535,583	696,846	894,864	14,377,995	100.00	17,430,447	100.00

11. Financial Assets Available-for-sale:

As of December 31, 2010 and 2011, investment securities classified as available-for-sale are detailed as follows:

	2010 MCh$	2011 MCh$
Instruments issued by the Chilean Government and Central Bank of Chile:		
Bonds issued by the Chilean Government and Central Bank	67,822	158,865
Promissory notes issued by the Chilean Government and Central Bank	212,816	58,564
Other instruments	90,849	194,965
Other instruments issued in Chile:		
Equity instruments valued at cost	2,222	2,222
Mortgage bonds from domestic banks	70,055	87,966
Bonds from domestic banks	73,331	124,203
Deposits from domestic banks	398,789	521,881
Bonds from other Chilean companies	35,138	48,790
Promissory notes issued by other Chilean companies	5,329	5,659
Other instruments	116,682	139,602
Instruments issued by foreign institutions:		
Other instruments issued abroad	84,072	128,403
Total	1,157,105	1,471,120

Instruments issued by the Chilean Government and Central Bank include instruments with agreements to repurchase sold to clients and financial institutions, totaling MCh$9,656 and MCh$26,288 as of December 31, 2010 and 2011. The agreements to repurchase have an average maturity of 12 days as of December 31, 2010 and 2011 respectively.

As of December 31, 2011, the portfolio of financial assets available-for-sale includes a net unrealized loss of MCh$696 (net unrealized gain of MCh$8,314 in 2010) recorded in other comprehensive income within equity.

The equity investments values at cost represent shares of servicing companies that the Bank is obliged to hold in order to benefit from these services. There is no active market for these shares and their fair value cannot be measured reliably. However, the difference between cost and fair value is not expected to be significant.

During 2010 and 2011, there is no evidence of impairment of financial assets available-for-sale.

As of December 31, 2010 and 2011, the Bank and its subsidiaries do not hold financial assets held-to-maturity.

11. Financial Assets Available-for-sale, continued:

Realized profits and losses are calculated as the proceeds from sales less the cost (specific identification method) of the investments identified as for sale. In addition, any unrealized profit or loss previously recorded in equity for these investments is reversed when recorded in the income statements.

Gross profits and losses realized and unrealized on the sale of available for sale investments for the period ended December 31, 2009, 2010 and 2011 are as follows:

	2009 MCh$	2010 MCh$	2011 MCh$
Net gain (loss) on available for sale before income tax [1]	27,941	(363)	(9,484)
Tax (expense) benefit [2]	(4,750)	(162)	1,866
Net of tax amount [3]	**23,191**	**(525)**	**(7,618)**

(1) These amounts do not included realized gain or loss recorded to the period and which are detailed in Note 30 "Net financial operating income". As of December 31, 2009, 2010 and 2011 these amount are MCh$14,840, MCh$(10,248) and MCh$932, respectively.

(2) This amount corresponds to the deferred taxes of the unrealized gain or loss and which are included in Note 16 (d).

(3) This amount corresponds to the unrealized gain or loss, net of deferred tax and which are included in "Consolidated Statement of Changes in Equity".

12. Investments in Other Companies:

(a) This item includes investments in other companies for an amount of MCh$11,072 and MCh$13,196 as of December 31, 2010 and 2011 respectively, which is detailed as follows:

		Ownership Interest		Equity		Investment				
						Book Value		Income (Loss)		
		2010	2011	2010	2011	2010	2011	2009	2010	2011
Company	Shareholder	%	%	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
Investments value at equity method:										
Servipag Ltda. (1)	Banco de Chile	50.00	50.00	6,176	7,397	3,088	3,698	15	376	611
Redbanc S.A.	Banco de Chile	38.13	38.13	4,764	5,480	1,817	2,090	202	78	492
Soc. Operadora de Tarjetas de Crédito Nexus S.A.	Banco de Chile	25.81	25.81	6,412	6,412	1,655	1,655	188	227	300
Transbank S.A.	Banco de Chile	26.16	26.16	6,205	6,274	1,623	1,641	254	292	313
Artikos Chile S.A. (1)	Banco de Chile	50.00	50.00	1,840	1,984	920	992	353	222	72
Administrador Financiero del Transantiago S.A.	Banco de Chile	20.00	20.00	3,879	8,714	776	1,743	(349)	193	967
Soc. Operadora de la Cámara de Compensación de Pagos de Alto Valor S.A.(2)	Banco de Chile	14.17	14.17	3,347	3,795	474	538	74	59	102
Sociedad Interbancaria de Depósitos de Valores S.A.	Banco de Chile	26.81	26.81	1,392	1,573	373	422	85	115	92
Centro de Compensación Automatizado S.A.	Banco de Chile	33.33	33.33	1,039	1,252	346	417	18	47	105
Subtotal						11,072	13,196	840	1,609	3,054

(1) Banco de Chile does not possess more than half of the voting rights and there are no other indicators of control. Therefore, Banco de Chile only possesses significant influence over this company.

(2) Banco de Chile has significant influence in Soc. Operadora de la Cámara de Compensación de Pagos de Alto Valor S.A. because they have the right to designate one director of the board.

12. Investments in Other Companies, continued:

(b) The total carrying amount of the Bank's associates is explained as follows:

	2010 MCh$	2011 MCh$
Share of the associate's statement of financial position		
Current assets	379,983	479,842
Non-current assets	56,447	62,753
Current liabilities	393,873	493,287
Non-current liabilities	7,503	6,427
Equity	35,054	42,881
Share of the associate's revenue and profit		
Revenue	10,421	21,043
Profit	6,126	10,901
Carrying amount of the investment	11,072	13,196

(c) The reconciliation between opening and ending balance of investments in other companies that are not consolidated in 2010 and 2011 is detailed as follows:

	2009 MCh$	2010 MCh$	2011 MCh$
Balance as of January 1,	11,293	10,494	11,072
Acquisitions (sales)	(169)	4	—
Participation in net income	840	1,609	3,054
Dividends received	(1,002)	(984)	(761)
Other	(468)	(51)	(169)
Balance as of December 31,	10,494	11,072	13,196

(d) As of December 31, 2010 and 2011 no impairment has incurred in these investments.

13. Intangible Assets:

(a) Movements in intangible assets during the 2009, 2010 and 2011 periods are as follows:

	Goodwill [1] MCh$	Intangible assets arising from business combinations[2] MCh$	Software or computer programs MCh$	Total MCh$
Gross Balance				
Balance as of January 1, 2009	16,714	56,249	60,791	133,754
Acquisitions	—	—	8,369	8,369
Disposals	—	—	(43)	(43)
Balance as of December 31, 2009	**16,714**	**56,249**	**69,117**	**142,080**
Acquisitions	—	—	15,326	15,326
Disposals	—	—	(15)	(15)
Balance as of December 31, 2010	**16,714**	**56,249**	**84,428**	**157,391**
Acquisitions	—	—	9,597	9,597
Disposals	—	—	(1,903)	(1,903)
Balance as of December 31, 2011	**16,714**	**56,249**	**92,122**	**165,085**
Accumulated Amortization and Impairment				
Balance as of January 1, 2009	—	(6,127)	(33,303)	(39,430)
Amortization for the year	—	(6,277)	(8,228)	(14,505)
Impairment loss	—	—	—	—
Disposals	—	—	37	37
Balance as of December 31, 2009	—	**(12,404)**	**(41,494)**	**(53,898)**
Amortization for the year	—	(6,277)	(8,753)	(15,030)
Impairment loss	—	—	—	—
Disposals	—	—	—	—
Balance as of December 31, 2010	**—**	**(18,681)**	**(50,247)**	**(68,928)**
Amortization for the year	—	(6,274)	(9,288)	(15,562)
Impairment loss	—	—	(296)	(296)
Disposals	—	—	727	727
Balance as of December 31, 2011	—	**(24,955)**	**(59,104)**	**(84,059)**
Net balance as of December 31, 2009	**16,714**	**43,845**	**27,623**	**88,182**
Net balance as of December 31, 2010	**16,714**	**37,568**	**34,181**	**88,463**
Net balance as of December 31, 2011	**16,714**	**31,294**	**33,018**	**81,026**

(1) **Goodwill** corresponds mainly to business combination with Citibank Chile whose amount is of MCh$12,595 that represents the value of synergies to be generated in the combination process and the acquisition of know-how.
(2) **Intangible assets arising from business combinations** include assets with indefinite useful lives acquired in the business combination with Citibank Chile (Brands).

13. Intangible Assets, continued:

(b) Impairment testing of Goodwill

For goodwill impairment purposes, testing is controlled at the level of operating segments described above and in Note 4 to financial statements. This is according to IAS 36, where the operating segment represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Additionally, in this case, business-generating units are not larger than an operating segment, but the same.

Goodwill acquired through business combinations has been allocated to 4 individual cash-generating units for impairment testing as follows:

Business Segments	**2010 MCh$**	**2011 MCh$**
Retail	5,928	5,928
Wholesale	2,135	2,135
Treasury and money market operations	4,512	4,512
Subsidiaries	4,139	4,139
Total	16,714	16,714

Key Assumptions used in the value in use calculations for impairment testing:

The Bank determines the recoverable amount of its primary cash-generating units on the basis of value in use and employs a valuation model based on discounted cash flows ("DCF"). The DCF model employed by the Bank reflects the specifics of the banking business and its regulatory environment. The model calculates the present value of the estimated future earnings that are distributable to shareholders after fulfilling the respective regulatory capital requirements.

The DCF model uses earnings projections for a five-year period which, for purposes of the goodwill impairment test, are extrapolated to a ten-year period assuming a declining growth rate and are discounted to their present value. Estimating future earnings requires judgment, considering past and actual performance as well as expected developments in the respective markets and in the overall macro-economic environment. Earnings projections beyond the initial ten-year period are, where applicable, adjusted to derive a sustainable level and assumed to increase by or converging towards a constant long-term growth rate, which is based on expectations for the development of gross domestic product and inflation, and are captured in the terminal value. The real growth rates are slightly higher than the industry for the first five years, assuming a market share of 20% over the mid-term. In the long term, 5 to 10 years for BCH are considered the same grown rates than the industry. Regarding the discount rate, the valuation of the segments considered raising discount rates of 10%, 11% and 12% as of December 31, 2011.

The value in use of a cash-generating unit is sensitive to the earnings projections, to the discount rate applied and, to a much lesser extent, to the long-term growth rate. The discount rates applied have been determined based on the capital asset pricing model. Variations in the market factors might impact the calculation of the discount rates. As of December 31, 2010 and 2011 the Bank did not determine any impairment on goodwill.

13. Intangible Assets, continued:

(c) As of December 31, 2010 and 2011, the Bank has made the following commitments to purchase intangible assets, which have not been capitalized:

	Amount of Commitment	
	2010 **MCh$**	**2011** **MCh$**
Software and licenses	5,152	6,639

14. Property and Equipment:

(a) As of December 31, 2010 and 2011, this account and its movements are detailed as follows:

	Land and Buildings MCh$	Equipment MCh$	Other MCh$	Total MCh$
Cost				
Balance as of January 1, 2010	171,215	116,141	122,663	410,019
Additions	5,387	7,922	9,020	22,329
Disposals/write-downs	(2,661)	(4,054)	(2,611)	(9,326)
Transfers	—	1	(1)	—
Accumulated depreciation	(32,123)	(98,464)	(87,039)	(217,626)
Impairment loss	(209)	(284)	(551)	(1,044)
Balance as of December 31, 2010	**141,609**	**21,262**	**41,481**	**204,352**
Balance as of January 1, 2011	173,732	119,726	128,520	421,978
Additions	3,481	8,797	9,795	22,073
Disposals/write-downs	(947)	(3,893)	(846)	(5,686)
Transfers	—	5	(5)	—
Accumulated depreciation	(32,329)	(103,013)	(94,800)	(230,142)
Impairment loss	—	(3)	(332)	(335)
Balance as of December 31, 2011	**143,937**	**21,619**	**42,332**	**207,888**
Accumulated Depreciation				
Balance as of January 1, 2010	(30,155)	(92,922)	(81,095)	(204,172)
Depreciation charges in the period	(2,196)	(8,422)	(8,935)	(19,553)
Sales and disposals in the period	228	2,880	2,991	6,099
Transfers	—	—	—	—
Balance as of December 31, 2010	**(32,123)**	**(98,464)**	**(87,039)**	**(217,626)**
Depreciation charges in the period	(1,986)	(8,439)	(8,764)	(19,189)
Sales and disposals in the period	1,780	3,890	1,003	6,673
Transfers	—	—	—	—
Balance as of December 31, 2011	**(32,329)**	**(103,013)**	**(94,800)**	**(230,142)**

14. Property and equipment, continued:

(b) As of December 31, 2010 and 2011, the Bank has operating lease agreements in which it acts as lessee that cannot be terminated unilaterally; Information on future payments is detailed as follows:

	Expenses for the year		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	
	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
Lease agreements	21,997	25,924	2,342	2,054	4,799	4,017	14,749	16,964	30,042	32,143	23,060	25,505	51,015	54,931	126,007	135,614

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

(c) As of December 31, 2010 and 2011, the Bank does not have any finance lease agreements as lessee and, therefore, there are no property and equipment balances to be reported from such transactions as of December 31, 2010 and 2011.

15. Investment Properties:

	2009 MCh$	2010 MCh$	2011 MCh$
Net Balance as of January 1,	18,397	17,840	17,459
Additions resulting from business combinations	—	—	—
Disposals	—	—	—
Depreciation charges in the period	(557)	(381)	(380)
Impairment	—	—	—
Net balance as of December 31,	17,840	17,459	17,079

Estimated useful lives applied by the Bank are presented in Note 2 (r) on Property and equipment.

As of December 31, 2011 the fair value of the investment properties held by the Bank is MCh$57,193 million (December 31, 2010: MCh$55,041 million).

In 2011, the Bank earned income of MCh$5,034 million (2010: Ch$4,552 million) renting out their investment properties. In the same period it has incurred corresponding expenses of MCh$2,038 and MCh$2,559 per year in 2010 and 2011.

16. Current Taxes and Deferred Taxes:

(a) Current Tax:

As of each year end, the Bank and its subsidiaries have established a First Category Income Tax Provision of MCh$(3,363) and MCh$3,095 as of December 31, 2010 and 2011, determined in accordance with current tax laws. The net tax to be paid or recovered is detailed as follows:

	2010 MCh$	2011 MCh$
Income taxes, 17% rate	54,112	64,590
Tax from previous periods	3,052	—
Tax on non-deductible expenses (tax rate 35%)	1,835	1,701
Less:		
Monthly prepaid taxes (PPM)	(53,108)	(62,225)
Credit for training expenses	(1,327)	(742)
Other	(7,927)	(229)
Total [(1)]	(3,363)	3,095

(1) Negative amount represent a tax recovery and a positive amount represent a tax payable.

16. Current and Deferred Taxes, continued:

(b) Income Tax:

The Bank's tax expense recorded for the years ended December 31, 2009, 2010 and 2011 is detailed as follows:

	2009 MCh$	2010 MCh$	2011 MCh$
Income tax expense:			
Current year taxes	(68,954)	(54,112)	(64,590)
Tax from previous periods	(1,722)	1,723	1,203
Subtotal	(70,676)	(52,389)	(63,387)
Credit (charge) for deferred taxes:			
Origin and reversal of temporary differences	33,945	5,443	5,433
Effect of changes in tax rate	—	2,263	(5,042)
Change in unrecognized temporary differences	(1,330)	—	—
Subtotal	32,615	7,706	391
Non deductible expenses (Art. 21 Income Tax Law)	(2,319)	(1,835)	(1,701)
Other	(9)	5	(745)
Net charge to income for income taxes	(40,389)	(46,513)	(65,442)

(c) Reconciliation of effective tax rate:

The following table reconciles the income tax rate to the effective rate applied to determine the Bank's income tax expense as of December 31, 2009, 2010 and 2011.

	2009		2010		2011	
	Tax rate %	MCh$	Tax rate %	MCh$	Tax rate %	MCh$
Income tax calculated on net income before tax	17.00	51,363	17.00	78,902	20.00	100.726
Additions or deductions[1]	(6.78)	(20,478)	(5.73)	(26,602)	(7.33)	(36.929)
Non-deductible expenses tax	0.77	2,319	0.40	1,835	0.34	1,701
Tax from previous years	1.01	3,052	(0.37)	(1,723)	(0.24)	(1,203)
Effect of changes in tax rate	—	—	(0.49)	(2,263)*	1.00	5,042*
Other	1.37	4,133	(0.78)	(3,636)	(0.77)	(3,895)
Effective rate and income tax expense	13.37	40,389	10.03	46,513	13.00	65,442

The effective rate for income tax for 2011 is 13.00% (13.37% and 10.03% in 2009 and 2010).

[1] The deductions of the tax rate for 2009, 2010 and 2011 mainly relate to specific adjustments from tax-exempt distribution of income to SAOS of 34.64% (2009 and 2010) and 32.89 % (2011) of the Bank's profits as well as adjustments relating to its subsidiaries.

16. Current and Deferred Taxes, continued:

* According to the Law No. 20,455 issued in 2010 and the instructions of the Circular No. 63 of September 30, 2010, issued by the Chilean Internal Revenue Service (SII) is temporarily changed the tax rates of the first category according to the following :

Year	**Tax rate**
2011	20.0 %
2012	18.5 %
2013 hereinafter	17.0 %

16. Current and Deferred Taxes, continued:

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

During the year 2011, the Bank has recorded the effects of deferred taxes in accordance with IAS 12.

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

	Balance as of December 31,2008	Effect		Balance as of December 31,2009	Unrecognized temporary differences	Effect		Balance as of December 31,2010	Effect		Balance as of December 31, 2011
		Income	Equity			Income	Equity		Income	Equity	
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
Debit Differences:											
Allowances for loan losses	38,043	18,525	—	56,568	—	6,735	—	63,303	(2,565)	—	60,738
Obligations with agreements to repurchase	8,101	(9,194)	—	(1,093)	—	853	—	(240)	997	—	757
Leasing equipment	3,311	2,665	—	5,976	—	2,918	—	8,894	3,426	—	12,320
Personnel provisions	3,827	(538)	—	3,289	—	1,392	—	4,681	532	—	5,213
Staff vacations	3,056	(205)	—	2,851	—	745	—	3,596	41	—	3,637
Accrued interests and indexation adjustments from past due loans	2,383	(1,266)	—	1,117	—	349	—	1,466	107	—	1,573
Staff severance indemnities provisions	894	175	—	1,069	—	49	—	1,118	61	—	1.179
Other adjustments	4,132	(1,806)	—	2,326	53	6,726	—	9,105	(4,447)	—	4,658
Total debit differences	**63,747**	**8,356**	**—**	**72,103**	**53**	**19,767**	**—**	**91,923**	**(1,848)**	**—**	**90,075**
Credit Differences:											
Investments with agreements to repurchase	7,843	(7,843)	—	—	—	872	—	872	1,239	—	2,111
Depreciation of property and equipment and investment properties	14,207	(82)	—	14,125	—	(737)	—	13,388	(1,779)	—	11,609
Deferred taxes, modification of accounting method in equity	552	(96)	—	456	—	(456)	—	—	—	—	—
Adjustment for valuation financial assets available-for-sale	(3,419)	—	4,750	1,331	—	—	162	1,493	—	(1,866)	(373)
Hedged cash adjustment	—	—	—	—	—	—	—	—	—	(90)	(90)
Transitory assets	4,661	(2,826)	—	1,835	—	(166)	—	1,669	1,011	—	2,680
Derivative instruments adjustments	(526)	(10,740)	—	(11,266)	—	12,585	—	1,319	(1,614)	—	(295)
Other adjustments	18,561	(2,672)	—	15,889	(348)	(37)	—	15,504	(1,096)	—	14,408
Total credit differences	**41,879**	**(24,259)**	**4,750**	**22,370**	**(348)**	**12,061**	**162**	**34,245**	**(2,239)**	**(1,956)**	**30,050**
Deferred tax assets, net	**21,868**	**32,615**	**(4,750)**	**49,733**	**401**	**7,706**	**(162)**	**57,678**	**391**	**1,956**	**60,025**

17. Other Assets:

As of December 31, 2010 and 2011, other assets are detailed as follows:

	2010 MCh$	2011 MCh$
Documents intermediated	103,448	77,613
Assets held for leasing (*)	90,792	74,185
Mutual funds	28,787	31,910
Other accounts and notes receivable	25,546	9,851
VAT receivable	8,251	9,557
Assets received or awarded as payment:		
Assets received in lieu of payment	10,418	15,554
Provisions for assets received in lieu of payment	(15)	(1,118)
Pending transactions	5,115	3,532
Prepaid expenses	4,494	4,567
Recoverable income taxes	4,442	5,373
Commissions receivable	3,772	4,193
Recovered leased assets for sale	2,197	203
Transactions in progress	2,171	1,340
Rental guarantees	1,145	1,344
Accounts receivable for sale of assets received in lieu of payment	1,079	530
Other	12,783	15,676
Total	304,425	254,310

(*) These correspond to property and equipment to be given under a finance lease.

18. Current Accounts and Other Demand Deposits:

As of December 31, 2010 and 2011, current accounts and other demand deposits are detailed as follows:

	2010 MCh$	2011 MCh$
Current accounts	3,611,894	3,968,504
Other demand deposits and accounts	318,993	310,527
Other demand deposits	515,294	616,395
Total	4,446,181	4,895,426

19. Saving Accounts and Time Deposits:

As of December 31, 2010 and 2011, saving accounts and time deposits are detailed as follows:

	2010 MCh$	2011 MCh$
Time deposits	7,497,073	9,081,335
Term saving accounts	173,404	177,900
Other term balances payable	27,491	23,089
Total	7,697,968	9,282,324

20. Borrowings from Financial Institutions:

As of December 31, 2010 and 2011, borrowings from financial institutions are detailed as follows:

	2010 MCh$	2011 MCh$
Domestic banks		
Interbank loans	—	—
Current account overdrafts	—	—
Subtotal	—	—
Foreign banks		
Foreign trade financing		
Chilean export financing	1,088,766	1,444,826
Chilean import financing	16,236	23,970
Borrowings and other obligations		
Short-term borrowings	9,426	—
Current account overdrafts	49,565	4,252
Long-term borrowings	117,299	195,036
Subtotal	1,281,292	1,668,084
Chilean Central Bank		
Borrowings and other obligations	—	—
Debt reprogramming credit lines	80	22,855
Subtotal	80	22,855
Total	1,281,372	1,690,939

21. Debt Issued:

As of December 31, 2010 and 2011, Debt issued is detailed as follows:

	2010 MCh$	2011 MCh$
Mortgage bonds	198,868	152,098
Bonds	820,331	1,488,369
Subordinated bonds	744,966	747,874
Total	1,764,165	2,388,341

During 2011, Banco de Chile issued bonds in an amount of Ch$749,586 million, all of which corresponds to unsubordinated bonds.

Bonds

Series	MCh$	Term	Interest rate	Currency	Issued date	Maturity date
BCHIUE0510	82,639	6 years	2.20%	UF	05/20/2011	05/20/2017
BCHIUG0610	81,802	11 years	2.70%	UF	05/27/2011	05/27/2022
BCHIUC0510	37,866	5 years	2.20%	UF	07/07/2011	07/07/2016
BCHIUF0610	36,608	10 years	2.70%	UF	07/07/2011	07/07/2021
BCHIUI0611	42,944	7 years	3.20%	UF	07/12/2011	07/12/2018
BCHIUI0611	34,096	7 years	3.20%	UF	07/20/2011	07/20/2018
BCHIUK0611	52,866	11 years	3.50%	UF	07/28/2011	07/28/2022
BCHIUD0510	46,014	6 years	2.20%	UF	07/28/2011	07/28/2017
BCHIUK0611	33,451	11 years	3.50%	UF	07/29/2011	07/29/2022
BCHIUI0611	432	7 years	3.20%	UF	08/02/2011	08/02/2018
BCHIUI0611	756	7 years	3.20%	UF	08/03/2011	08/03/2018
BCHIUJ0811	48,045	8 years	3.20%	UF	09/12/2011	09/12/2019
BCHI-B1208	84,912	7 years	2.20%	UF	09/12/2011	09/12/2018
BCHIUD0510	12,790	6 years	2.20%	UF	09/22/2011	09/22/2017
BCHIUH0611	21,668	6 years	3.00%	UF	09/29/2011	09/29/2017
BCHIUI0611	65,014	7 years	3.20%	UF	09/30/2011	09/30/2018
BCHIUD0510	10,675	6 years	2.20%	UF	09/30/2011	09/30/2017
BCHIUD0510	1,068	6 years	2.20%	UF	10/13/2011	10/13/2017
BNCHIL (*)	55,940	3 years	5.41%	MXN	12/08/2011	12/04/2014
Total	749,586					

(*) At the Ordinary Meeting No. BCH 2,738 held on the 11th of August, 2011, the minutes of which were recorded in a public deed drawn up at the office of the Public Notary Mr. René Benavente Cash on August 19, 2011, authorized a program to place certificates in Mexico in an amount of MXN$10,000,000,000 (Mexican pesos), of which an amount of $1,500,000,000 (Mexican pesos) were issued and placed on December 8, 2011.

21. Debt Issued, continued:

During 2010, Banco de Chile issued bonds by an amount of Ch$592,371 million, of which Ch$330,837 million correspond to unsubordinated bonds and Ch$261,534 million correspond to subordinated bonds, respectively.

Bonds

Series	MCh$	Term	Interest rate	Currency	Issued date	Maturity date
BCHIUA0609	80,160	5 years	1.75% annual	UF	03/10/2010	03/10/2015
BCHIUB0609	51,928	10 years	2.50% annual	UF	06/02/2010	06/02/2020
BCHIUB0609	26,165	10 years	2.50% annual	UF	06/03/2010	06/03/2020
BCHI-T0207	82,091	11 years	2.70% annual	UF	07/02/2010	07/02/2021
BCHIUC0510	41,574	5 years	2.20% annual	UF	08/23/2010	08/23/2015
BCHIUF0610	40,897	10 years	2.70% annual	UF	08/23/2010	08/23/2020
BCHIUF0610	8,022	10 years	2.70% annual	UF	10/07/2010	10/07/2020
Total	**330,837**					

Subordinated Bonds

Series	MCh$	Term	Interest rate	Currency	Issued date	Maturity date
UCHI-F1108	91,672	25 years	4.50% annual	UF	04/14/2010	04/14/2035
UCHI-F1108	22,198	25 years	4.50% annual	UF	04/15/2010	04/15/2035
UCHI-F1108	1,563	25 years	4.50% annual	UF	04/16/2010	04/16/2035
UCHI-F1108	92,497	25 years	4.50% annual	UF	05/11/2010	05/11/2035
UCHI-F1108	53,604	25 years	4.50% annual	UF	05/13/2010	05/13/2035
Total	**261,534**					

22. Other Financial Obligations:

As of December 31, 2010 and 2011, other financial institutions are detailed as follows:

	2010 MCh$	2011 MCh$
Public sector obligations	67,602	61,734
Other Chilean obligations	111,558	123,051
Total	179,160	184,785

23. Provisions:

(a) As of December 31, 2010 and 2011, provisions are detailed as follows:

	2010 MCh$	2011 MCh$
Provision for minimum dividends	113,559	128,642
Other provisions for contingencies	1,126	2,702
Total	114,685	131,344

(b) The following table details the movements in provisions during the 2010 and 2011 periods:

	Minimum dividends MCh$	Other contingencies MCh$	Total MCh$
Balances as of January 1, 2009	109,516	11,699	121,215
Provisions established	78,524	5,045	83,569
Provisions used	(109,516)	(6,661)	(116,177)
Provisions released	—	—	—
Other movements	—	—	—
Balances as of December 31, 2009	78,524	10,083	88,607
Balances as of January 1, 2010	78,524	10,083	88,607
Provisions established	113,559	690	114,249
Provisions used	(78,524)	(9,647)	(88,171)
Provisions released	—	—	—
Other movements	—	—	—
Balances as of December 31, 2010	113,559	1,126	114,685
Balances as of January 1, 2011	113,559	1,126	114,685
Provisions established	128,642	1,966	130,608
Provisions used	(113,559)	(215)	(113,774)
Provisions released	—	(175)	(175)
Other movements	—	—	—
Balances as of December 31, 2011	128,642	2,702	131,344

24. Employee Benefits:

(a) Provisions for personnel benefits and payroll:

	2010 MCh$	2011 MCh$
Short-term personnel benefits	25,920	28,827
Vacation accrual	18,774	20,361
Pension plan – defined benefit plan (letter b)	7,980	8,511
Other benefits	2,759	2,935
Total	55,433	60,634

(b) Pension plan – Defined benefit plan:

	2010 MCh$	2011 MCh$
Current service cost	843	886
Interest cost on benefit obligation	470	482
Actuarial gains and losses	(908)	(536)
Net benefit expense	405	832

The net benefit expense is recognized under "Personnel Expenses" (Note 33).

The principal assumptions used in determining pension obligations for the Bank's plan are shown below:

	December 31, 2010 %	December 31, 2011 %
Discount rate	5.91	6.04
Annual salary increase	2.00	2.00
Payment probability	93.00	93.00

The most recent actuarial valuation of the present value of the benefit plan obligation was carried out at December 31, 2011.

24. Employee Benefits, continued:

(b) Pension plan – Defined benefit plan, continued:

Changes in the present value of the defined benefit obligation are as follows:

	2010 MCh$	2011 MCh$
Opening defined benefit obligation, January 1,	7,955	7,980
Contributions by the employer	843	886
Benefits paid	(379)	(281)
Prepayments	—	(20)
Actuarial gains and losses	(439)	(54)
Closing defined benefit obligation	7,980	8,511

(c) The following table details the movements in provisions for incentive plans during the 2010 and 2011 periods:

	2010 MCh$	2011 MCh$
Balances as of January 1,	18,079	25,920
Provisions established	30,872	30,655
Provisions used	(23,090)	(27,724)
Provisions released	(501)	(24)
Other movements	560	—
Balances as of December 31,	25,920	28,827

(d) The following table details the movements in provisions for vacation during the 2010 and 2011 periods:

	2010 MCh$	2011 MCh$
Balances as of January 1,	17,168	18,774
Provisions established	5,093	5,821
Provisions used	(3,238)	(4,187)
Provisions released	(249)	(47)
Balances as of December 31,	18,774	20,361

24. Employee Benefits, continued:

e) Provisions for share-based employee benefits:

As of December 31, 2010 and 2011, the Bank and its subsidiaries do not have a stock compensation plan.

25. Other Liabilities:

As of December 31, 2010 and 2011, other liabilities are detailed as follows:

	2010 MCh$	2011 MCh$
Documents intermediated	112,924	134,820
Accounts and notes payable (*)	53,855	79,031
Financial guarantees	13,501	13,699
VAT payable	9,540	12,465
Leasing deferred gains	6,356	7,039
Deferred income	5,728	5,379
Insurance payments	4,357	1,158
Pending transactions	602	1,941
Other	17,362	23,930
Total	224,225	279,462

(*) This item includes obligations that fall outside the Bank's line of business such as withholding taxes, social security payments, insurance payable, balances from material purchases and provisions for expenses pending payment.

26. Contingencies and Commitments:

(a) Commitments accounted for in off-balance-sheet accounts:

In order to satisfy its customers' needs, the Bank entered into several irrevocable commitments and contingent obligations. Although these obligations are not recognized in the Statement of Financial Position, they entail credit risks and, therefore, form part of the Bank's overall risk.

	2010 MCh$	2011 MCh$
Off-balance-sheet accounts		
Guarantees and surety bonds	203,900	216,249
Confirmed foreign letters of credit	58,112	137,253
Issued foreign letters of credit	152,983	131,567
Bank guarantees	1,062,020	1,235,031
Immediately available credit lines	4,146,591	4,881,220
Other commitments	35,772	164,361
Transactions on behalf of third parties		
Collections	497,370	582,090
Third-party resources managed by the Bank:		
Financial assets managed on behalf of third parties	4,654	2,766
Financial assets acquired on its own behalf	22,852	62,701
Fiduciary activities		
Securities held in safe custody in the Bank	6,484,398	5,613,495
Securities held in safe custody in other entities	4,187,873	4,088,670
Total	16,856,525	17,115,403

(b) Lawsuits and legal proceedings:

(b.1) Legal contingencies within the ordinary course of business:

In the ordinary course of business, the Bank and its subsidiaries act as defendant or co-defendant in various litigation matters. Although there can be no assurances, the Bank's management believes, based on information currently available, that the ultimate resolution of these legal proceedings are not likely to have a material adverse effect on its results of operations, financial condition, or liquidity. As of December 31, 2010 and 2011, the Bank has established provisions for this concept in the amount of MCh$909 and MCh$736, recorded within "Provisions" in the statement of financial position. The following table presents estimated date of completion of the respective litigation:

	As of December 31, 2011					
	2012 MCh$	2013 MCh$	2014 MCh$	2015 MCh$	2016 MCh$	Total MCh$
Legal contingencies	110	359	150	30	87	736

26. Contingencies and Commitments, continued:

(b.2) Contingencies for significant lawsuits:

As of December 31, 2010 and 2011, the Bank is not party to any significant lawsuits that affect or may affect these consolidated financial statements.

(c) Guarantees granted:

i. In subsidiary Banchile Administradora General de Fondos S.A.:

In compliance with article 226 and subsequent articles of Law 18,045, Banchile Administradora General de Fondos S.A., has designated Banco de Chile as the representative of the beneficiaries of the guarantees it has established and in that character the Bank has issued bank guarantees totaling UF 2,501,000, maturing January 6, 2012.

ii. In subsidiary Banchile Corredores de Bolsa S.A.:

For the purposes of ensuring correct and complete compliance with all of its obligations as broker-dealer entity, in conformity with the provisions of article 30 and subsequent articles of Law 18,045 on Securities Markets, the subsidiary established a guarantee in an insurance policy for UF 20,000, insured by Cía. de Seguros de Crédito Continental S.A., that matures April 22, 2012, whereby the Securities Exchange of the Santiago Stock Exchange was appointed as the subsidiary’s creditors to representative.

The Bank has given the following guarantees in relation to this subsidiary’s business activities.

Guarantees:	**2010 MCh$**	**2011 MCh$**
Shares to secure short-sale transactions in:		
Securities Exchange of the Santiago Stock Exchange	3,426	15,980
Securities Exchange of the Electronic Stock Exchange of Chile	73,261	21,731
Money Market a Pershing Division of Pershing LLC	57	64
Bank guarantees	225	231
Bank guarantees for portfolio management	—	5,128
Fixed income securities to ensure system CCLV, Bolsa de Comercio de Santiago, Bolsa de Valores	2,983	2,987
Total	79,952	46,121

In conformity with the provisions of internal stock market regulations, and for the purpose of securing the broker’s correct performance, the company established a pledge on its share of the Santiago Stock Exchange in favor of that institution, as recorded in Public Deed on September 13, 1990, signed before Santiago public notary Mr. Raúl Perry Pefaur, and on its share in the Electronic Stock Exchange of Chile in favor of that institution, as recorded in a contract entered into by both parties on May 16, 1990.

27. Equity:

i. Authorized, subscribed and paid shares:

As of December 31, 2011, the paid-in capital of Banco de Chile is represented by 86,942,514,973 registered shares (82,551,699,423 in 2010), with no par value, subscribed and fully paid.

ii. Capital Increase:

On January 20th, 2011 the Bank decided to increase its capital in the amount of Ch$240,000,000,000 by means of the issuance of 3,385,049,365 cash shares, "Banco de Chile - S" series, which process concluded in July 2011 in which the subscribed and fully paid was of 3,385,049,365 cash shares, the total amount net of cost associated with the issuance was Ch$ 210,114 million. With this increase the number of shares subscribed and paid grew to 86,942,514,973 shares and the paid capital grew to Ch$1,436,083 millions.

iii. Shares:

(ii.1) On April 15, 2011, the transformation of the shares series "Banco de Chile-S" into ordinary shares "Banco de Chile" has been duly registered in the respective Securities Register as agreed upon the Extraordinary Shareholders Meeting held on March 17, 2011.

Accordingly, the shares in which the capital of the Bank is divided are registered in the Securities Register of the Superintendence of Banks and Financial Institutions and have the name "Banco de Chile".

(ii.2) The following table shows the share movements from December 31, 2009 to December 31, 2011:

	Ordinary shares	**Ordinary S Series shares**	**Total shares**
As of December 31, 2009	73,834,890,472	8,716,808,951	82,551,699,423
As of December 31, 2010	73,834,890,472	8,716,808,951	82,551,699,423
Capitalization of retained earnings (**)	1,005,766,185	—	1,005,766,185
Transformation of the shares series "Banco de Chile-S" into ordinary shares "Banco de Chile"	8,716,808,951	(8,716,808,951)	—
Fully paid the share capital increase (*)	3,385,049,365	—	3,385,049,365
Total subscribed and paid shares as of December 31, 2011	86,942,514,973	—	86,942,514,973

(*) During July 2011, the Bank concluded the capital increase process by an amount of Ch$210,114 millions, amount net of cost associated with the issuance.

(**) Capitalization of March 17, 2011.

- The number of authorized shares is the same as for issued shares.

27. Equity, continued:

iv. Shareholders' composition:

- As of December 31, 2011 the shareholder composition was as follows:

Corporate Name or Shareholder's Name	Shares	% of Equity Holding [(1)]
Sociedad Administradora de la Obligación Subordinada SAOS S.A.	28,593,701,789	32.89
LQ Inversiones Financieras S.A.	27,609,418,295	31.76
Sociedad Matriz del Banco de Chile S.A. SM-Chile S.A.	12,138,525,772	13.96
Other minority shareholders	18,600,869,117	21.39
Total	86,942,514,973	100.00

- As of December 31, 2010 the shareholder composition was as follows:

Corporate Name or Shareholder's Name	Shares	% of Equity Holding [(1)]
Sociedad Administradora de la Obligación Subordinada SAOS S.A.	28,593,701,789	34.64
LQ Inversiones Financieras S.A.	26,993,155,828	32.70
Sociedad Matriz del Banco de Chile S.A. SM-Chile S.A.	12,138,525,385	14.70
Other minority shareholders	14,826,316,421	17.96
Total	82,551,699,423	100.00

(1) See note 27 letter (ii).

v. Capitalization of retained earning:

On March 17, 2011, the Extraordinary Shareholders Meeting approved the capitalization of 30% of the distributable net income obtained during the fiscal year ending as of December 31, 2010 by an amount of Ch$67,217 millions.

27. Equity, continued:

vi. Approval and payment of dividends:

At the Ordinary Shareholders' Meeting held on March 25, 2010 the Bank's shareholders agreed to distribute and pay dividend N° 198 amounting to Ch$3.496813 per common share of Banco de Chile, with charge to net income for the year ended December 31, 2009.

At the Ordinary Shareholders' Meeting held on March 17, 2011 the Bank's shareholders agreed to distribute and pay dividend N° 199 amounting to Ch$2.937587 per common share of Banco de Chile, with charge to net income for the year ended December 31, 2010.

The following dividends were declared and paid by the Bank for the year ended as of December 31, 2009, 2010 and 2011:

	2009	**2010**	**2011**
	MCh$	MCh$	MCh$
Dividends on ordinary shares:	220,164	288,669	279,216
Dividends per ordinary share (1):	Ch$2.72	Ch$3.50	Ch$3.38(*)

(1) Dividends per share are calculated by dividing the amount of the dividend paid during each year by the previous year's number of shares outstanding.

(*) This dividend per share is composed by the dividend paid to Central Bank of Chile and common shareholders for an amount of MCh$122,377 and MCh$156,839, respectively. The Central Bank has 29,161.4 number of shares with a paid of Ch$4.196552 per common share of Banco de Chile and for common shareholders the number of shares are 53,390.2 with a paid of Ch$2.937587 per common share of Banco de Chile.

vii. Provision for minimum dividends:

Chilean Corporations Law mandates a minimum distribution of 30% of distributable income. Accordingly, the Bank recorded a liability under the line item "Provisions" for an amount of MCh$128,642 (MCh$113,559 in December 31, 2010) against "Retained earnings".

viii. Other comprehensive income:

The cumulative translation adjustment is generated from the Bank's translation of its investments in foreign companies, as it records the effects of foreign currency translation for these items in equity.

In accordance with Note 2 (o), the fair market value adjustment for available-for-sale instruments is generated by fluctuations in the fair value of that portfolio, with a charge or credit to equity, net of deferred taxes.

27. Equity, continued:

ix. Earnings per share

Earnings per share is calculated by dividing the net profit for the year attributable to the ordinary equity holders of the Bank by the weighted average number of ordinary shares outstanding during the year.

ix. Earnings per share, continued:

The following table shows the income and share data used in the calculation of EPS:

	As of December 31,		
	2009	**2010**	**2011**
Basic and diluted earnings per share:			
Net profits attributable to ordinary equity holders of the Bank	261,744	417,615	438,186
Weighted average number of ordinary shares	82,185,276,752	82,551,699,423	86,942,514,973
Earnings per shares	3.18	5.06	5.04

During the periods presented the Bank did not have any instruments that could lead to a dilution of its ordinary shares.

There have been no transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of the completion of these financial statements.

28. Interest Revenue and Expenses:

(a) As of each year end, interest revenue is detailed as follows:

	2009 MCh$	**2010 MCh$**	**2011 MCh$**
Commercial loans	422,813	488,235	711,946
Consumer loans	373,369	370,847	435,978
Residential mortgage loans	56,682	186,215	266,914
Financial investments	35,479	43,608	71,669
Repurchase agreements	8,482	8,133	14,605
Loans and advances to banks	5,477	7,205	10,322
Loss from accounting hedges	(2,085)	(12,607)	(12,411)
Other interest revenue	190	367	2,661
Total	900,407	1,092,003	1,501,684

28. Interest Revenue and Expenses, continued:

(b) As of each year end, interest expenses are detailed as follows:

	2009 MCh$	2010 MCh$	2011 MCh$
Saving accounts and time deposits	159,822	187,210	425,968
Debt issued	32,913	109,624	153,896
Borrowings from financial institutions	2,504	18,822	23,784
Demand deposits	318	3,439	5,934
Other financial obligations	22,127	2,935	3,823
Repurchase agreements	6,360	2,007	10,849
Loss from accounting hedges	(485)	—	—
Other interest expenses	(676)	340	(45)
Total	222,883	324,377	624,209

29. Income and Expenses from Fees and Commissions:

The income and expenses for fees and commissions shown in the Consolidated Statement of Comprehensive Income refers to the following items:

	2009 MCh$	2010 MCh$	2011 MCh$
Income from fees and commissions			
Card services	67,405	76,487	90,758
Investments in mutual funds and other	45,246	61,476	63,809
Collections and payments	52,620	51,371	49,764
Trading and securities management	26,541	38,724	38,600
Lines of credit and overdrafts	27,627	26,124	22,771
Insurance brokerage	18,845	22,909	20,480
Portfolio management	12,452	16,401	17,702
Guarantees and letters of credit	12,858	15,187	12,888
Financial advisory services	7,860	4,800	3,186
Other fees earned	24,555	28,740	48,008
Total income from fees and commissions	296,009	342,219	367,966
Expenses from fees and commissions			
Credit card transactions	(27,742)	(29,570)	(35,522)
Fees for collections and payments	(6,302)	(6,729)	(6,619)
Sale of mutual fund units	(2,958)	(3,571)	(3,038)
Fees for securities transactions	(2,628)	(3,532)	(4,246)
Other fees	(4,524)	(6,555)	(9,768)
Total expenses from fees and commissions	(44,154)	(49,957)	(59,193)

30. Net Financial Operating Income:

The gain (losses) from trading and brokerage activities is detailed as follows:

	2009 MCh$	2010 MCh$	2011 MCh$
Financial assets held-for-trading	17,903	21,306	13,386
Sale of available-for-sale instruments	19,627	19,178	2,289
Net loss of other transactions	743	506	(353)
Derivative instruments	(176,452)	(23,678)	41,346
Sale of loan portfolios	—	(149)	1,433
Total	(138,179)	17,163	58,101

31. Foreign Exchange Transaction, net:

Net foreign exchange transactions are detailed as follows:

	2009 MCh$	2010 MCh$	2011 MCh$
Translation difference, net	233,620	69,538	(18,495)
Indexed foreign currency	(12,621)	(5,776)	11,489
Loss from accounting hedges *	—	—	(967)
Total	220,999	63,762	(7,973)

*Correspond to the foreign exchange of the Mexican bond issued in 2011.

32. Provisions for Loan Losses:

The movement during 2009, 2010 and 2011 is the following:

		Loans to customers as of December 31, 2009					
	Loans and advance to banks	Commercial loans	Mortgage loans	Consumer loans	Total	Financial guarantees	Total
Provisions established:							
Individual provisions	(861)	(101,609)	—	—	(101,609)	(2,157)	(104,627)
Group provisions	—	(59,397)	(2,712)	(106,587)	(168,696)	(399)	(169,095)
Provisions established, net	(861)	(161,006)	(2,712)	(106,587)	(270,305)	(2,556)	(273,722)
Provisions released:							
Individual provisions	—	—	—	—	—	3,979	3,979
Group provisions	—	1,519	—	—	1,519	—	1,519
Provisions released, net	—	1,519	—	—	1,519	3,979	5,498
Recovery of written-off assets	—	23,994	2,653	232	26,879	—	26,879
Provisions, net allowances for credit risk	(861)	(135,493)	(59)	(106,355)	(241,907)	1,423	(241,345)

32. Provisions for Loan Losses, continued:

	Loans and advance to banks	Commercial loans	Mortgage loans	Consumer loans	Total	Financial Guarantees	Total
		Loans to customers as of December 31, 2010					
Provisions established:							
Individual provisions	—	(39,365)	—	—	(39,365)	(5,217)	(44,582)
Group provisions	—	(29,003)	(3,750)	(112,901)	(145,654)	(151)	(145,805)
Provisions established, net	—	(68,368)	(3,750)	(112,901)	(185,019)	(5,368)	(190,387)
Provisions released:							
Individual provisions	567	—	—	—	—	—	567
Group provisions	—	—	—	—	—	—	—
Provisions released, net	567	—	—	—	—	—	567
Recovery of written-off assets	—	11,173	1,387	19,609	32,169	—	32,169
Provisions, net allowances for credit risk	567	(57,195)	(2,363)	(93,292)	(152,850)	(5,368)	(157,651)

32. Provisions for Loan Losses, continued:

	Loans to customers as of December 31, 2011						
	Loans and advance to banks	Commercial loans	Mortgage loans	Consumer loans	Total	Financial guarantees	Total
Provisions established:							
Individual provisions	(396)	(36,645)	—	—	(36,645)	(4,412)	(41,453)
Group provisions	—	(42,132)	(3,553)	(110,344)	(156,029)	—	(156,029)
Provisions established, net	(396)	(78,777)	(3,553)	(110,344)	(192,674)	(4,412)	(197,482)
Provisions released:							
Individual provisions	—	—	—	—	—	—	—
Group provisions	—	—	—	—	—	4,902	4,902
Provisions released, net	—	—	—	—	—	4,902	4,902
Recovery of written-off assets	—	16,104	1,106	28,445	45,655	—	45,655
Provisions, net allowances for credit risk	(396)	(62,673)	(2,447)	(81,899)	(147,019)	490	(146,925)

33. Personnel Expenses:

Personnel expenses in 2009, 2010 and 2011 are detailed as follows:

	2009 MCh$	2010 MCh$	2011 MCh$
Remuneration	159,247	157,839	169,114
Bonuses	50,734	69,203	100,494
Lunch and health benefits	17,613	17,817	20,272
Staff severance indemnities	10,921	7,140	6,167
Training expenses	1,251	1,380	1,493
Other personnel expenses	17,016	19,358	19,451
Total	256,782	272,737	316,991

34. Administrative Expenses:

As of December 31, 2009, 2010 and 2011, administrative expenses are detailed as follows:

	2009 MCh$	2010 MCh$	2011 MCh$
General administrative expenses	127,710	136,958	153,191
Expenses for outsourced services	20,695	26,870	37,601
Board of Director’s expenses	2,485	2,358	2,733
Marketing expenses	17,943	22,804	26,515
Taxes, payroll taxes and contributions	8,165	8,679	9,879
Total	176,998	197,669	229,919

35. Other Operating Income:

During 2009, 2010 and 2011, the Bank and its subsidiaries presented the following under other operating income:

	2009 MCh$	2010 MCh$	2011 MCh$
Income for assets received in lieu of payment	5,212	6,440	5,918
Rental income	5,088	5,367	5,614
Recovery from external branches	1,152	2,656	2,207
Expenses recovery	1,141	2,133	1,957
Refund of Insurance	—	—	1,594
Foreign advisory services	2,781	2,130	1,474
Release of provisions for contingencies	—	294	173
Other	6,816	4,564	5,798
Total	22,190	23,584	24,735

36. Other Operating Expenses:

During 2009, 2010 and 2011, the Bank and its subsidiaries incurred the following other operating expenses:

	2009 MCh$	2010 MCh$	2011 MCh$
Cobranding travel club and global pass	4,740	13,302	17,360
Write-offs for operating risks	3,753	10,400	3,002
Card administration	2,232	2,584	2,602
Operational expenses and writes-off leasing	303	2,254	792
Provision for other assets	1,039	1,704	—
Provisions for contingencies	5,043	689	2,495
Other	4,412	6,880	4,688
Total	21,522	37,813	30,939

37. Related Party Transactions:

The disclosures for related party transactions follow the rules set out in IAS 24.

In addition to subsidiaries affiliates and associates entities, the Bank's "related parties" include its "key personnel" from the executive staff (members of the Bank's Board and the Managers of Banco de Chile and its Affiliates, together with their close relatives), as well as the entities over which the key personnel could exercise significant influence or control.

The Bank also considers the companies that are part of the Quiñenco Group as related parties, given that all of them have a common parent.

Transactions between the Bank and its related parties are specified below, and we have divided the information into three categories:

Production companies

This category includes all the companies that are controlled by the Quiñenco Group, and hence, it also includes the companies over which the Bank exercises any degree of control (Affiliates). In this category, it is included the relationship with Citigroup.

Investment companies

This category includes the entities over which the Bank, exercises a significant degree of influence and which generally belong to the group of entities known as "business support companies."

Individuals

This category includes members of the Bank's Board and the managers of Banco de Chile and its Affiliates, together with their close relatives and also the related parties that are not included in the groups identified above and which are, in general, entities over which the key personnel could exercise significant influence or control.

Article 89 of the Corporations Law, which applies to Chilean banks, indicates that any transaction with a related party must take place under arm's length conditions similar to those prevailing in the market.

Moreover, Article 84 of the General Banking Law establishes limits on loans granted to related parties and prohibits the granting of loans to the Bank's directors, managers and general representatives.

The Bank did not enter into any transactions with his parent company, LQ Inversiones Financieras S.A., nor with the group's ultimate parent, Quiñenco S.A.

37. Related Party Transactions, continued:

(a) Loans to related parties:

The following table details loans and accounts receivable, contingent loans and assets related to trading and investment securities, corresponding to related entities.

	Production companies (*)		Investment companies (*)		Individuals (*)		Total	
	2010	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**
	MCh$	**MCh$**	**MCh$**	**MCh$**	**MCh$**	**MCh$**	**MCh$**	**MCh$**
Loans and accounts receivable								
Commercial loans	111,140	209,764	65,839	81,798	567	575	177,546	292,137
Residential mortgage loans	—	—	—	—	9,366	13,919	9,366	13,919
Consumer loans	—	—	—	—	2,475	3,387	2,475	3,387
Gross loans	111,140	209,764	65,839	81,798	12,408	17,881	189,387	309,443
Provision for loan losses	(573)	(602)	(410)	(295)	(59)	(68)	(1,042)	(965)
Net loans	**110,567**	**209,162**	**65,429**	**81,503**	**12,349**	**17,813**	**188,345**	**308,478**
Off balance sheet accounts								
Guarantees	15,745	18,670	58	—	—	—	15,803	18,670
Letters of credits	—	158	63	—	—	—	63	158
Banks guarantees	11,730	21,313	118	2,038	—	—	11,848	23,351
Immediately available credit lines	11,840	32,406	638	1,451	2,705	9,393	15,183	43,250
Total off balance sheet account	39,315	72,547	877	3,489	2,705	9,393	42,897	85,429
Financial guarantees	(102)	(95)	(1)	(2)	—	—	(103)	(97)
Amount covered by collateral	**39,213**	**72,452**	**876**	**3,487**	**2,705**	**9,393**	**42,794**	**85,332**
Mortgage	28,244	27,958	231	55	10,053	15,431	38,528	43,444
Warrant	—	—	—	—	—	—	—	—
Pledge	—	—	—	—	—	7	—	7
Other	2,092	2,855	21,885	17,300	10	10	23,987	20,165
Total collateral	**30,336**	**30,813**	**22,116**	**17,355**	**10,063**	**15,448**	**62,515**	**63,616**
Acquired instruments								
For trading purposes	—	2,154	—	—	—	—	—	2,154
For investment purposes(*)	2,333	—	—	—	—	—	2,333	—
Total acquired instruments	**2,333**	**2,154**	—	—	—	—	**2,333**	**2,154**

(*) The Bank has several business relationships with related parties. Transactions with such parties are made in the ordinary course of business and on substantially the same terms, including interest rates, as those prevailing at the time for comparable transactions with other parties. These transactions also did not involve more than the normal risk of collectability or present other unfavorable features. The outstanding balance and year end are unsecured.

As of December 31, 2011, the Bank has guarantees received for related party receivables which mainly correspond to time deposits, real estates, lands and common shares.

Letters of Credit are any arrangement, however named or described, that irrevocable and thereby constitutes a definite undertaking of the issuing bank to honor a complying presentation.

37. Related Party Transactions, continued:

(a) Loans to related parties, continued:

* Production companies are legal entities which comply with the following conditions:
a) they engage in productive activities and generate a separable flow of income
b) less than 50% of their assets are trading securities or investments

* Investment companies include those legal entities that do not comply with the conditions for production companies and are profit-oriented.

* Individuals include key members of the management, who directly or indirectly posses the authority and responsibility of planning, administrating and controlling the activities of the organization, including directors. This category also includes their family members who are expected to have an influence or to be influenced by such individuals in their interactions with the organization.

(b) Other assets and liabilities with related parties:

	2010 MCh$	2011 MCh$
Assets		
Cash and due from banks	102,936	97,390
Derivative instruments	139,343	116,010
Other assets	2,349	2,665
Total	244,628	216,065
Liabilities		
Demand deposits	62,816	69,287
Saving accounts and time deposits	282,487	531,448
Derivative instruments	124,293	100,238
Borrowing from financial institutions	153,678	194,059
Other liabilities	6,364	7,969
Total	629,638	903,001

(c) Income and expenses from related party transactions (*):

	2010		2011	
Type of income or expense recognized	**Income MCh$**	**Expense MCh$**	**Income MCh$**	**Expense MCh$**
Interest and revenue expenses	10,619	7,685	15,522	31,190
Fees and commission income	29,472	28,297	56,979	30,647
Net financial operating income	21,019	—	100,187	—
Foreign currency translation	—	—		
Provision for credit risk	—	686	221	—
Operating expenses	—	53,378	—	65,718
Other income and expenses	770	626	843	53
Total	61,880	90,672	173,752	127,608

(*) This detail does not constitute an Income Statement for related party transactions.

37. Related Party Transactions, continued:

(d) Related party contracts:

There are no contracts entered during 2010 and 2011 that do not represent a customary transaction within the Bank's line of business with general customers and which accounts for amounts greater than UF 1,000.

(e) Payments to key management personnel:

	2010 MCh$	**2011 MCh$**
Remunerations	3,327	3,629
Short-term benefits	4,072	2,830
Contract termination indemnity	306	—
Total	7,705	6,459

Composition of key personnel:

	N° of executives	
Position	**2010**	**2011**
CEO	1	1
Deputy general manager	—	1
CEOs of subsidiaries	8	8
Division Managers	14	15
Total	23	25

37. Related Party Transactions, continued:

(f) Directors’ expenses and remunerations:

Name of Directors	Remunerations			Fees for attending Board meetings			Fees for attending Committees and Subsidiary Board meetings (1)			Consulting			Total		
	2009 MCh$	2010 MCh$	2011 MCh$	2009 MCh$	2010 MCh$	2011 MCh$	2009 MCh$	2010 MCh$	2011 MCh$	2009 MCh$	2010 MCh$	2011 MCh$	2009 MCh$	2010 MCh$	2011 MCh$
Pablo Granifo Lavín	332 (*)	334	347(*)	39	40	48	291	284	306	—	—	—	662	658	701
Andrónico Luksic Craig	140	137	142	13	5	14	—	—	—	—	—	—	153	142	156
Jorge Awad Mehech	47	45	47	21	19	27	63	85	107	—	—	—	131	149	181
Felipe Joannon Vergara	—	37	10	—	18	7	—	45	12	—	—	—	—	100	29
Jacob Ergas Ergas	47	46	10	17	18	4	53	52	17	—	—	—	117	116	31
Jaime Estévez Valencia	47	46	47	21	22	26	67	70	87	—	—	—	135	138	160
Guillermo Luksic Craig	47	46	47	6	12	7	—	—	—	—	—	—	53	58	54
Rodrigo Manubens Moltedo	47	46	47	19	22	26	55	49	48	—	—	—	121	117	121
Gonzalo Menéndez Duque	47	46	47	19	19	25	115	98	111	—	—	—	181	163	183
Francisco Pérez Mackenna	47	46	47	18	19	22	55	53	46	—	—	—	120	118	115
Thomas Fürst Freiwirth	47	46	47	19	17	23	49	36	34	—	—	—	115	99	104
Juan Andrés Fontaine Talavera	47	7	—	19	2	—	52	5	—	—	—	—	118	14	—
Jorge Ergas Heyman	—	—	36	—	—	16	—	—	42	—	—	—	—	—	94
Other subsidiary directors	—	—	—	—	—	—	119	156	166	—	56	86	119	212	252
Total	895	882	874	211	213	245	919	933	976	—	56	86	2,025	2,084	2,181

(1) Includes fees paid to members of the Advisory Committee of Banchile Corredores de Seguros Ltda. of MCh$19, MCh$14 and MCh$9 in 2009, 2010 and 2011.

(*) Includes a provision of MCh$192, MCh$197 and MCh$205 in 2009, 2010 and 2011 for an incentive subject to achieving the Bank’s forecasted earnings.

Fees paid for advisory services to the Board of Directors amount to MCh$ 233, MCh$229 and MCh$248 in 2009, 2010 and 2011.

Travel and other related expenses amount to MCh$ 227, MCh$45 and MCh$304 in 2009, 2010 and 2011.

38. Fair Value of Financial Assets and Liabilities:

(a) Financial instruments measured at fair value.

Banco de Chile and its subsidiaries determine the fair value of financial instruments by taking into account the followings:

1. The market price of financial instruments whether is an observed price or derived using modeling.
2. The credit risk presented by the issuer of debt instruments.
3. The liquidity and depth conditions of the markets.
4. Whether the position is an asset or liability to the Bank, in the case of derivatives, if the future cash flow is received or paid, respectively.

Based on an analysis of these four factors, the Bank classifies the financial instruments portfolio into one of three following levels, according to the valuation technique used for each instrument:

Level 1: Observable prices in active markets for the specific type of instrument or transaction to be measured.

Level 2: Valuation based in observed markets factors. This category includes instruments valued using: Quoted prices for similar instruments, either in active or less active markets. Other valuation techniques when all significant inputs are directly or indirectly observable based on market data.

Level 3: Valuation is based in unobservable market factors. This category includes instruments where its valuation technique includes factors that are not directly observable and instruments that are valued based on quoted prices for similar instruments that may require adjustments or assumptions to reflect the differences.

Valuation of Financial Instruments:

The Bank's accounting policy for measuring fair value is discussed in Note 2(e).

All financial assets and financial liabilities, as is established in IAS 39, including derivatives, loans, borrowings, receivables and payables, and equity investments in other entities, are required to be classified into one of the following five categories; (1) Held for Trading and Derivatives, (2) Loans and Receivables, (3) Held to Maturity investments, (4) Available for Sale assets and (5) other financial liabilities. Each one of these categories has to be measured at Fair Value (1,4) or Amortized Cost (2,3,5).

To reflect the fair value of each financial instrument we use as a primary data source, over-the-counter and exchange information systems commonly used worldwide, such as Bloomberg. These systems provide market prices, bid and offer, and relevant information from the relevant markets about each asset and liability class. As a complement, we use data from specialized Chilean and international brokerage firms. This process allows us to determine on a daily basis all the necessary inputs for valuation: foreign exchange rates, yields to maturity, discount rates, volatility, among others.

38. Fair Value of Financial Assets and Liabilities, continued:

Valuation of Financial Instruments, continued:

All financial instruments are periodically valued using the average closing prices/rates between asks and bids. These valuations, except for options, are performed calculating the Net Present Value (NPV) for each component of each instrument, trough discounted cash flows, using appropriate zero coupon rate curves for discounting every cash flows in any particular currency. Options are valued according to well known financial models such as Black-Scholes-Merton.

The Bank has established a control framework for measuring fair values. This framework includes a Product Control Function, which is independent from the Business Unit, the Treasury Area, and reports directly to the Financial Control Manager.

The Product Control area is responsible for the independent verification of the Bank's treasury results due to trading and investment transactions as well as is responsible for the fair value of financial instruments. To assess these tasks, the Product Control Unit (PCU) is responsible for the Fair Value Policy and, consequently the development of control structures to verify observable prices, valuation models, market risk and liquidity measurements. Also Profit and Losses measurements and explanation to the Senior Management are part of the PCU tasks in order to have a comprehensive understanding of the Risk-Return relation of the Treasury Area.

Derivatives:

Derivatives are classified as a level 2 financial instrument, with the exception of currency futures, for which prices are directly observable on exchange markets. For these instruments the valuation is performed using simple net present value calculations for all instruments without options characteristics. Options are valued using well-known, widely accepted valuation models.

Investments in Financial Instruments:

Held for trading and available for sale instruments are classified among level 2 and level 3. Only debt instruments classified as available for sale, corporate bonds, particularly, are classified as level 3.

These instruments are valued using the internal rate of return to discount all the future cash flows. These financial instruments, which are not actively quoted, are valued using models and brokers quotes for real transactions or derived from.

Valuation Techniques and Verification Process:

Banco de Chile in accordance with what management believes to be the best practices in the industry uses different techniques to establish the fair value of financial instruments, depending on several factors.

38. Fair Value of Financial Assets and Liabilities, continued:

Valuation Techniques and Verification Process, continued:

The used valuation techniques require multiple parameters as inputs. The availability of these parameters depends on the activity and liquidity level of the markets. For financial instruments traded in active and liquid markets, market quotes are used. For less liquid and active markets, market data inputs is not quoted, and indicative broker quotes and consensus pricing should be used directly or to infer the proper price. As is established in the Bank's Fair Value Policy, Treasury is the last responsible for valuation of each financial instrument.

The base of the valuation technique is the Present Value mathematics (PV) using the appropriate discount factors for each cash flow. Instruments with options-characteristics are valued according to widely-accepted models such as Black-Scholes-Merton. For more complex or unique instruments, more sophisticated modeling techniques, assumptions and parameters are required, including correlation, prepayment speeds, default rates and loss severity. Also Banco de Chile compares this fair value valuation against fair value calculated using independent price providers, and establishes limits for theses difference in each relevant market factor.

Finally, it is necessary to verify the determined fair value in a quantitative way. To accomplish this task, the PCU, has settled an Independent Price Verification Process (IPVP) to compare and control, differences in Mark-to-Market for financial assets between Treasury and Independent data providers. These differences are controlled and reported by each market factor and measured against limits. In case that one limit is breached, the responsible Treasury area is required to establish the support for these inputs or take a corrective action plan.

38. Fair Value of Financial Assets and Liabilities, continued:

The following tables detail the classification, by level, of financial instruments measured at fair value.

	Level 1		**Level 2**		**Level 3**		**Total**	
	2010	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**
Financial Assets	**MCh$**	**MCh$**	**MCh$**	**MCh$**	**MCh$**	**MCh$**	**MCh$**	**MCh$**
Financial assets held-for-trading								
From the Chilean Government and Central Bank	150,571	72,971	6,621	4,871	—	—	157,192	77,842
Other instruments issued in Chile	1,635	371	119,198	191,063	1,740	585	122,573	192,019
Instruments issued abroad	—	—	—	35,051	—	—	—	35,051
Subtotal	152,206	73,342	125,819	230,985	1,740	585	279,765	304,912
Derivative contracts for trading purposes								
Forwards	—	—	118,705	121,133	—	—	118,705	121,133
Swaps	—	—	367,390	258,681	—	—	367,390	258,681
Call Options	—	—	133	1,239	—	—	133	1,239
Put Options	—	—	—	2	—	—	—	2
Futures	—	—	—	—	—	—	—	—
Subtotal	—	—	486,228	381,055	—	—	486,228	381,055
Hedge derivative contracts								
Swaps	—	—	2,126	—	—	—	2,126	—
Subtotal	—	—	2,126	—	—	—	2,126	—
Total	—	—	488,354	381,055	—	—	488,354	381,055
Financial assets available-for-sale								
From the Chilean Government and Central Bank	—	—	371,487	412,394	—	—	371,487	412,394
Other instruments issued in Chile	—	—	471,066	608,945	113,798	321,378	584,864	930,323
Instruments issued abroad	—	—	—	—	200,754	128,403	200,754	128,403
Subtotal	—	—	842,553	1,021,339	314,552	449,781	1,157,105	1,471,120
Other assets								
Mutual fund investments	28,787	31,910	—	—		—	28,787	31,910
Subtotal	28,787	31,910	—	—		—	28,787	31,910
Total	180,993	105,252	1,456,726	1,633,379	316,292	450,366	1,954,011	2,188,997
Financial Liabilities								
Derivative contracts for trading purposes								
Forwards	—	—	191,280	115,797	—	—	191,280	115,797
Swaps	—	—	325,148	272,976	—	—	325,148	272,976
Call Options	—	—	109	1,149	—	—	109	1,149
Put Options	—	—	429	35	—	—	429	35
Futures	—	—	—	—	—	—	—	—
Other	—	—	21	21	—	—	21	21
Subtotal	—	—	516,987	389,978	—	—	516,987	389,978
Hedge derivative contracts	—	—						
Swaps	—	—	11,458	39,935	—	—	11,458	39,935
Subtotal	—	—	11,458	39,935	—	—	11,458	39,935
Total	—	—	528,445	429,913	—	—	528,445	429,913

During the years ended December 31, 2010 and 2011 there were no transfers between level 1 and 2 and nor between level 2 and 3.

38. Fair Value of Financial Assets and Liabilities, continued:

(b) Level 3 Reconciliation:

The following tables show the reconciliation between the beginning and ending balances of instruments classified as Level 3, whose fair value is reflected in the financial statements.

	Balance as of January 1, 2010 MCh$	Gain (loss) Recognized in Income MCh$	Gain (loss) Recognized in Equity MCh$	Purchases MCh$	Sales MCh$	Agreements MCh$	Balance as of December 31, 2010 MCh$
Financial Assets							
Financial assets held-for-trading							
Other instruments issued in Chile	2,732	251	—	62,837	(64,080)	—	1,740
Instruments issued abroad	—	—	—	—	—	—	—
Total	**2,732**	**251**	**—**	**62,837**	**(64,080)**	**—**	**1,740**
Financial assets available-for-sale							
Other instruments issued in Chile	128,285	165	(1,518)	104,442	(116,276)	(1,300)	113,798
Instruments issued abroad	202,436	869	(256)	77,034	(79,329)	—	200,754
Total	**330,721**	**1,034**	**(1,774)**	**181,476**	**(195,605)**	**(1,300)**	**314,552**

	Balance as of January 1, 2011 MCh$	Gain (loss) Recognized in Income MCh$	Gain (loss) Recognized in Equity MCh$	Purchases MCh$	Sales MCh$	Agreements MCh$	Balance as of December 31, 2011 MCh$
Financial Assets							
Financial assets held-for-trading							
Other instruments issued in Chile	1,740	94	—	(1,249)	—	—	585
Instruments issued abroad	—	—	—	—	—	—	—
Total	1,740	94	—	(1,249)	—	—	585
Financial assets available-for-sale							
Other instruments issued in Chile	230,480	11,992	(2,130)	81,036	—	—	321,378
Instruments issued abroad	84,072	16,115	(3,897)	32,113	—	—	128,403
Total	314,552	28,107	(6,027)	113,149	—	—	449,781

38. Fair Value of Financial Assets and Liabilities, continued:

(c) Sensitivity of instruments classified as Level 3 to changes in key assumptions of models.

The following tables show the sensitivity, by type of instrument, of instruments classified as Level 3 to changes in key valuation assumptions:

	As of December 31, 2010		As of December 31, 2011	
	Level 3	**Sensitivity to changes in key assumptions of models**	**Level 3**	**Sensitivity to changes in key assumptions of models**
Financial Assets	**MCh$**	**MCh$**	**MCh$**	**MCh$**
Financial assets held-for-trading				
Other instruments issued in Chile	1,740	5	585	—
Total	1,740	5	585	—
Financial assets available-for-sale				
Other instruments issued in Chile	230,480	1,715	321,378	9,553
Instruments issued abroad	84,072	1,261	128,403	(6,058)
Total	314,552	2,976	449,781	3,495

The level 3 figures in the precedent matrix represent the fair value calculated as of December 31, 2010 and 2011 using data provided by the Treasury area, verified by the PCU using prices from independent market data providers. The following column, sensitivity to changes in key assumptions of models, represents the best proxy for what could be a variation, or delta, in the fair value of these instruments.

The sensitivity figures are calculated as a difference in fair values. This difference is calculated as the fair value in the precedent column, Banco de Chile figures, minus the fair value obtained by using other market data set. The rationale behind this way to calculate the sensitivity is based on the appropriateness of prices and rates provided by independent sources, such as Interactive Data. This brokerage information companies uses all the available market information and is used by the major financial institutions in Chile such as Banks and Pension Funds.

38. Fair Value of Financial Assets and Liabilities, continued:

(d) Other assets and liabilities

The following table summarizes the fair values of the Bank's main financial assets and liabilities that are not recorded at fair value in the Statement of Financial Position. The values shown in this note do not attempt to estimate the value of the Bank's income-generating assets, nor forecast their future behavior. The estimated fair value is as follows:

	Book Value		Fair Value	
	2010	2011	2010	2011
	MCh$	MCh$	MCh$	MCh$
Assets				
Cash and due from banks	772,329	881,146	772,329	881,146
Transactions in the course of collection	429,756	373,639	429,756	373,639
Receivables from repurchase agreements and security borrowing	82,787	47,981	82,787	47,981
Subtotal	1,284,872	1,302,766	1,284,872	1,302,766
Loans and advances to banks				
Domestic banks	13,305	315,873	13,305	315,873
Foreign banks	336,283	332,552	336,283	332,552
Subtotal	349,588	648,425	349,588	648,425
Loans to customers, net				
Commercial loans	9,085,848	11,005,194	9,009,948	10,973,062
Residential mortgage loans	2,911,347	3,591,530	2,875,377	3,557,248
Consumer loans	2,032,773	2,427,032	2,024,250	2,426,959
Subtotal	14,029,968	17,023,756	13,909,575	16,957,269
Total	15,664,428	18,974,947	15,544,035	18,908,460
Liabilities				
Current accounts and other demand deposits	4,446,181	4,895,426	4,446,181	4,895,426
Transactions in the course of payment	208,750	155,424	208,750	155,424
Payables from repurchase agreements and security lending	81,755	223,202	81,755	223,202
Saving accounts and time deposits	7,697,968	9,282,324	7,653,446	9,273,010
Borrowings from financial institutions	1,281,372	1,690,939	1,280,759	1,689,172
Other financial obligations	179,160	184,785	179,160	184,785
Subtotal	13,895,186	16,432,100	13,850,051	16,421,019
Debt issued				
Letters of credit for residential purposes	133,709	106,965	142,709	115,825
Letters of credit for general purposes	65,159	45,133	69,545	48,871
Bonds	820,331	1,488,369	809,689	1,459,145
Subordinated bonds	744,966	747,874	740,334	728,330
Subtotal	1,764,165	2,388,341	1,762,277	2,352,171
Total	15,659,351	18,820,441	15,612,328	18,773,190

The fair value of assets not presented at that value in the Statement of Financial Position is derived from estimated cash flows the Bank expects to receive, discounted using the relevant market interest rate for each type of transaction.

The fair value of liabilities without market quotes is based on discounted cash flows using the interest rate for similar maturity terms, for each currency and type of instrument.

For financial assets and liabilities that have a short term maturity (less than three months) it is assumed that the carrying amounts approximate their fair value. This assumption is also applied to demand deposits and savings accounts without specific maturity.

The Bank did not incur any "day 1" profits or losses during the reporting period.

39. Maturity of Assets and Liabilities:

The table below shows the classification of assets and liabilities as current and non-current as the balance sheet is presented in the order of liquidity without indicating this information.

	As of December 31, 2010		
	Less than 12 months	Over 1 year	Total
Assets	**MCh$**	**MCh$**	**MCh$**
Cash and due from banks	772,329	—	772,329
Transactions in the course of collection	429,756	—	429,756
Financial assets held-for-trading	279,765	—	279,765
Receivables from repurchase agreements and security borrowing	82,787	—	82,787
Derivative instruments	210,661	277,693	488,354
Loans and advance to banks (*)	250,401	99,797	350,198
Loans to customers (*)	6,407,405	7,970,590	14,377,995
Financial assets available-for-sale	638,460	518,645	1,157,105
Investment in other companies	—	11,072	11,072
Property and equipment	—	204,352	204,352
Investment properties	—	17,459	17,459
Intangible assets	—	88,463	88,463
Current tax assets	—	3,363	3,363
Deferred tax assets, net	—	57,678	57,678
Other assets	132,235	172,190	304,425
Total assets	9,203,799	9,421,302	18,625,101

	As of December 31, 2011		
	Less than 12 months	Over 1 year	Total
Assets	**MCh$**	**MCh$**	**MCh$**
Cash and due from banks	881,146	—	881,146
Transactions in the course of collection	373,639	—	373,639
Financial assets held-for-trading	304,912	—	304,912
Receivables from repurchase agreements and security borrowing	47,981	—	47,981
Derivative instruments	170,352	210,703	381,055
Loans and advance to banks (*)	649,431	—	649,431
Loans to customers (*)	9,172,096	8,258,351	17,430,447
Financial assets available-for-sale	635,951	835,169	1,471,120
Investment in other companies	—	13,196	13,196
Property and equipment	—	207,888	207,888
Investment properties	—	17,079	17,079
Intangible assets	—	81,026	81,026
Current tax assets	—	—	—
Deferred tax assets, net	—	60,025	60,025
Other assets	109,523	144,787	254,310
Total assets	12,345,031	9,828,224	22,173,255

(*) The respective provisions, which amount MCh$406,691 and MCh$348,207 in 2011 and 2010 for loans to customers and MCh$1,006 and MCh$610 for loans and advances to bank, have not been deducted from these balances.

39. Maturity of Assets and Liabilities, continued:

	As of December 31, 2010		
	Less than 12 months	Over 1 year	Total
Liabilities	**MCh$**	**MCh$**	**MCh$**
Current accounts and other demand deposits	4,446,181	—	4,446,181
Transactions in the course of payment	208,750	—	208,750
Payables from repurchase agreements and security lending	81,755	—	81,755
Saving accounts and time deposits	7,137,208	560,760	7,697,968
Derivative instruments	247,952	280,493	528,445
Borrowings from financial institutions	1,146,338	135,034	1,281,372
Debt issued	186,433	1,577,732	1,764,165
Other financial obligations	118,628	60,532	179,160
Current tax liabilities	—	—	—
Employee benefits	—	55,433	55,433
Provisions	114,685	—	114,685
Other liabilities	112,924	111,301	224,225
Total liabilities	13,800,854	2,781,285	16,582,139

	As of December 31, 2011		
	Less than 12 months	Over 1 year	Total
Liabilities	**MCh$**	**MCh$**	**MCh$**
Current accounts and other demand deposits	4,895,426	—	4,895,426
Transactions in the course of payment	155,424	—	155,424
Payables from repurchase agreements and security lending	223,202	—	223,202
Saving accounts and time deposits	8,811,613	470,711	9,282,324
Derivative instruments	162,863	267,050	429,913
Borrowings from financial institutions	1,418,654	272,285	1,690,939
Debt issued	91,414	2,296,927	2,388,341
Other financial obligations	129,892	54,893	184,785
Current tax liabilities	—	3,095	3,095
Employee benefits	—	60,634	60,634
Provisions	—	131,344	131,344
Other liabilities	134,820	144,642	279,462
Total liabilities	16,023,308	3,701,581	19,724,889

40. Risk Management:

(1) Introduction:

The Bank's risk management is based on specialization, knowledge of the business and the experience of its teams, with professionals specifically dedicated to each different type of risks. Our policy is to maintain an integrated, forward looking approach to risk management, taking into account the current and forecasted economic environment and the risk/return ratio of all products for both the Bank and its subsidiaries.

Our credit policies and processes acknowledge the particularities of each market and segment, thus affording specialized treatment. The integrated information prepared for risk analyses is key to developing our strategic plan, the objectives which include: determining the desired risk level for each business line; aligning all strategies with the established risk level; communicating desired risk levels to the Bank's commercial areas; developing models, processes and tools for evaluating, measuring and controlling risk throughout the different business lines and areas; informing the board of directors about risks and their evolution; proposing action plans to address important deviations in risk indicators and enforcing compliance of applicable standards and regulations.

(a) Risk Management Structure

Credit and Market Risk Management takes place at different levels throughout the organization, structured in response to both the important role that risk plays and the diverse types of risks that exist.

The Bank segregates risk management into two divisions that directly report to the Chief Executive Officer: the Companies Credit Risk and Market Risk Division and the Individuals Credit Risk Division. These divisions are internally organized based on the Bank's commercial structure and function independently. They complement the Operational Risk Area, which reports to the Operations and Technology Division.

The Companies Credit Risk and Market Risk Division is responsible for the quality of the Bank's portfolio and giving impulses in order to optimize the risk/return ratio for all client segments, from small and medium enterprises to corporations, including Private Banking. This division is also responsible for managing the Bank's financial and market risks. The Individuals Risk Division plays a similar role for all of the Individuals client segments, including Banco CrediChile's portfolio. The Operational Risk Area monitors loss events stemming from operating, administrative or technical factors or fraud, verifies controls and proposes corrective measures.

40. Risk Management, continued:

(i) Board of Directors

Banco de Chile's Board of Directors is continually informed of developments in the different risk areas through its Finance, Credit, Portfolio and Audit Committees, in which it reviews the status of credit and market risks. The Board of Directors participates actively in each of these risk areas, keeping abreast of the portfolio and helping to define strategies that impact portfolio quality.

(ii) Finance, International and Financial Risk Committee

This committee meets monthly to review developments and the current status of financial positions and market, price and liquidity risk. It reviews estimated results from financial positions in order to measure the risk/return ratio of the Bank's Treasury business, as well as the evolution of and forecasts regarding use of capital.

(iii) Credit Committees

All loan proposals made to customers must be approved by the appropriate committee. As a general rule, this committee must include a minimum of three executives, one of which must have sufficient authority to approve the specific transaction. There are various levels of authority, differentiated by segment and applied based on exposure, risk rating, statements of uncollectability, loan charge-offs, etc. The highest of these committees is the Board of Directors' Loan Committee, which reviews and approves the Bank's main risk exposures. This committee is composed of at least three directors, the Chief Executive Officer and the Credit Risk Division Manager.

(iv) Portfolio Committee

This committee reviews in detail any developments in key credit risk variables. It reviews indicators such as risk, default, impaired portfolio and portfolio expense indices, among others. This review includes aggregate information at portfolio level, detailed by industry sector, segment, business unit, credit rating, etc. This committee also conducts a detailed review of the Bank's main debtors, either by exposure or impairment. This committee is composed of the Chairman of the Board of Directors, at least one director, the Chief Executive Officer and the Credit Risk Managers.

40. Risk Management, continued:

(v) Treasury

The Bank's Treasury Division is responsible for managing price risks (interest rates, exchange rates and options volatility) for its Trading and Accrual Portfolios, based on limits approved by the Board of Directors. In addition, it is the sole body responsible for ensuring that the Bank maintains adequate liquidity levels in line with market conditions and the needs of its different business units.

(vi) Operational Risk Committee

This committee periodically reviews the status of operational risks, analyzing reasons for losses and progress made on any corrective measures adopted. It is composed of the Chief Executive Officer, the Manager of the Operations and Technology Division, the Manager of the Financial Control and Management Division, the Controller and the Operational Risk Manager.

(b) Internal Audit

Risk management processes throughout the Bank are continually audited by the Internal Audit Area, which analyzes the sufficiency of and compliance with risk management procedures, Internal Audit discusses the results of all evaluations with management and reports its findings and recommendations to the Board of Directors.

(c) Measurement Methodology

In terms of Credit Risk, provision levels and portfolio expenses are the basic measurements used to determine the credit quality of our portfolio.

Each year, the Board of Directors is presented with the results of a sufficiency test for allowances for loan loss. This test shows whether the Bank's existing level of allowances for loan loss, both for the individual and group portfolios, is sufficient, based on historic losses or impairment experienced by the portfolio. The Board of Directors must issue a formal opinion on its sufficiency.

Risk monitoring and control are performed primarily based on established limits. These limits reflect the Bank's business and market strategy as well as the risk level it is willing to accept, with added emphasis on selected industry sectors.

The Bank's Chief Executive Officer, on a daily basis, and the Finance, International and Market Risk Committee, on a monthly basis, receive a report detailing the evolution of the Bank's price and liquidity risk, based on both internal and regulator-imposed metrics.

40. Risk Management, continued:

(d) Mitigating Interest Rate Risk in the Accrual Portfolio using Derivatives

The Bank uses derivatives to manage exposure from changes in interest rates of loans and bonds in the available-for-sale portfolio.

The effectiveness of each hedge is evaluated each month by the Market Risk Control and Information area. When determined to be ineffective, a new hedge structure must be defined if the Bank wants to continue to mitigate the given risk using derivatives.

(e) Use of Collateral

The Bank actively uses collateral to reduce its credit risks (see below for more details).

(2) Credit Risk

Credit risk is the risk that we will incur a loss because our customers or counterparties do not comply with their contractual obligations.

This risk is managed using a global, unified and forward-looking strategy, which recognizes the current and projected economic environment of the markets and segments in which our different businesses are developing and grants appropriate credit treatment to each such market or segment by using risk limits that we are willing to accept from counterparties.

Managing credit risk is, therefore, inherent to our business and must be incorporated into each segment in which we do business: In this way, we may achieve an optimum balance between assumed risks and attained returns and properly allocate capital to each business line while complying with regulations and criteria defined by the Board of Directors, in order to ensure that the Bank has an appropriate capital base for potential losses that may arise from its credit exposure.

Counterparty limits are established by analyzing financial information, risk ratings, the nature of the exposure, documentation, guarantees, market conditions and the pertinent industry sector, among other factors. The process of monitoring credit quality also includes identifying in advance any possible changes in counterparty’s payment capacity, which enables us to evaluate the potential loss from these risks and take corrective actions.

40. Risk Management, continued:

(a) Approval Process

Loan analysis and approval is conducted using a differentiated approach for each market segment, using three separate credit-risk models:

Automated Model: This model focuses on individuals from the mass-market segment (i.e., not business-related) and is based on the integral automation of processes, which consist of admission, approval, follow-up and recovery, using scoring and behavior-based approval systems.

The Bank has also developed a broad level of knowledge regarding selection of customers, with a significant capacity to discriminate between subjects of different credit bases. Using this model, we have developed separate segmented models for retail banking and Banco CrediChile. In the case of our Consumer Division (Banco CrediChile), there are further distinctions for employed customers, which are separated into the following five sub-segments: retired persons, employees in the public sector, employees in the private sector over 40 years of age, employees in the private sector under 40 years of age and self-employed.

In retail banking there are also sub-segments divided by activity and length of the customer's relationship with the Bank.

Parametric Model: This model is applied to individuals and small and medium-sized companies in business. To analyze these segments, the Bank uses certain levels of automation and parameterization. Automation currently provides a fundamental pillar for the pre-approval process for small companies and support for potential evaluations of medium-sized companies.

Case-by-case Model: This model is used for the wholesale segment. It is based on individual expert evaluation on risk level, operation amounts and business complexity, among other variables.

(b) Control and Follow-up

The ongoing control and follow-up of credit risk is the basis for proactive portfolio management and enables risk to be recognized opportunely, thus identifying business opportunities and detecting potential impairment before it occurs.

In the wholesale business segment, control and follow-up are realized through a combination of reviews. The most relevant are the following:

- High-level structured portfolio reviews with respect to the impact of specific macroeconomic fluctuations in relevant sectors of activity, defining case-by-case actions plans.
- Constant monitoring system in order to detect early on those customers that show potential risks, agreeing on specific action plans for these customers with the corresponding client servicing team.

40. Risk Management, continued:

(b) Control and Follow up, continued:

- Payment arrears management, backed by predictive indicators of risk level, with follow-up and action plans in the case of our most important customers, plus management of differentiated strategies for early recovery.
- Follow-up of the conditions, restrictions and covenants imposed by the credit committee to all operations requiring it due to their importance or complexity.
- Control of the exposure as well as the sufficiency of guarantees granted in the form of shares, monitoring fluctuations and preparing action plans in the event of insufficient coverage.
- Follow-up schemes of credit behavior variables and borrowers' financial condition.
- Risk segmentation strategies for collections processes and policies to better integrate loan approval and monitoring processes, aligned behind a single vision of customer credit fundamentals.

(c) Derivative Instruments

The value of derivative financial instruments is always reflected in the Bank's balance sheet. The risks derived from these instruments, determined using SBIF models, are controlled against lines of credit of the counterparty at the inception of each transaction.

(d) Portfolio Concentration

Maximum credit risk exposure per counterparty without considering collateral or other credit enhancements as of December 31, 2010 and 2011 does not exceed 10% of the Bank's effective equity.

40. Risk Management, continued:

The following tables show credit risk exposure per balance sheet item, including derivatives, detailed by both geographic region and industry sector as of December 31, 2010.

	Chile MCh$	United States MCh$	Brazil MCh$	Other MCh$	Total MCh$
Financial assets					
Cash and due from banks	729,706	24,733	—	17,890	772,329
Financial assets held-for-trading					
From the Chilean Government and Central Bank of Chile	157,192	—	—	—	157,192
Other instruments issued in Chile	122,573	—	—	—	122,573
Subtotal	279,765	—	—	—	279,765
Receivables from repurchase agreements and security borrowing	82,787	—	—	—	82,787
Derivative contracts for trading purposes					
Forwards	95,160	18,409	—	5,136	118,705
Swaps	168,567	159,635	—	39,188	367,390
Call options	133	—	—	—	133
Subtotal	263,860	178,044		44,324	486,228
Hedge derivative contracts					
Forwards	—	—	—	—	—
Swaps	—	1,302	—	824	2,126
Subtotal	—	1,302	—	824	2,126
Loans and advances to banks					
Domestic banks	13,305	—	—	—	13,305
Foreign banks	—	—	154,509	181,774	336,283
Subtotal	13,305	—	154,509	181,774	349,588
Loans to customers (before allowances for loans losses)					
Commercial loans	9,260,757	—	—	36,649	9,297,406
Residential mortgage loans	2,926,621	—	—	—	2,926,621
Consumer loans	2,153,968	—	—	—	2,153,968
Subtotal	14,341,346	—	—	36,649	14,377,995
Financial assets available-for-sale					
From the Chilean Government and Central Bank of Chile	371,487	—	—	—	371,487
Other instruments issued in Chile	584,864	—	—	—	584,864
Instruments issued abroad	124,650	71,805	4,299	—	200,754
Subtotal	1,081,001	71,805	4,299	—	1,157,105
Financial assets held-to-maturity	—	—	—	—	—

40. Risk Management, continued:

	Financial Services MCh$	Government MCh$	Retail (Individuals) MCh$	Trade MCh$	Manufacturing MCh$	Mining MCh$	Electricity, Gas and Water MCh$	Agriculture and Livestock MCh$	Forestry MCh$	Fishing MCh$	Transportation and Telecom MCh$	Construction MCh$	Services MCh$	Other MCh$	Total MCh$
Financial assets															
Cash and due from banks	264,715	310,359	—	—	—	—	—	—	—	—	—	—	197,255	—	772,329
Financial assets held-for-trading															
From the Chilean Government and Central Bank of Chile	—	157,192	—	—	—	—	—	—	—	—	—	—	—	—	157,192
Other instruments issued in Chile	120,938	—	—	16	—	—	256	957	—	—	—	—	—	406	122,573
Subtotal	120,938	157,192	—	16	—	—	256	957	—	—	—	—	—	406	279,765
Receivables from repurchase agreements and security borrowing	36,983	—	—	2,445	14,839	260	25,751	—	75	16	1,921	54	443	—	82,787
Derivative contracts for trading purposes															
Forwards	86,080	—	117	6,279	5,952	3,501	3,083	969	2,065	652	3,145	272	6,522	68	118,705
Swaps	288,217	—	—	6,642	1,369	220	28,828	1,666	25	2,487	18,752	690	18,494	—	367,390
Call options	6	—	—	13	—	—	—	—	—	—	—	—	114	—	133
Subtotal	374,303	—	117	12,934	7,321	3,721	31,911	2,635	2,090	3,139	21,897	962	25,130	68	486,228
Hedge derivative contracts															
Forwards	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Swaps	2,126	—	—	—	—	—	—	—	—	—	—	—	—	—	2,126
Subtotal	2,126	—	—	—	—	—	—	—	—	—	—	—	—	—	2,126
Loans and advances to banks															
Domestic banks	13,149	156	—	—	—	—	—	—	—	—	—	—	—	—	13,305
Foreign banks	336,283	—	—	—	—	—	—	—	—	—	—	—	—	—	336,283
Subtotal	349,432	156	—	—	—	—	—	—	—	—	—	—	—	—	349,588
Loans to customers															
Commercial loans (*)															
Residential mortgage loans	3,404	—	183,053	57,504	13,550	2,374	209	20,623	—	1,385	18,232	15,823	62,625	2,547,839	2,926,621
Consumer loans	1,481	—	73,682	35,176	10,118	1,470	127	26,336	—	809	13,921	8,714	26,428	1,955,706	2,153,968
Financial assets available-for-sale															
From the Chilean Government and Central Bank of Chile		371,487	—	—	—	—	—	—	—	—	—	—	—	—	371,487
Other instruments issued in Chile	551,112	—	—	—	5,457	—	8,666	—	5,146	—	—	1,545	12,938	—	584,864
Instruments issued abroad	105,095	7,968	—	—	39,086	4,880	36,895	—	—	—	—	—	—	6,830	200,754
Subtotal	656,207	379,455	—	—	44,543	4,880	45,561	—	5,146	—	—	1,545	12,938	6.830	1,157,105
Financial assets held-to-maturity	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

(*) See commercial loans by industry sector in Note 10 (e).

40. Risk Management, continued:

The following tables show credit risk exposure per balance sheet item, including derivatives, detailed by both geographic region and industry sector as of December 31, 2011:

Financial Assets	Chile MCh$	United States MCh$	Brazil MCh$	Other MCh$	Total MCh$
Cash and Due from Banks	622,082	228,796	—	30,268	881,146
Financial Assets held-for-trading					
from the Chilean Government and Central Bank of Chile	77,842	—	—	—	77,842
Other instruments issued in Chile	191,857	—	—	162	192,019
Instruments issued abroad	35,051	—	—	—	35,051
Subtotal	304,750	—	—	162	304,912
Receivables from repurchase agreements and security borrowing	47,945	—	—	36	47,981
Derivative Contracts for Trading Purposes					
Forwards	96,723	10,490	—	13,920	121,133
Swaps	110,203	117,592	—	30,886	258,681
Call Options	1,239	—	—	—	1,239
Put Options	2	—	—	—	2
Futures	—	—	—	—	—
Other	—	—	—	—	—
Subtotal	208,167	128,082	—	44,806	381,055
Hedge Derivative Contracts					
Forwards	—	—	—	—	—
Swaps	—	—	—	—	—
Call Options	—	—	—	—	—
Put Options	—	—	—	—	—
Futures	—	—	—	—	—
Other	—	—	—	—	—
Subtotal	—	—	—	—	—
Loans and advances to Banks					
Central Bank of Chile	300,819	—	—	—	300,819
Domestic banks	15,054	—	—	—	15,054
Foreign banks	181,428	—	91,530	59,594	332,552
Subtotal	497,301	—	91,530	59,594	648,425
Loans to Customers (before allowances for loans losses)					
Commercial loans	11,107,050	18,231	5,568	126,544	11,257,393
Residential mortgage loans	3,607,434	—	—	—	3,607,434
Consumer loans	2,565,620	—	—	—	2,565,620
Subtotal	17,280,104	18,231	5,568	126,544	17,430,447
Financial Assets Available-for-Sale					
from the Chilean Government and Central Bank of Chile	412,394	—	—	—	412,394
Other instruments issued in Chile	930,323	—	—	—	930,323
Instruments issued abroad	21,870	71,740	4,712	30,081	128,403
Subtotal	1,364,587	71,740	4,712	30,081	1,471,120
Financial assets held-to-Maturity	—	—	—	—	—

40. Risk Management, continued:

	Financial Services MCh$	Government MCh$	Retail (Individuals) MCh$	Trade MCh$	Manufacturing MCh$	Mining MCh$	Electricity, Gas and Water MCh$	Agriculture and Livestock MCh$	Forestry MCh$	Fishing MCh$	Transportation and Telecom MCh$	Construction MCh$	Services MCh$	Other MCh$	Total MCh$
Financial Assets															
Cash and Due from Banks	328,933	—	—	—	—	—	—	—	—	—	—	—	72,759	479,454	881,146
Financial Assets held-for-trading															
from the Chilean Government and Central Bank of Chile	—	—	—	—	—	—	—	—	—	—	—	—	—	77,842	77,842
Other instruments issued in Chile	191,999	—	—	—	—	—	—	—	—	—	—	—	—	20	192,019
Instruments issued abroad	35,051	—	—	—	—	—	—	—	—	—	—	—	—	—	35,051
Subtotal	227,050	—	—	—	—	—	—	—	—	—	—	—	—	77,862	304,912
Receivables from repurchase agreements and security borrowing	13,619	—	—	2,780	92	512	21,045	—	57	118	5,959	76	156	3,567	47,981
Derivative Contracts for Trading Purposes															
Forwards	60,037	—	9	2,006	5,787	1,457	160	5,337	151	326	148	313	101	45,301	121,133
Swaps	185,892	672	—	3,933	4,333	59	8,394	18,241	34	906	2,136	909	230	32,942	258,681
Call Options	1,167	—	—	68	—	—	—	—	—	—	—	—	—	4	1,239
Put Options	—	—	—	2	—	—	—	—	—	—	—	—	—	—	2
Subtotal	247,096	672	9	6,009	10,120	1,516	8,554	23,578	185	1,232	2,284	1,222	331	78,247	381,055
Hedge Derivative Contracts															
Forwards	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Swaps	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Subtotal	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Loans and advances to Banks															
Central Bank of Chile	300,819	—	—	—	—	—	—	—	—	—	—	—	—	—	300,819
Domestic banks	15,054	—	—	—	—	—	—	—	—	—	—	—	—	—	15,054
Foreign banks	332,403	—	—	—	—	—	—	—	—	—	—	—	—	149	332,552
Subtotal	648,276	—	—	—	—	—	—	—	—	—	—	—	—	149	648,425
Loans to Customers, Net															
Commercial loans (*)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Residential mortgage loans	5,175	—	3,101,327	71,639	14,687	2,506	—	21,524	2,819	1,442	22,073	15,208	95,712	253,322	3,607,434
Consumer loans	3,250	—	1,957,143	40,137	8,599	1,573	9	28,208	1,557	728	16,433	8,022	40,244	459,717	2,565,620
Financial Assets Available-for-Sale															
from the Chilean Government and Central Bank of Chile	217,429	—	—	—	—	—	—	—	—	—	—	—	—	194,965	412,394
Other instruments issued in Chile	892,287	—	—	2,393	—	67	6,097	—	3,247	—	15,009	2,307	—	8,916	930,323
Instruments issued abroad	113,497	—	—	—	—	—	—	14,906	—	—	—	—	—	—	128,403
Subtotal	1,223,213	—	—	2,393	—	67	6,097	14,906	3,247	—	15,009	2,307	—	203,881	1,471,120
Financial assets held-to-Maturity	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

(*) See commercial loans by industry sector in Note 10 (e).

40. Risk Management, continued:

(e) Collateral and Other Credit Enhancements

The amount and type of collateral required depends on the counterparty's credit risk assessment. The Bank has guidelines regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are:

- For commercial loans: Residential and non-residential real estate, liens and inventory.
- For retail loans: Mortgages on residential property.

The Bank also obtains collateral from parent companies for loans granted to their subsidiaries.

Management makes sure its collateral is acceptable according to both external standards and internal policy guidelines and parameters. The Bank has approximately 153,000 collateral assets, the majority of which consist of real estate.

The Bank also uses mitigating tactics for credit risk on derivative transactions. To date, the following mitigating tactics are used:

- Accelerating transactions and net payment using market values at the date of default of one of the parties.
- Option for both parties to terminate early any transactions with a counterparty at a given date, using market values as of the respective date.
- Margins established with time deposits by customers that close FX forwards with subsidiary Banchile Corredores de Bolsa S.A.

(f) Credit Quality by Asset Class

The Bank determines the credit quality of financial assets using internal credit ratings. The rating process is linked to the Bank's approval and monitoring processes and is carried out in accordance with risk categories established by current standards. Credit quality is continuously updated based on any favorable or unfavorable developments to customers or their environments, considering aspects such as commercial and payment behavior as well as financial information.

The Bank also conducts reviews of companies in certain industry sectors that are affected by macroeconomic or sector-specific variables. Such reviews allow the Bank to timely establish any necessary allowance loan losses that are sufficient to cover losses for potentially uncollectable loans.

40. Risk Management, continued:

(f) Credit Quality by Asset Class, continued:

The following table shows credit quality by asset class for balance sheet items, based on the Bank's credit rating system, as of December 31, 2010 and 2011.

	As of December 31, 2010						
	A1 MCh$	A2 MCh$	A3 MCh$	B MCh$	Impaired Portfolio MCh$	Other MCh$	Total MCh$
Financial assets							
Loans and advances to banks							
Domestic banks	13,305	—	—	—	—	—	13,305
Foreign banks	10,360	255,133	70,786		—	4	336,283
Subtotal	23,665	255,133	70,786	—	—	4	349,588
Loans to customers (before allowances for loans losses)							
Commercial loans	28,728	2,346,028	2,098,218	3,380,009	599,925	844,498	9,297,406
Residential mortgage loans	—	—	—	—	71,758	2,854,863	2,926,621
Consumer loans	—	—	—	—	113,386	2,040,582	2,153,968
Subtotal	28,728	2,346,028	2,098,218	3,380,009	785,069	5,739,943	14,377,995

	As of December 31, 2011					
	Individual Portfolio			Group Portfolio		
	Normal MCh$	Substandard MCh$	Non-complying MCh$	Normal MCh$	Non-complying MCh$	Total MCh$
Financial Assets (*)						
Loans and advances to banks						
Central Bank of Chile	300,819	—	—	—	—	300,819
Domestic banks	15,059	—	—	—	—	15,059
Foreign banks	333,553	—	—	—	—	333,553
Subtotal	649,431	—	—	—	—	649,431
Loans to customers (before allowances for loan losses)						
Commercial loans	9,456,109	56,405	163,859	1,443,208	137,812	11,257,393
Residential mortgage loans	—	—	—	3,543,520	63,914	3,607,434
Consumer loans	—	—	—	2,439,495	126,125	2,565,620
Subtotal	9,456,109	56,405	163,859	7,426,223	327,851	17,430,447

(*) On January 1, 2011, the credit ratings for debtors with individual assessment has changed, separating the portfolio in Normal (categories A1-A6), substandard (B1 – B4) and Non-complying (C1-C6) as show in the above table. The normal portfolio includes additionally two categories included in substandard portfolio (B1 and B2) by an amount of MCh$48,347. The impaired loans corresponded categories from B-3 to C6 by an amount of MCh$499,768.

40. Risk Management, continued:

(f) Credit Quality by Asset Class, continued:

Analysis of age of non-impaired, over-due loans by financial asset class:

Terms:
Default 1: 1 to 29 days
Default 2: 30 to 59 days
Default 3: 60 to 89 days

As of December 31, 2010:

	Default 1 MCh$	**Default 2 MCh$**	**Default 3 MCh$**	**Total MCh$**
Loans and advances to banks	15,940	—	—	15,940
Commercial loans	15,014	4,371	2,625	22,010
Import-export financing	9,078	194	83	9,355
Factoring transactions	37,764	5,785	587	44,136
Commercial lease transactions	1,716	519	386	2,621
Other loans and receivables	13,162	729	512	14,403
Residential mortgage loans	399	347	10	756
Consumer loans	11,583	5,507	3,676	20,766
Total	104,656	17,452	7,879	129,987

As of December 31, 2011:

	Default 1 MCh$	**Default 2 MCh$**	**Default 3 MCh$**	**Total MCh$**
Loans and advances to banks	19,694	—	—	19,694
Commercial loans	16,797	6,206	6,718	29,721
Import-export financing	15,802	962	406	17,170
Factoring transactions	32,623	4,701	532	37,856
Commercial lease transactions	2,201	594	292	3,087
Other loans and receivables	1,213	1,115	929	3,257
Residential mortgage loans	205	400	379	984
Consumer loans	13,732	6,815	5,575	26,122
Total	102,267	20,793	14,831	137,891

40. Risk Management, continued:

(f) Credit Quality by Asset Class, continued:

As of December 31, the ageing analysis of loans is as follows:

		Past due but not impaired					
As of December 31,	Neither past due nor impaired	Up to 30 days	Over 30 days and up to 60 days	Over 60 days and up to 90 days	Over 90 days and up to 120 days	Over 120 days	Total
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
2011	16,819,212	90,079	10,618	3,372	871	6,527	16,930,679
2010	13,514,568	65,802	10,623	2,796	329	1,808	13,595,926

(g) Collateral

The value of collateral maintained by the Bank for loans individually classified as impaired as of December 31, 2010 and 2011 is MCh$191,083 and MCh$35,186 respectively.

The value of collateral maintained by the Bank for loans over-due but non-impaired as of December 31, 2010 and 2011 is MCh$2,667 and MCh$104,543 respectively.

(h) Assets Received in Lieu of Payment

The Bank has received assets in lieu of payment totaling MCh$10,418 and MCh$15,554 as of December 31, 2010 and 2011, respectively, the majority of which are properties. All of these assets are managed for sale.

(i) Renegotiated Assets

The impaired loans are considered to be renegotiated when the corresponding financial commitments are restructured and the Bank assesses the probability of recovery as sufficiently high.

The following table details the book value of loans with renegotiated terms per financial asset class:

Financial assets	2010 MCh$	2011 MCh$
Loans and advances to banks		
Domestic banks	—	—
Foreign banks	—	—
Subtotal	—	—
Loans to customers, net		
Commercial loans	137,576	119,637
Residential mortgage loans	10,216	26,286
Consumer loans	180,578	192,802
Subtotal	328,370	338,725
Total renegotiated financial assets	328,370	338,725

The Bank evaluates allowances loan losses in two segments: individually assessed allowances loan losses and group assessed allowances loan losses, which are described in more detail in Note 2(m).

Complementary Information

The renegotiated portfolio of Banco de Chile represents 1.94% of the total loans and the redefault rate of these loans for retail segment is 26.46% as of December 31, 2011 (the Bank does not have this information for other segments for internal purposes).

The most common type of modification is to extend the term of the loan. For payment extensions, depending on the characteristics of each credit, the Bank may change the initial conditions in terms of interest rate and initial grace period for the first payment. With respect to forgiveness of principal, the Bank typically does not give this benefit. The Board of Directors might on rare occasions approve a portion of principal forgiveness on certain credit-operations that have been impaired and provisioned previously. Based on this knowledge, the Bank estimates that about 80% of renegotiated loans extend the maturity date, including a new amortization schedule. Only those borrowers which are considered viable are renegotiated, and that the average term of the commercial credit renegotiated is 38 months, demonstrating the relatively short payment extensions given. If the debtor is not considered to be financially viable, the Bank proceeds to the legal collection of debts.

40. Risk Management, continued:

(i) Renegotiated Assets, continued

The Bank does not have information related the balance of loans modified by type of concession because is not required by the local banking regulator and not much used among peers. However, the Bank continually monitors its deteriorated portfolio as defined in note 2(m)(iv) of the financial statements. Also, for internal purposes the renegotiated loan portfolio is analyzed and reviewed as part of the impaired portfolio. Therefore, for management and regulatory (local and IFRS) reporting purposes the bank is not frequently using information of loans modified by types of concession.

The Bank determines the appropriate amount of allowance for loan losses as follow:
The commercial loan renegotiations are always evaluated and approved individually by the credit committee with all the background and history of previous approvals, including financial records, delinquencies or other previous renegotiations of the debtor. Since almost the entire commercial portfolio is individually provisioned, it is in this approval step of the renegotiation where the level of provision for each debtor is determined.

Among the variables that are considered by the credit committee to establish the level of provisions, is the payment capacity and the collateral coverage. The condition of a new default of a renegotiated credit is considered when the credit committee is establishing the new level of provisions, which in general as a consequence of this higher risk, could increase up to 65% of the loan.

On the other hand, for the portfolio evaluated for provisioning purposes as a group, the models contain past behavior variables, incorporating delinquencies and default prior to renegotiation for six months, recognizing the increased risk and generating a higher level of provisions. The provision can only be decreased if the renegotiated client has good payment behavior (an overdue less than 30 days), in a period of over seven months.

Moreover, an operation identified as renegotiation never leaves this classification for purposes of monitoring and provisioning.

(j) Impairment Testing

The main tools used to test loan impairment include an analysis of whether principal or interest payments are more than 90 days past due or if the counterparty is experiencing any known cash flow problems, reductions in credit ratings or default of the original contractual terms.

(k) Off balance sheet accounts

In order to meet our customers’ financial needs, the Bank has extended several irrevocable commitments and contingent obligations. Even though these obligations are not recognized in the balance sheet, they involve credit risk and thus form part of the Bank’s general risk exposure.

Credit risk exposure generated by contingent obligations is disclosed in Note 26.

40. Risk Management, continued:

(3) Market Risk

Market Risk is referred as to the potential loss the Bank may incur due to the scarcity of liquidity (Liquidity Risk) or due to an adverse change of market factors levels (Price Risk).

(a) Liquidity Risk:

Liquidity Risk Measurement and Limits

The Bank measures, limits, controls and reports Trading and Funding liquidity risks. For the Trading portfolio, the Bank measures and controls derivatives and debt securities trading liquidity risk through specific DV01 limits by tenor point (DV01 is the change in the value of a transaction as a result of the increase in the interest rate used for valuing the transaction by 0.01%). Debt instruments booked in the Accrual book do not require trading liquidity restrictions since they are purchased as medium to long term investments.

Funding Liquidity is controlled and limited using several reports. The most basic one in place is the C08 liquidity report, which is part of the set of reports requested by the banks regulator (Superintendence of Banks and Financial Institutions or "SBIF" hereafter). The C08 liquidity report includes forecasted cash flows over the next 30 and 90 days for the main transactional balance sheet items (excluding capital, property and equipment, etc,); reports are separated between those that include cash flows denominated in local currency (including cash flows denominated in CLP and CLF) from those in foreign currencies (mainly concentrated in USD).

The SBIF requests banks to comply with the following C08 Index limits (the C08 Index is computed as the result of dividing the expected cash flow for the tenor bucket under analysis by the bank's Tier1 Capital):

Foreign Currency 1-30 days: C08 Index < 1
All Currencies 1-30 days: C08 Index < 1
All Currencies 1-90 days: C08 Index < 2

Additionally, the SBIF allows banks to measure and report the C08 Index utilizing behavioral maturity assumptions for some specific balance sheet items (such as rollover assumptions for some proportion of the loans portfolio; some portion of the DDAs may be modeled as stable and therefore not withdrawn from the bank; etc.). When calculating the C08 Index using behavioral assumptions, it is referred as to the Adjusted C08 Index.

As of December 31st 2011, the Foreign Currency 1-30 days Adjusted C08 Index is slightly below 0,1 whereas the index for all currencies is slightly above 0,4.

40. Risk Management, continued:

(3) Market Risk, continued:

(a) Liquidity Risk, continued

The tables below details the maturity profile of the consolidated financial liabilities of Banco de Chile and its subsidiaries where are included projected contractual interests (1), as of December 31, 2010 and 2011:

	Up to 1 month MCh$	Between 1 and 3 months MCh$	Between 3 and 12 months MCh$	Between 1 and 3 years MCh$	Between 3 and 5 years MCh$	More than 5 years MCh$	Total MCh$
Liabilities as of December 31, 2011							
Current accounts and other demand deposits	4,895,426	—	—	—	—	—	4,895,426
Transactions in the course of payment	155,424	—	—	—	—	—	155,424
Accounts Payable from repurchase agreements and security lending	222,756	446	—	—	—	—	223,202
Savings accounts and time deposits	4,441,786	1,951,047	2,607,906	290,481	355	30	9,291,605
Derivative instruments	515,787	439,237	244,021	48,804	—	—	1,247,849
Borrowings from financial institutions	483,189	800,101	407,649	—	—	—	1,690,939
Other financial obligations	89,141	13,738	149,234	423,070	603,744	1,559,965	2,838,892
Total undiscounted financial liabilities (excluding derivatives with offsetting agreements)	10,803,509	3,204,569	3,408,810	762,355	604,099	1,559,995	20,343,337
Derivatives with offsetting agreements	671,072	1,066,890	3,637,260	4,068,859	2,616,022	944,230	13,004,333

	Up to 1 month MCh$	Between 1 and 3 months MCh$	Between 3 and 12 months MCh$	Between 1 and 3 years MCh$	Between 3 and 5 years MCh$	More than 5 years MCh$	Total MCh$
Liabilities as of December 31, 2010							
Current accounts and other demand deposits	4,446,181	—	—	—	—	—	4,446,181
Transactions in the course of payment	208,750	—	—	—	—	—	208,750
Payables from repurchase agreements and security lending	81,590	165	—	—	—	—	81,755
Savings accounts and time deposits	3,400,663	1,458,340	2,481,908	328,030	65,937	39	7,734,917
Derivative instruments	374,303	347,750	213,633	45,326	—	—	981,012
Borrowings from financial institutions	102,288	122,572	905,270	104,167	47,075	—	1,281,372
Other financial obligations	321,168	340,251	375,168	368,674	374,532	1,496,556	3,276,349
Total undiscounted financial liabilities (excluding derivatives with offsetting agreements)	8,934,943	2,269,078	3,975,979	846,197	487,544	1,496,595	18,010,336
Derivatives with offsetting agreements	691,096	769,277	3,052,715	4,915,709	2,112,000	1,131,751	12,672,548

(1) These tables included the flows of interests and the flows of capital.

The Loans-to-deposit ratio for 2011 and 2010 is detailed below:

Loans-to-Deposit Ratio

	December 31, 2011	December 31, 2010
Maximum	2.05	1.47
Minimum	1.93	0.99
Average	1.98	1.39

40. Risk Management, continued:

(3) Market Risk, continued

(a) Liquidity Risk, continued:

The Bank establishes various internal measurements, in addition to the limits imposed by local regulators, which aim to prevent significant funding sources concentration, funding maturity date concentrations in both local and foreign currency and other ratios to closely watch the evolution of the structure of the balance sheet.

(b) Price Risk:

Price Risk Measurement and Limits

Price Risk is measured utilizing various internal and regulatory reports. Analyses are usually made separately for the Trading portfolio from those utilized for the Accrual book.

A standardized regulatory report (SBIF C43 report) is used for the Trading portfolio, which allows the Bank including its affiliates to measure its potential loss in the case of an adverse fluctuation, at a given confidence level, of the relevant market factors used for valuing these transactions (FX rates, interest rates, derivatives yields, equity prices, options volatility, etc.). This metric is computed using tables provided by the SBIF, which are taken from the Basel Accord on standardized measurement of price risk for trading portfolios.

The SBIF has not established a formal individual limit for the Trading Portfolio price risk, but rather an overall limit that includes Market Risk plus the Credit Risk of the assets portfolio, which is assessed as 10% of the risk-weighted assets. In the future, Operational Risk will be included in the regulatory measurement as well.

In addition, the Bank has established internal limits for the Trading portfolio positions; in fact, limits are established for net foreign exchange rate positions (FX delta), interest rates positions (rho or DV01) and for volatility positions (vega) generated by options portfolios.

The Bank measures a 99% confidence parametric VaR escalated to 22 days (one month) for the Trading portfolio, which is monitored against a trigger. Volatilities and correlations are implied from market factors historical fluctuations using statistical tools. One year daily closing prices are used as a source for the volatility discovery process.

Interest risk for the Accrual Book is measured using both a standardized regulatory report (C40) and an internal report. The latter is based on the analysis of gaps generated by the mismatch between assets and liabilities repricing tenors.

The standardized regulatory report (C40) estimates the potential loss due to adverse interest rate fluctuations, with a certain level of confidence. This metric is computed using tables provided by the SBIF, for standardized measurement of the accrual interest rate risk. Under current regulations, banks must establish limits for the short–term interest rate risk for the Accrual book as a percentage of the net interest rate margin and for the long-term interest rate risk as a percentage of the Bank's Tier-2 Capital; current limits for Banco de Chile are 25% and 25% respectively. The evolution of these two metrics along year 2011 is the following:

(3) Market Risk, continued

(b) Price Risk, continued

	Banking Risk Book Short term	Banking Risk Book Long Term
Maximum Use	11.7%	18.4%
Average Use	10.3%	17.1%
Minimum Use	9.3%	15.9%

During 2011, the Bank established additional measurements, limits and reports for interest rates positions and price risks but utilizing internal models; in fact, a new methodology was put in place for interest rate exposures (IRE) and earnings at risks (EaR) computation. These two metrics are generated including the whole balance sheet; therefore, some items that are not included in the C40 analysis (e.g. Capital, Fixed Assets, etc.) are here included. Additionally, the internal models consider a more thorough and realistic study of the FX and interest rates fluctuations than the one required by the local regulators.

Finally, the internal policies Bank implement stress tests must be executed for the Trading portfolio, where the potential losses must be compared against internal triggers. In addition the Bank has also established a one month rolling loss trigger which is also daily monitored. For the Accrual Book monthly stress tests are carried out, the results are also compared against triggers defined by the Banks administration.

The following table illustrates the exposure of the Accrual Book to interest rate risk by repricing tenor on an individual basis as of December 31, 2010 and 2011:

40. Risk Management, continued:

(3) Market Risk, continued:

(b) Price Risk, continued

The tables below included projected contractual interest [(1)], as of December 31, 2010 and 2011:

Accrual Book Interest Rate Exposure by Maturity

	Up to 1 month MCh$	Between 1 and 3 months MCh$	Between 3 and 12 months MCh$	Between 1 and 3 years MCh$	Between 3 and 5 years MCh$	More than 5 years MCh$	Total MCh$
Assets as of December 31, 2011							
Cash and due from banks	827,381	—	—	—	—	—	827,381
Transactions in the course of collection	295,420	—	—	—	—	—	295,420
Accounts receivable from repurchase agreements and security borrowing	10,021	—	—	—	—	—	10,021
Derivative instruments	173,624	64,468	195,555	—	—	—	433,647
Loans and advances to banks	52,870	188,642	198,068	38,127	61,469	109,249	648,425
Loans to customers, net	2,063,967	2,371,825	4,516,013	4,123,675	1,920,759	4,537,489	19,533,728
Financial assets available-for-sale	112,181	229,613	260,827	119,412	225,218	492,407	1,439,658
Financial assets held-to-maturity	—	—	—	—	—	—	—
Total assets	3,535,464	2,854,548	5,170,463	4,281,214	2,207,446	5,139,145	23,188,280

	Up to 1 month MCh$	Between 1 and 3 months MCh$	Between 3 and 12 months MCh$	Between 1 and 3 years MCh$	Between 3 and 5 years MCh$	More than 5 years MCh$	Total MCh$
Assets as of December 31, 2010							
Cash and due from banks	759,947	—	—	—	—	—	759,947
Transactions in the course of collection	403,208	—	—	—	—	—	403,208
Receivables from repurchase agreements and security borrowing	5,107	—	—	—	—	—	5,107
Derivative instruments	34,644	85,949	192,620	—	—	—	313,213
Loans and advances to banks	95,236	71,094	128,536	54,722	—	—	349,588
Loans to customers, net	2,236,700	2,084,812	3,936,659	3,018,469	1,718,849	3,633,320	16,628,809
Financial assets available-for-sale	236,329	186,498	197,401	116,278	198,449	398,807	1,333,762
Financial assets held-to-maturity	—	—	—	—	—	—	—
Total assets	3,771,171	2,428,353	4,455,216	3,189,469	1,917,298	4,032,127	19,793,634

(1) These tables included the flows of interests and the flows of capital.

40. Risk Management, continued:

(3) Market Risk, continued

(b) Price Risk, continued

The tables below included projected contractual interest [(1)], as of December 31, 2010 and 2011:

	Up to 1 month MCh$	Between 1 and 3 months MCh$	Between 3 and 12 months MCh$	Between 1 and 3 years MCh$	Between 3 and 5 years MCh$	More than 5 years MCh$	Total MCh$
Liabilities as of December 31, 2011							
Current accounts and demand deposits	4,906,774	—	—	—	—	—	4,906,774
Transactions in the course of payment	87,821	—	—	—	—	—	87,821
Accounts payable from repurchase agreements and security lending	48,560	—	—	—	—	—	48,560
Savings accounts and time deposits	4,488,511	1,999,990	2,546,130	346,907	397	41	9,381,976
Derivative instruments	1,739	3,119	20,276	167,445	78,059	246,035	516,673
Borrowings from financial institutions	609,849	789,386	408,950	17,548	12,650	39,466	1,877,849
Debt issued	12	15	164	465	664	1,714	3,034
Other financial obligations	104,265	11,117	56,986	109,687	118,978	44,926	445,959
Total liabilities	10,247,531	2,803,627	3,032,506	642,052	210,748	332,182	17,268,646

	Up to 1 month MCh$	Between 1 and 3 months MCh$	Between 3 and 12 months MCh$	Between 1 and 3 years MCh$	Between 3 and 5 years MCh$	More than 5 years MCh$	Total MCh$
Liabilities as of December 31, 2010							
Current accounts and demand deposits	4,407,773	—	—	—	—	—	4,407,773
Transactions in the course of payment	181,283	—	—	—	—	—	181,283
Accounts payable from repurchase agreements and security lending	22,007	—	—	—	—	—	22,007
Savings accounts and time deposits	3,403,335	1,480,524	2,483,602	387,976	6,932	53	7,762,422
Derivative instruments	332	1,203	17,454	51,666	102,998	199,410	373,063
Borrowings from financial institutions	347,092	461,551	449,523	1,177	—	—	1,259,343
Debt issued	21,262	26,244	253,160	346,518	357,462	1,442,776	2,447,422
Other financial obligations	172,267	1,242	7,814	18,920	14,343	43,354	257,940
Total liabilities	8,555,351	1,970,764	3,211,553	806,257	481,735	1,685,593	16,711,253

(1) These tables included the flows of interests and the flows of capital.

40. Risk Management, continued:

(3) Market Risk, continued:

(b) Price Risk, continued:

Price Risk Sensitivity Analysis

The Bank uses stress tests as a main measure for analyzing price risk sensitivity. The analysis is implemented for the Trading Book and the Accrual or Banking Book in a separate manner. After the financial crisis of 2008 and based on the numerous studies and analyses performed on the matter, the Bank adopts this tool when it notices that it is more reliable and useful than normal distribution change evaluations such as the (VaR) since:

(a) The recent financial crisis shows fluctuations that are materially higher than those used through VaR with 99% reliability.
(b) The recent financial crisis shows correlations between these fluctuations that are materially different to those used through VaR, since the crisis precisely indicates severe disconnections between the evolution of market variables and those normally observed.
(c) Trading liquidity dramatically decreased in emergent markets and in Chile during the financial crisis and therefore, scaling of the daily fluctuation VaR is a very gross approximation of the expected loss.

In order to increase stress tests, in a daily manner, the Bank performs a follow-up of the evolution of potential losses or gains of the Trading Book and their causes.

An updated database is maintained including the historical data of foreign exchange rates, debt instruments yields to maturity, derivatives swap yields, foreign exchange volatilities, etc. that enable the Bank to maintain up-to-date records of historical volatility of market factors fluctuations and correlations between these ones. Given this, the stress tests may be implemented modeling directional fluctuations but also knowing the magnitude of the modeled fluctuations relative to statistical data and also how frequent the fluctuation modeled occurred in the past (last 4 years, as a minimum data horizon).

40. Risk Management, continued:

(3) Market Risk, continued:

(b) Price Risk, continued

In order to comply with IFRS 7.40, we include the following exercise illustrating an estimation of the impact of feasible but reasonable (neither stressed nor extreme) fluctuations of interest rates, swaps yield, foreign exchange rates and foreign exchange volatilities embedded in the Trading and Accrual portfolios. Given that the Bank's portfolio includes positions denominated in nominal and real interest rates, these fluctuations must be aligned with realistic inflation changes forecast. The exercise is implemented in a very simplistic way: trading portfolios impacts are estimated by multiplying DV01s by expected interest rates shifts; accrual portfolios impacts are computed as multiplying cumulative gaps by forward interest rates modeled fluctuations. However, this methodology presents the limitation that convexity of interest rates yield curves is not captured for trading portfolios; additionally, neither convexity nor prepayments behaviors are captured in the accrual portfolio analysis. In any case, given the magnitude of the shifts, the methodology may be accurate enough for the purposes and scope of the analysis.

The following table illustrates the fluctuations of bond interest rates, derivatives yields, FX rates, FX CLP/USD volatility and inflation. Equity prices fluctuations of positions held in the Bank's stockbrokerage house (Banchile Corredores de Bolsa SA) are not included given that are not considered material. In fact, equity positions are usually tiny since that this legal vehicle is mostly focused on customer driven transactions (brokerage or equity swaps transactions closed with customers).

The directions of these fluctuations were chosen between four scenarios (two positive economic scenarios that include better performance of the expected economic outlook such as faster solution of the European crisis and two negative economic scenarios that include a worse performance of the expected economic outlook such as a double dip of the American financial crisis) given that they generate the worst impact within the four above mentioned:

Market Factor Fluctuations: adverse scenario

	CLP Derivatives (bps)	CLP Bonds (bps)	CLF Derivatives (bps)	CLF Bonds (bps)	USD Offshore 3m Derivatives (bps)	Spread USD On/Off Derivatives (bps)	Vol FX CLP/USD (%)	Inflation's Change Period n-1 to n (Monthly Basis) (%)
3 m	54	75	-190	-173	5	-7	-11.9%	0.19%
6 m	46	84	-70	-47	9	-41	-9.8%	0.01%
9 m	48	89	-29	-3	12	-49	-8.1%	0.01%
1 yr	49	91	-34	8	14	-52	-7.2%	0.05%
2 yrs	56	79	-8	18	33	-60	—	0.03%
4 yrs	50	56	-1	6	48	-23	—	0.03%
6 yrs	48	48	2	3	51	-23	—	0.02%
10 yrs	47	49	1	2	51	-24	—	0.03%
16 yrs	48	49	2	1	46	-24	—	0.03%
20 yrs	49	49	1	0	45	-24	—	0.04%

Bps = Basic points

40. Risk Management, continued:

(3) Market Risk, continued:

(b) Price Risk, continued

The impact of the fluctuations detailed above in the value of the Trading book is the following:

ESTIMATED P&L IMPACT TRADING BOOK ADVERSE SCENARIO	
	MCh$
CLP Interest Rate	38
Derivatives	512
Securities	(474)
CLF Interest Rate	(600)
Derivatives	(568)
Securities	(32)
USD, EUR, JPY Offshore Interest Rate	217
USD, EUR, JPY On/Off Spread	146
Total Interest Rate	**(199)**
Total FX	**58**
Total Vega FX	**(155)**
P&L Impact: Interest Rate + FX + Vega	**(296)**
BCh Expected P&L (12 Months)	460,000
BCh Tier1 Capital	1,739,175
P&L Impact / (Tier1 Capital + Expected P&L 12 Months)	0.0%
P&L Estimated (12 Months annual)	(0.1%)

The impact of such fluctuations in the Accrual portfolio, which is not necessarily a gain/loss but greater/lower net revenue from funds generation (net revenues from funds or NRFF is the net interests generation resulting from the accrual portfolio), is illustrated below:

MARGINAL NRFF ACCRUAL BOOK ADVERSE SCENARIO	
MCh$	12 MONTHS
High/low income	**(14,538)**
CLP TOTAL	78,800
CLF TOTAL	(91,466)
FCY TOTAL	(1,872)

The positive impact on the CLP book is somehow compensated by the negative impact on the CLF book; additionally, the net impact in the NRFF for the next 12 months is less than 10% of the forecasted 2012 bank’s profit, reflecting an adequate risk-return ratio.

40. Risk Management, continued:

(3) Market Risk, continued:

(b) Price Risk, continued

Finally, the next table illustrates the shadow mark-to-market impact (the impact on equity but not on income) in the AFS portfolio due to the interest rate fluctuations detailed in the first table of the stress test analysis:

AVAILABLE FOR SALE PORTFOLIO IMPACT ADVERSE SCENARIO			
Instrument	DV01(+1 bps) (USD)	Impact due to interest rate change (USD)	Impact due to interest rate change (MCh$)
CLP	(106,970)	(7,166,990)	(3,726)
CLF	(466,668)	(2,333,340)	(1,213)
USD	(261,774)	(5,235,480)	(2,722)
Total	**-**	**(14,735,810)**	**(7,661)**

The scenario would generate losses in the Available for Sale portfolio, mainly due to a rise in rates above 1 year.

(4) Capital Requirements and Capital Management:

The Bank maintains an actively managed capital base to cover the risks inherent in its business. The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios established by the Chilean Superintendency of Banks and Financial Institutions. During the past year as well as 2008, the Bank has fully complied with the externally imposed capital requirements.

The primary objectives of the Bank's capital management are to ensure that the Bank complies with externally imposed capital requirements and that the Bank maintains strong credit ratings and healthy capital ratios.

The Bank manages its capital structure and makes adjustments in the light of changes in the economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure the Bank may adjust the amount of dividend payments, return capital to its shareholders or issue capital securities. No changes have been made to the objectives, policies and processes during the years presented.

40. Risk Management, continued:

Regulatory capital

In accordance with the Chilean General Banking Law, the Bank must maintain a minimum ratio of Effective Equity to Consolidated Risk-Weighted Assets of 8%, net of required provisions, and a minimum ratio of Basic Capital to Total Consolidated Assets of 3%, net of required provisions. However, due to the 2008 merger of Banco de Chile and Citibank Chile, the Superintendency of Banks and Financial Institutions, in Resolution N° 209 from December 26, 2007, increased the limit on the Bank's ratio of effective equity to risk-weighted assets to 10%. In this context, the SBIF ratified the use of the 10% as minimum fixed in December 2001 when authorizing merge by absorption of Banco Edwards in Banco de Chile.

For this purpose, Effective Equity is determined based on Capital and Reserves or Basic Capital, adjusted by: (a) adding subordinated bonds up to 50% of Basic Capital, (b) adding additional loan provisions, and (c) subtracting the asset balance of goodwill or overpayments and unconsolidated investments in companies.

Assets are weighted using risk categories, which are assigned a risk percentage based on the capital needed to back each asset. There are 5 risk categories (0%, 10%, 20%, 60% and 100%). For example, cash, due from banks and financial instruments issued by the Chilean Central Bank have 0% risk, which means, in accordance with current standards, no capital is required to back these assets. Property and equipment have 100% risk, which means that minimum capital equivalent to 8% of the value of these assets is needed (10% in the case of Banco de Chile).

All derivative instruments traded off-market are taken into account to determine risk assets using conversion factors over notional values, thus calculating the value of the credit risk exposure (or "credit equivalent"). For weighting purposes, "credit equivalent" also considers off-balance sheet contingent loans.

40. Risk Management, continued:

(4) Capital Requirements and Capital Management, continued:

Levels of Basic Capital and Effective Equity as of December 31, 2010 and 2011 are as follows:

	Consolidated assets		Risk-weighted assets	
	2010 MCh$	2011 MCh$	2010 MCh$	2011 MCh$
Balance sheet assets (net of provisions)				
Cash and due from banks	772,329	881,146	767	16,472
Transactions in the course of collection	429,756	373,639	60,922	100,236
Financial assets held-for-trading	279,765	304,912	65,540	78,314
Receivables from repurchase agreements and security borrowing	82,787	47,981	82,787	47,981
Derivative instruments	488,354	381,055	396,511	378,788
Loans and advances to banks	349,588	648,425	338,913	335,562
Loans to customers, net	14,029,968	17,023,756	12,841,904	15,555,760
Financial assets available-for-sale	1,157,105	1,471,120	358,740	488,760
Investments in other companies	11,072	13,196	13,294	15,418
Intangible assets	88,463	81,026	33,992	33,757
Property and equipment	204,352	207,888	206,513	207,887
Investment Properties	17,459	17,079	—	—
Current tax assets	3,363	—	565	141
Deferred tax assets	57,678	60,025	11,120	11,628
Other assets	304,425	254,310	286,021	229,650
Subtotal			14,697,589	17,500,354
Off-balance-sheet assets				
Contingent loans	2,913,689	3,484,007	1,748,106	2,084,517
Total risk-weighted assets			16,445,695	19,584,871

41. New Accounting Pronouncements:

The following is a summary of new standards, interpretations and improvements to the International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) but which have not come into effect as of December 31, 2011, as per the following detail:

IAS 1 Presentation of Financial Statements

The amendments to IAS 1 published by the IASB on June 16, 2011 require entities to group items presented in OCI on the basis of whether they are potentially recycled to profit or loss (ie reclassification adjustments). The amendments do not address which items are presented in OCI or which and when items are recycled through profit or loss, but reaffirm that items in OCI and profit or loss should be presented as either a single statement or two consecutive statements. Entities are required to apply amendments in the annual periods beginning on or after ***July 1, 2012***, or earlier. To date, Banco de Chile and its subsidiaries are evaluating the possible impact that the adoption of this standard will have on its consolidated financial statements.

IAS 12 Income Taxes

On December 20, 2010, the IASB issued the document "Deferred Taxes: Recovery of Underlying Assets (amendment to IAS 12)" which regulates determination of deferred taxes for entities that use ***fair value as a valuation model for investment properties*** in accordance with IAS 40 Investment Properties. In addition, the new regulation incorporates SIC-21 "Income Taxes – Recovery of Non-depreciable Assets" in the body of IAS 12. The entities are obliged to apply the amendments in annual periods beginning as of ***January 1, 2012.*** To date, Banco de Chile and its subsidiaries are evaluating the possible impact that the adoption of this standard will have on its consolidated financial statements.

IAS 19 Employee Benefits

The amendments to IAS 19 published by the IASB on June 16, 2011 eliminate the option to defer recognition of gains and losses (the 'corridor method'), streamline the presentation of changes in assets and liabilities arising from defined benefit plans and enhance the disclosure requirements for defined benefit plans. Entities are required to apply amendments in the annual periods beginning on or after ***January 1, 2013***, or earlier. To date, Banco de Chile and its subsidiaries are evaluating the possible impact that the adoption of this standard will have on its consolidated financial statements.

IAS 27 Separate Financial Statements

This standard amended in May 2011, and supersedes IAS 27 (2008). The scope of this standard is restricted from this change only separate financial statements, as the concept related to the definition of control and consolidation were removed and included in IFRS 10. Entities are required to apply amendments in the annual periods beginning on or after ***January 1, 2013***, and early adoption is permitted in conjunction with IFRS 10, IFRS 11 and IFRS 12 and the amendment to IAS 28. To date, Banco de Chile and its subsidiaries are evaluating the possible impact that the adoption of this standard will have on its consolidated financial statements.

41. New Accounting Pronouncements, continued:

IAS 28 Investments in Associates and Joint Venture

The objective of IAS 28 (as amended in May 2011) is to prescribe the accounting for investments in associates and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. Entities are required to apply amendments in the annual periods beginning on or after ***January 1, 2013***, and early adoption is permitted in conjunction with IFRS 10, IFRS 11 and IFRS 12 and the amendment to IAS 27. To date, Banco de Chile and its subsidiaries are evaluating the possible impact that the adoption of this standard will have on its consolidated financial statements.

IFRS 9 Financial Instruments

Financial liabilities

Financial Instruments: Recognition and Measurement

In November 2009, the IASB issued IFRS 9, "Financial Instruments," the first step in its project to replace IAS 39, "Financial Instruments: Recognition and Measurement". IFRS 9 introduces new requirements for classifying and measuring financial assets that are in the scope of the application of IAS 39. This new regulation requires that all financial assets be classified in function of the entity's business model for the management of financial assets and of the characteristics of the contractual cash flows of financial assets. A financial asset shall be measured at amortized cost if two criteria are fulfilled: (a) the objective of the business model is to maintain a financial asset to receive contractual cash flows, and (b) contractual cash flows represent principal and interest payments. Should a financial asset not comply with the aforementioned conditions, it will be measured at fair value. In addition, this standard allows a financial asset that fulfills the criteria to be valued at amortized cost to be designated at fair value with changes in income under the fair value option, as long as this significantly reduces or eliminates an accounting asymmetry. Likewise, IFRS 9 eliminates the requirement of separating embedded derivatives from the host financial assets. Therefore, it requires that a hybrid contract be classified entirely in amortized cost or fair value.

IFRS 9 is effective for annual periods commencing as of ***January 1, 2015***, and allows adoption prior to that date. IFRS 9 must be applied retroactively, however if it is adopted before January 1, 2012, there is no need to reformulate comparative periods.

Banco de Chile and its subsidiaries are assessing the possible impact of adoption of these changes on the financial statements, however, that impact will depend on the assets maintained by the institution as of the adoption date. It is not practicable to quantify the effect on the issuance of these financial statements. To date, neither of these regulations has been approved by the Superintendency of Banks, event that is required for their application.

41. New Accounting Pronouncements, continued:

IFRS 10 Consolidated Financial Statement

In May 2011 the IASB issued IFRS 10 establishes a new definition of control applies to all entities including “special purpose entities” or “structured entities” as they are now referred to in the new standards. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore are required to be consolidated by a parent.

These new standard is effective for annual periods beginning on or after ***January 1, 2013***. To date, Banco de Chile and its subsidiaries are evaluating the possible impact that the adoption of this standard will have on its consolidated financial statements.

IFRS 11 Joint Arrangements

In May 2011 the IASB issued IFRS 11 replaces IAS 31 Interest in Joint Ventures and SIC-13 Jointly-Controlled Entities- Non-monetary Contributions by Ventures.

IFRS 11 eliminated the option to record the value of investment in a joint venture using proportionate consolidation or recognize its assets and liabilities its relative shares of those items, if any. The new standards require to use the equity method.

These new standard is effective for annual periods beginning on or after ***January 1, 2013***. To date, Banco de Chile and its subsidiaries are evaluating the possible impact that the adoption of this standard will have on its consolidated financial statements.

IFRS 12 Disclosure of Interests in Other Entities

On May 12, 2011 the IASB issued IFRS 12 which replaces the requirements previously included in IAS 27, IAS 31 and IAS 28. This new standard is aimed at concentrating on a single regulatory body disclosure of subsidiaries, joint agreements, associates and structured entities. The new disclosures will help users of its financial statement evaluate the nature and risks associated with interests in other entities and the effects of those interests on its financial statements.

These new standard is effective for annual periods beginning on or after ***January 1, 2013***. To date, Banco de Chile and its subsidiaries are evaluating the possible impact that the adoption of this standard will have on its consolidated financial statements.

41. New Accounting Pronouncements, continued:

IFRS 13 Fair Value Measurement

In May 2011, the IASB issued IFRS 13 Fair Value Measurement. This new standard establishes a new definition of Fair Value that converges with the generally accepted accounting principles in United States (US GAAP). This new regulation does not change when an entity must or may use fair value, but changes the way how to measure the fair value of financial assets and liabilities and non-financial.

These new standard is effective for annual periods beginning on or after ***January 1, 2013***. To date, Banco de Chile and its subsidiaries are evaluating the possible impact that the adoption of this standard will have on its consolidated financial statements.

IFRS 7 Financial Instruments: Disclosures

In December 2011, amended the required disclosures to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognized financial assets and recognised financial liabilities, on the entity's financial position. An entity shall apply those amendments for annual periods beginning on or after ***January 1, 2013***. To date, Banco de Chile and its subsidiaries are evaluating the possible impact that the adoption of this standard will have on its consolidated financial statements.

IAS 32 Financial Instruments: Presentation

The amendments, issued in December 2011, address inconsistencies in current practice when applying the offsetting criteria IAS 32. The amendments are effective for annual periods beginning on or after ***January 1, 2014*** and allow adoption prior to that date. To date, Banco de Chile and its subsidiaries are evaluating the possible impact that the adoption of this standard will have on its consolidated financial statements.

42. Subsequent Events:

a. In an ordinary meeting held on January 26, 2012, our board of directors decided to call an ordinary shareholders meeting to be held on March 22, 2012 with the objective of proposing, among other matters, the increase the Banks capital through the capitalization of 30% of the Bank's net income for the fiscal year 2011, by means of the issuance of shares without nominal value, set at the value of $67.48 per share and distributed among shareholders, without charge, at the rate of 0.018956 new shares per each paid for and subscribed share and to adopt all necessary resolutions subject to the options contemplated in Article 31 of Law N°19,396.

In an ordinary meeting held on March 22, 2012, its shareholders' approved the distribution and payment of dividend No.200, in the amount of CLP$2.984740 per Banco de Chile common share, which represents 70% of the Bank's net income for year 2011.

b. On February 16, 2012, and pursuant to Article 116 of Law No.18,045, Bank of Chile in his capacity as representative of the bondholders Series A, issued by Compañía Sud Americana de Vapores S.A., that because this has occurred the configuration of the disability cause contemplated in the first paragraph of Article 116 of Law No.18,045, that is, being the representative of the bondholders related to the issuer.

Bank of Chile will refrain from further actions as such and will renounce as representative of the bondholders of such issue, for which purpose will proceed to quote in the shortest possible time to a bondholders meeting, to announce the renounce of Bank of Chile as representative and to propose to the assembly the appointment of a new representative.

The said bond issue is in the public deed dated August 29, 2001, executed in Santiago on behalf of the Public Notary Mr. René Benavente Cash, together with all the amendments and entered in the Registry of Securities of the Chilean Superintendency of Securities and Insurance under No.274.

c. On March 27, 2012, the Central Bank of Chile communicated to Banco de Chile that in the Extraordinary Session, No.1666E, the Board of the Central Bank of Chile resolved to request its corresponding surplus, from the fiscal year ended on December 31, 2011, including the proportional part of the agreed upon capitalization profits, which be paid in cash currency.

SIGNATURE

The registrant, Banco de Chile, hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

BANCO DE CHILE

By /s/ ARTURO TAGLE Q.
Name: Arturo Tagle Q.
Title: Chief Executive Officer

Date: April 25, 2012

Exhibit 8.1

LIST OF SUBSIDIARIES
Banco de Chile

1. Banchile Administradora General de Fondos S.A.
2. Banchile Factoring S.A.
3. Banchile Corredores de Seguros Limitada
4. Banchile Corredores de Bolsa S.A.
5. Banchile Asesoría Financiera S.A.
6. Banchile Securitizadora S.A.
7. Promarket S.A.
8. Socofin S.A.
9. Banchile Trade Services Limited (Hong Kong)

With the exception of Banchile Trade Services Limited, which was incorporated in Hong Kong, the jurisdiction of incorporation of the subsidiaries listed above is the Republic of Chile.

Exhibit 12.1

CERTIFICATION

I, Arturo Tagle Q., certify that:

1. I have reviewed this annual report on Form 20-F of Banco de Chile;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 25, 2012

By: /S/ ARTURO TAGLE Q.
Name: Arturo Tagle Q.
Title: Chief Executive Officer

Exhibit 12.2

CERTIFICATION

I, Pedro Samhan E., certify that:

1. I have reviewed this annual report on Form 20-F of Banco de Chile;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 25, 2012

/S/ PEDRO SAMHAN E.
Name: Pedro Samhan E.
Title: Chief Financial Officer

Exhibit 13.1

Certification
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), each of the undersigned officers of Banco de Chile (the "Company"), does hereby certify, to such officer's knowledge, that:

The Annual Report on Form 20-F for the year ended December 31, 2011 (the "Form 20-F") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 20-F fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: April 25, 2012

/S/ ARTURO TAGLE Q.

Name: Arturo Tagle Q.
Title: Chief Executive Officer

/S/ PEDRO SAMHAN E.

Dated: April 25, 2012

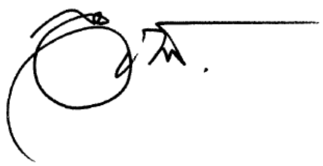
Name: Pedro Samhan E.
Title: Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to Banco de Chile and will be retained by Banco de Chile and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 15.1

Consent of Independent Registered Public Accounting Firm

We hereby consent to the incorporation by reference in the Registration Statement on Form F-3ASR (No. 333-172727) of Banco de Chile of our report dated April 18, 2012 with respect to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 20-F for the year ended December 31, 2011.



/s/ Ernst & Young Limitada

Santiago, Chile
April 25, 2012