

BANK OF CHILE
Form 6-K
October 31, 2012

FORM 6-K
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Report of Foreign Private Issuer

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

For the month of October, 2012

Commission File Number **001-15266**

BANK OF CHILE
(Translation of registrant's name into English)

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

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

Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted
by Regulation S-T Rule 101(b)(1):

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

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

Yes No

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

**BANCO DE CHILE
REPORT ON FORM 6-K**

Attached Banco de Chile's Financial Statements with notes for the Third Quarter of 2012.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: October 31, 2012

Banco de Chile

/S/ Arturo Tagle Q.

By: Arturo Tagle Q.

CEO

Table of Contents

BANCO DE CHILE AND SUBSIDIARIES

Index

- I. Interim Condensed Consolidated Statements of Financial Position
- II. Interim Condensed Consolidated Statements of Comprehensive Income
- III. Interim Condensed Consolidated Statements of Changes in Equity
- IV. Interim Condensed Consolidated Statements of Cash Flows
- V. Notes to the Interim Condensed Consolidated Financial Statements

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
HKD	=	Hong Kong dollars
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).
IFRS	=	International Financial Reporting Standards
IAS	=	International Accounting Standards
RAN	=	Compilation of Norms of the Chilean Superintendency of Banks
IFRIC	=	International Financial Reporting Interpretations Committee
SIC	=	Standards Interpretation Committee

Table of Contents

BANCO DE CHILE AND SUBSIDIARIES

INDEX

	Page
<u>Interim Condensed Consolidated Statement of Financial Position</u>	3
<u>Interim Condensed Consolidated Statements of Comprehensive Income</u>	4
<u>Interim Condensed Consolidated Statement of Changes in Equity</u>	6
<u>Interim Condensed Consolidated Statements of Cash Flows</u>	7
<u>1. Company Information:</u>	8
<u>2. Legal provisions, basis of preparation and other information:</u>	8
<u>3. New Accounting Pronouncements:</u>	11
<u>4. Changes in Accounting Policies and Disclosures:</u>	16
<u>5. Relevant Events:</u>	16
<u>6. Segment Reporting:</u>	19
<u>7. Cash and Cash Equivalents:</u>	22
<u>8. Financial Assets Held-for-trading:</u>	23
<u>9. Repurchase Agreements and Security Lending and Borrowing:</u>	24
<u>10. Derivative Instruments and Accounting Hedges:</u>	27
<u>11. Loans and advances to Banks:</u>	31
<u>12. Loans to Customers, net:</u>	32
<u>13. Investment Securities:</u>	36
<u>14. Investments in Other Companies:</u>	38
<u>15. Intangible Assets:</u>	40
<u>16. Property and equipment:</u>	43
<u>17. Current Taxes and Deferred Taxes:</u>	45
<u>18. Other Assets:</u>	49
<u>19. Current accounts and Other Demand Deposits:</u>	50
<u>20. Savings accounts and Time Deposits:</u>	50
<u>21. Borrowings from Financial Institutions:</u>	51
<u>22. Debt Issued:</u>	53
<u>23. Other Financial Obligations:</u>	55
<u>24. Provisions:</u>	55
<u>25. Other Liabilities:</u>	59
<u>26. Contingencies and Commitments:</u>	60
<u>27. Equity:</u>	64
<u>28. Interest Revenue and Expenses:</u>	69
<u>29. Income and Expenses from Fees and Commissions:</u>	71
<u>30. Net Financial Operating Income:</u>	72
<u>31. Foreign Exchange Transactions, net:</u>	72
<u>32. Provisions for Loan Losses:</u>	73
<u>33. Personnel Expenses:</u>	74
<u>34. Administrative Expenses:</u>	75
<u>35. Depreciation, Amortization and Impairment:</u>	76
<u>36. Other Operating Income:</u>	77
<u>37. Other Operating Expenses:</u>	78
<u>38. Related Party Transactions:</u>	79
<u>39. Fair Value of Financial Assets and Liabilities:</u>	84
<u>40. Maturity of Assets and Liabilities:</u>	93
<u>41. Subsequent Events:</u>	95

Table of Contents**BANCO DE CHILE AND SUBSIDIARIES****INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

For the periods ended September 30, 2012 and 2011

(Translation of financial statements originally issued in Spanish)

(Expressed in million of Chilean pesos)

	Notes	September 2012 MCh\$	December 2011 MCh\$	September 2011 MCh\$
ASSETS				
Cash and due from banks	7	610,396	881,146	866,149
Transactions in the course of collection	7	409,937	373,639	461,081
Financial assets held-for-trading	8	341,668	301,771	343,940
Receivables from Repurchase agreements and Security				
Borrowing	9	46,830	47,981	72,865
Derivative instruments	10	381,177	385,688	636,664
Loans and advances to banks	11	793,033	648,425	665,290
Loans to customers, net	12	17,964,344	16,993,303	16,363,952
Financial assets available-for-sale	13	1,514,891	1,468,898	1,304,220
Financial assets held-to-maturity	13			
Investments in other companies	14	15,368	15,418	15,007
Intangible assets	15	33,681	35,517	35,065
Property and equipment	16	207,655	207,888	207,397
Current tax assets	17	1,629	1,407	384
Deferred tax assets	17	127,511	116,282	113,420
Other assets	18	290,885	263,584	348,364
TOTAL ASSETS		22,739,005	21,740,947	21,433,798
LIABILITIES				
Current accounts and other demand deposits	19	5,001,775	4,895,426	4,601,815
Transactions in the course of payment	7	211,450	155,424	290,720
Payables from Repurchase Agreements and Security				
Lending	9	309,049	223,202	230,292
Savings accounts and time deposits	20	9,947,950	9,282,324	8,935,977
Derivative instruments	10	453,291	429,913	621,140
Borrowings from financial institutions	21	1,124,497	1,690,939	1,850,774
Debt issued	22	2,978,444	2,388,341	2,332,053
Other financial obligations	23	147,554	184,785	222,455
Current tax liabilities	17	26,222	4,502	7,340
Deferred tax liabilities	17	21,329	23,213	18,382
Provisions	24	416,987	457,938	373,920
Other liabilities	25	265,914	265,765	251,184
TOTAL LIABILITIES		20,904,462	20,001,772	19,736,052
EQUITY				
	27			
Attributable to Bank's Owners:				
Capital		1,509,994	1,436,083	1,436,083
Reserves		177,574	119,482	119,482
Other comprehensive income		17,570	(2,075)	683
Retained earnings:				

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Retained earnings from previous periods	16,379	16,379	16,379
Income for the period	327,910	428,805	329,218
Less:			
Provision for minimum dividends	(214,885)	(259,501)	(204,100)
Subtotal	1,834,542	1,739,173	1,697,745
Non-controlling interests	1	2	1
TOTAL EQUITY	1,834,543	1,739,175	1,697,746
TOTAL LIABILITIES AND EQUITY	22,739,005	21,740,947	21,433,798

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

Table of Contents**BANCO DE CHILE AND SUBSIDIARIES****INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME****For the nine-month ended September 30, 2012 and 2011**

(Translation of financial statements originally issued in Spanish)

(Expressed in million of Chilean pesos)

A. CONSOLIDATED STATEMENT OF INCOME

	Notes	September 2012 MCh\$	September 2011 MCh\$
Interest revenue	28	1,182,658	1,060,319
Interest expense	28	(497,974)	(424,430)
Net interest income		684,684	635,889
Income from fees and commissions	29	275,326	278,084
Expenses from fees and commissions	29	(48,089)	(42,895)
Net fees and commission income		227,237	235,189
Net financial operating income	30	15,766	60,974
Foreign exchange transactions, net	31	24,829	(11,648)
Other operating income	36	16,341	19,262
Total operating revenues		968,857	939,666
Provisions for loan losses	32	(137,584)	(108,388)
OPERATING REVENUES, NET OF PROVISIONS FOR LOAN LOSSES		831,273	831,278
Personnel expenses	33	(231,632)	(240,720)
Administrative expenses	34	(176,048)	(167,956)
Depreciation and amortization	35	(23,267)	(22,985)
Impairment	35	(648)	(4)
Other operating expenses	37	(39,862)	(25,705)
TOTAL OPERATING EXPENSES		(471,457)	(457,370)
NET OPERATING INCOME		359,816	373,908
Income attributable to associates	14	857	2,763
Income before income tax		360,673	376,671
Income tax	17	(32,762)	(47,453)
NET INCOME FOR THE PERIOD		327,911	329,218
Attributable to:		327,910	329,218
Bank's Owners		1	

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Non-controlling interests

		Ch\$	Ch\$
Net income per share attributable to Bank's Owners:			
Basic net income per share	27	3.72	3.85
Diluted net income per share	27	3.72	3.85

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

Table of Contents**BANCO DE CHILE AND SUBSIDIARIES****INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME****For the nine-month ended September 30, 2012 and 2011**

(Translation of financial statements originally issued in Spanish)

(Expressed in million of Chilean pesos)

B. CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Notes	September 2012 MCh\$	September 2011 MCh\$
NET INCOME FOR THE PERIOD		327,911	329,218
OTHER COMPREHENSIVE INCOME			
Net unrealized gains (losses):			
Net change in unrealized gains (losses) on available-for-sale instruments	13	23,294	(6,561)
Gains and losses on derivatives held as cash flow hedges		1,294	
Cumulative translation adjustment		(65)	62
Other comprehensive income before income taxes		24,523	(6,499)
Income tax related to other comprehensive income	17	(4,880)	1,312
Total other comprehensive income		19,643	(5,187)
TOTAL CONSOLIDATED COMPREHENSIVE INCOME		347,554	324,031
Attributable to:			
Bank's owners		347,553	324,031
Non-controlling interest		1	
		Ch\$	Ch\$
Comprehensive net income per share attributable to Bank's owners:			
Basic net income per share		3.95	3.79
Diluted net income per share		3.95	3.79

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

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

For the nine month ended September 30, 2011 and 2012

(Translation of financial statements originally issued in Spanish)

(Expressed in millions of Chilean pesos)

Notes	Reserves		Other comprehensive income				Retained earnings		Provision for minimum dividends	Attributable to equity holders of the parent	Non-controlling interest	Total
	Paid-in Capital	Other reserves	Reserves from earnings	Unrealized gains (losses) on available-for-sale	Derivatives cash flow hedge	Cumulative translation adjustment	Retained earnings from previous periods	Income for the year				
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Balances as of December 31, 2010	1,158,752	32,256	55,130	5,974		(104)	16,091	378,529	(242,503)	1,404,125	2	1,406,127
Capitalization of retained earnings	27	67,217						(67,217)				
Retention (released) earnings	27		32,096					(32,096)				
Dividends distributions and paid	27							(279,216)	242,503	(36,713)	(1)	(1)
Other comprehensive income:	27											
Cumulative translation adjustment						62				62		
Valuation adjustment on available-for-sale instruments, net				(5,249)						(5,249)		
Equity adjustment in subsidiary							288			288		
Capital increase	27	210,114								210,114		210,114
Income for the period 2011								329,218		329,218		329,218
Provision for minimum dividends	27								(204,100)	(204,100)		(204,100)
Balances as of September 30, 2011	1,436,083	32,256	87,226	725		(42)	16,379	329,218	(204,100)	1,697,745	1	1,698,745
Balances as of December 31, 2011	1,436,083	32,256	87,226	(1,644)	(395)	(36)	16,379	428,805	(259,501)	1,739,173	2	1,741,173

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Capitalization of retained earnings	27	73,911						(73,911)					
Retention (released) earnings	27		58,092					(58,092)					
Dividends distributions and paid	27							(296,802)	259,501	(37,301)	(2)	(2)	
Other comprehensive income:	27												
Cumulative translation adjustment								(65)		(65)			
Cash flow hedge adjustment, net							1,044			1,044			
Valuation adjustment on available-for-sale instruments (net)							18,666			18,666			
Income for the period 2012								327,910		327,910	1	3	
Provision for minimum dividends	27								(214,885)	(214,885)	(2)	(2)	
Balances as of September 30, 2012		1,509,994	32,256	145,318	17,022	649	(101)	16,379	327,910	(214,885)	1,834,542	1	1,8

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

Table of Contents**BANCO DE CHILE AND SUBSIDIARIES****INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****For the nine-month ended September 30, 2012 and 2011**

(Translation of financial statements originally issued in Spanish)

(Expressed in million of Chilean pesos)

	Notes	September 2012 MCh\$	September 2011 MCh\$
OPERATING ACTIVITIES:			
Net income for the period		327,911	329,218
Items that do not represent cash flows:			
Depreciation and amortization	35	23,267	22,985
Impairment of intangible assets and property and equipment	35	648	4
Provision for loan losses	32	164,370	131,262
Provision of contingent loans	32	2,909	7,651
Fair value adjustment of financial assets held-for-trading		626	(932)
Income attributable to investments in other companies	14	(648)	(2,577)
Income from sales of assets received in lieu of payment	36	(5,246)	(4,809)
Net gain on sales of property and equipment		(224)	(1,274)
(Increase) decrease in other assets and liabilities		(6,244)	(58,678)
Charge-offs of assets received in lieu of payment	37	1,974	2,865
Other charges (credits) to income that do not represent cash flows		(67,496)	78,645
Net changes in interest and fee accruals		20,639	(17,636)
Changes in assets and liabilities that affect operating cash flows:			
(Increase) decrease in loans and advances to banks, net		(144,957)	(314,201)
Increase in loans to customers		(1,116,529)	(2,396,279)
Increase in financial assets held-for-trading, net		123,829	(112,555)
Decrease in deferred taxes, net	17	(13,113)	(10,171)
Increase in current account and other demand deposits		107,096	155,397
Increase in payables from repurchase agreements and security lending		56,397	159,487
Increase in savings accounts and time deposits		673,172	1,198,428
Proceeds from sale of assets received in lieu of payment		7,074	6,526
Total cash flows from operating activities		155,455	(826,644)
INVESTING ACTIVITIES:			
(Increase) decrease in financial assets available-for-sale, net		(81,974)	(126,380)
Purchases of property and equipment	16	(15,285)	(16,418)
Proceeds from sales of property and equipment		119	1,662
Purchases of intangible assets	15	(6,001)	(6,276)
Investments in other companies	14	(71)	
Dividends received from investments in other companies	14	915	746
Total cash flows from investing activities		61,651	(146,666)
FINANCING ACTIVITIES:			
Repayment of mortgage finance bonds		(20,791)	(28,896)
Proceeds from bond issuances	22	815,989	692,578
Redemption of bond issuances		(244,075)	(119,371)
Proceeds from subscription and payment of shares			210,114

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Dividends paid		(296,802)	(279,216)
Increase in borrowings from financial institutions		19,285	27,861
Decrease in other financial obligations		(33,206)	47,146
Decrease in borrowings from Central Bank of Chile		(22,793)	
Proceeds from borrowings from Central Bank (long-term)		15	68
Payment of borrowings from Central Bank of Chile (long-term)		(48)	(80)
Long-term foreign borrowings		336,103	779,561
Payment of long-term foreign borrowings		(815,838)	(368,478)
Proceeds from other long-term borrowings		666	944
Payment of other long-term borrowings		(4,270)	(7,472)
Total cash flows from financing activities		(265,765)	954,759
TOTAL NET POSITIVE CASH FLOWS FOR THE PERIOD		(48,659)	(18,551)
Net effect of exchange rate changes on cash and cash equivalents		(34,148)	1,800
Cash and cash equivalents at beginning of year	7	1,429,908	1,447,695
Cash and cash equivalents at end of period	7	1,347,101	1,430,944

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

Table of Contents

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine-month ended September 30, 2011 and 2012

(Translation of financial statements originally issued in Spanish)

(Expressed in million of Chilean pesos)

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 Latin American 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 and investment 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.

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

(a) Legal provisions:

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The General Banking Law in its Article N° 15 authorizes the Chilean Superintendency of Banks (SBIF) to issue generally applicable accounting standards for entities it supervises. The Corporations Law, in turn, requires generally accepted accounting principles to be followed.

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

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

2. Legal provisions, basis of preparation and other information, continued:**(b) Basis of consolidation:**

(b.1) The current Interim Condensed Consolidated Financial Statements for the nine-months period ended September 30, 2012 are presented based on the same accounting principles described in the Bank's audited Consolidated Financial Statements at December 31, 2011 and for the year then ended (audited financial statements), and have been prepared according to the Compendium of Accounting Standards, Chapter C-2 issued by the Superintendency of Banks and Financial Institutions and the International Financial Reporting Standard N°34 (NIC 34) Intermediate Financial Information .

According to NIC 34, the intermediate financial information is prepared solely with the intention of updating the content of the last annual Consolidated Financial Statements, putting emphasis on the new activities, events and circumstances occurred during the nine-month period after period end and not duplicating the previous published information in the last Consolidated Financial Statements. Consequently, the Interim Consolidated Financial Statements do not include all the complete information and notes required for the complete Consolidated Financial statements according to the International Accounting Standards and International Financial Information issued by the IASB, reason by which for a suitable understanding of the information that is included in these Interim Condensed Consolidated Financial Statements, they must be read along with the annual Consolidated Financial statements of Banco de Chile, corresponding to the year ended December 31, 2011. However, in the opinion of the Bank's management, all the adjustments (consisting of normal recurring provisions) that were considered necessary for a reasonable presentation have been included. The results of operations for the nine-month periods ended September 30, 2012 are not necessarily indicative of the results that may be expected for the year ending December 31, 2012.

(b.2) 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:

Rut	Subsidiaries	Country	Functional Currency	Direct		Interest Owned Indirect		Total	
				September 2012 %	September 2011 %	September 2012 %	September 2011 %	September 2012 %	September 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	Ch\$	99.98	99.98	0.02	0.02	100.00	100.00
96,543,250-7	Banchile Asesoría Financiera S.A.	Chile	Ch\$	99.96	99.96			99.96	99.96
77,191,070-K	Banchile Corredores de Seguros Ltda.	Chile	Ch\$	99.83	99.83	0.17	0.17	100.00	100.00
96,894,740-0	Banchile Factoring S.A.	Chile	Ch\$	99.75	99.75	0.25	0.25	100.00	100.00

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96,571,220-8	Banchile Corredores de Bolsa S.A.	Chile	Ch\$	99.70	99.70	0.30	0.30	100.00	100.00
96,932,010-K	Banchile Securitizadora S.A.	Chile	Ch\$	99.00	99.00	1.00	1.00	100.00	100.00
96,645,790-2	Socofin S.A.	Chile	Ch\$	99.00	99.00	1.00	1.00	100.00	100.00
96,510,950-1	Promarket S.A.	Chile	Ch\$	99.00	99.00	1.00	1.00	100.00	100.00

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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

(c) Use of estimates and judgment

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

1. Goodwill valuation (Note 15);
2. Useful lives of property and equipment and intangible assets (Notes 15 y 16);
3. Income taxes and deferred taxes (Note 17);
4. Provisions (Note 24);
5. Commitments and contingencies (Note 26);
6. Provision for loan losses (Note 32);
7. Impairment of other financial assets (Note 35);
8. Fair value of financial assets and liabilities (Note 39).

During the nine month period ended September 30, 2012 there have been no significant changes to estimations made when preparing the Bank's 2011 Annual Consolidated Financial Statements, other than those indicated in these Interim Condensed Consolidated Financial Statements.

(d) Reclassification:

For comparative purposes, certain line items of the September 30, 2011 Interim Condensed Consolidated Financial Statements have been reclassified.

(e) Comparison of the Information:

The information contained in these financial statements corresponding to year 2011 is presented, unique and exclusively, to compare with the information regarding the period of nine month ended September 30, 2012.

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

Due to the nature of its business, the Bank and its subsidiaries activities do not have a cyclical or seasonal character. Accordingly, no specific details have been included on the notes to this Interim Condensed Consolidated Financial Statements.

(g) Relative Importance:

When determining the information to present on the different items from the financial statements or other subjects, in accordance with NIC 34, the Bank has considered the relative importance in relation to the Interim Condensed Consolidated financial statements of the period.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

3. 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 September 30, 2012, as per the following detail:

IAS 1 Presentation of Financial Statements

The annual improvements to IFRS, issued in May 2012, provide amendments to IAS 1 in order to clarify the requirements to provide comparative information for:

- a) The requirements comparative of the opening statement of financial position when an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification, according to IAS 8 Accounting policies, changes in accounting estimates and Errors.
- b) The requirement to provide comparative information when an entity provides additional comparative information beyond the minimum comparative information requirements.

The amendment is applicable for annual periods beginning January 1, 2013 and earlier application is permitted. The amendment is applied retrospectively for any change accordance with the description in a) and b), for which currently has no impact for the Bank of Chile and its subsidiaries in their consolidated financial statements.

IAS 16 Property, Plant and Equipment

The annual improvements to IFRS, issued in May 2012, provide amendments to IAS 16, to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of property, plant and equipment in IAS 16 is now considered in determining whether these items should be accounted for under that standard. The amendment proposes to delete if the spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

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The amendments must be applied retrospectively and are effective for annual periods beginning on or after January 1, 2013, with early application permitted. In Management's opinion, the application of this standard will not have a significant effect on the consolidated financial statements of Banco de Chile and its subsidiaries.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

3. New Accounting Pronouncements, continued:

IAS 19 Employee Benefits

The amendments to IAS 19 published by the IASB in June, 2011 eliminated 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 only for 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. According to the assessment carried out this policy change has no impact on the consolidated financial statements of Banco de Chile and its subsidiaries.

IAS 28 Investments in Associates and Joint Venture

This standard was reissued in May 2011, regulates the accounting treatment of application of the equity method to investments in 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.

IAS 32 Financial Instruments: Presentation

The amendments issued in December 2011, clarify the meaning of *currently has a legally enforceable right to set-off*. The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The standard is effective for annual periods beginning on or after **January 1, 2014** and early

adoption is permitted.

In May 2012, the amendments removes a perceived inconsistency between IAS 32 and IAS 12 and indicating that the income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with IAS 12 Income Taxes .

This amendment shall apply retroactively for annual periods beginning on or after *January 1, 2013*. Earlier application is permitted.

According to current rules about netting force in Chile, this rule has no impact on the consolidated financial statements of Banco de Chile and its subsidiaries.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

3. New Accounting Pronouncements, continued:

IAS 34 Interim Financial Reporting

The annual improvements to IFRS, issued in May 2012, incorporates amendments to IAS 34, in which it is established that requires disclosure of assets and total liabilities for a particular segment, if:

a) The total assets and total liabilities for a particular reportable segment would be separately disclosed in interim financial reporting only when the amounts are regularly provided to the chief operating decision-maker.

b) There has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment.

This amendment shall apply retroactively for annual periods beginning on or after *January 1, 2013*. Earlier application is permitted.

According to the assessment carried out this policy change has no impact on the consolidated financial statements of Banco de Chile and its subsidiaries.

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 recognized 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 working in its disclosures for give compliance to this rule.

IFRS 9 Financial Instruments: Financial liabilities

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In October, 2010, the IASB published the requirements for classifying and measuring financial liabilities were added to IFRS 9. Most of the added requirements were carried forward unchanged from IAS 39. However, the requirements related to the fair value option for financial liabilities were changed to address the issue of own credit risk in response to consistent feedback from users of financial statements and others that the effects of changes in a liability's credit risk ought not to affect profit or loss unless the liability is held for trading.

The mandatory effective date to annual periods beginning on or after *January 1, 2015*.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

3. New Accounting Pronouncements, continued:

IFRS 9 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 consolidated financial statements, however, that impact will depend on the assets maintained by the institution as of the adoption date. It is not practicable to quantify the effect on the issuance of these consolidated financial statements. To date, neither of these standards has been approved by the Superintendency of Banks, event that is required for their application.

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.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

3. New Accounting Pronouncements, continued:

IFRS 11 Joint Arrangements

In May 2011, the IASB issued IFRS 11 which 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 using 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

In May 2011, the IASB issued IFRS 12 which replaces the disclosure 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. One of the most significant changes introduced by IFRS 12 is required for the parent to disclose the judgment that management has made to determine that it has control to consolidate or not different 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 potential impact that its adoption will have on its consolidated financial statements.

IFRS 13 Fair Value Measurement

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In May 2011, the IASB issued IFRS 13 Fair Value Measurement. This new standard establishes a new definition of Fair Value. This new standard 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**. According the assessment, this policy change has no impact on the consolidated financial statements of Banco de Chile and its subsidiaries, however the Bank is working in its disclosures for comply with the further information requests of this rule. This rule will be applicable if Superintendency of Banks and Financial Institutions allow its adoption.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

4. Changes in Accounting Policies and Disclosures:

During the period ended September 30, 2012, have not occurred significant accounting changes that affect the presentation of consolidated financial statements.

5. Relevant Events:

a. In an ordinary meeting held on January 26, 2012, the Bank's 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 Bank's 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, Banco de Chile in his capacity as representative of the bondholders Series A, issued by Compañía Sud Americana de Vapores S.A., Banco de Chile informed, as an essential information, 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.

Banco de 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 Banco de 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.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

5. Relevant Events, continued:

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

d. On April 27, 2012 Banco de Chile informs that in the Ordinary Meeting held on April 26, 2012, the Board of Directors of Banco de Chile accepted the resignation presented by the Director, Mr. Fernando Quiroz Robles.

Likewise, the Board of Directors appointed, until the next Ordinary Shareholders Meeting, Mr. Francisco Aristeguieta Silva as Director. Additionally, in the same session, Mr. Francisco Aristeguieta Silva was appointed as Vice Chairman of the Board of Directors of Banco de Chile.

e. On June 5, 2012 Banco de Chile informed the capitalization of 30% of the distributable net income obtained during the fiscal year ending the December 31, 2011, through the issuance of fully paid-in shares, of no par value, agreed in the Extraordinary Shareholders Meeting held on March 22, 2012, the Bank informed the following:

(i) In the said Extraordinary Shareholders Meeting, it was agreed to increase the Bank's capital in the amount of CLP\$73,910,745,344 through the issuance of 1,095,298,538 fully paid-in shares, of no par value, payable under the distributable net income for the year ended December 31, 2011 that was not distributed as dividends as agreed at the Ordinary Shareholders Meeting held on the same day.

The Chilean Superintendency of Banks and Financial Institutions approved the amendment of the bylaws, through resolution N°118 dated May 17, 2012, which was registered on page 33,050, No. 23,246 on the Chamber of Commerce of Santiago, on May 18, 2012 and was published at Diario Oficial No. 40,267 on May 22, 2012.

The issuance of fully in paid shares was registered in the Securities Register of the Superintendence of Banks and Financial Institutions with No. 4/2012, on June 4, 2012.

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- (ii) The Board of Directors of Banco de Chile, at the meeting No. 2,754, dated May 24, 2012, set June 28, 2012, as the date for issuance and distribution of the fully paid in shares.
- (iii) The shareholders that will be entitled to receive the new shares, at a ratio of 0.018956 fully in paid shares for each Banco de Chile share, shall be those registered in the Registry of Shareholders on June 22, 2012.
- (iv) The titles will be duly assigned to each shareholder. The Bank will only print the titles for those shareholders who request it in writing at the Shareholders Department of Banco de Chile.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

(v) As a consequence of the issuance of the fully in paid shares, the capital of the Bank will be divided in 88,037,813,511 nominative shares, without par value.

f. On July 9, 2012, according to article 19 of Chilean General Banking Act, the Superintendency of Banks and Financial Institutions imposed a fine of CLP\$40,000,000 (Chilean pesos) to Banco de Chile, in connection with the forwarding and delivering service by electronic mail corresponding to June 2012 current account statements.

g. In the Ordinary Session No. 2,761 held on September 13, 2012, the Board of Directors of Banco de Chile resolve to schedule an Extraordinary Shareholders Meeting to be held on October 17, 2012, with the purpose of proposing a capital increase in the amount of CLP\$250,000,000,000 (two hundred and fifty billion Chilean pesos) by means for the issuance of cash shares that must be subscribed and paid at the price, term and other conditions agreed by the Shareholders Meeting as well as to modify the Bank's by-laws by adopting the other necessary agreements so as to make effective the agreed by-laws reform. Cash shares to be issued will be ordinary Banco de Chile shares having the same rights as all Banco de Chile's shares, with the exception that they will not allow its shareholders to receive dividends and/or fully paid-in shares, as the case may be, with respect to the earnings of fiscal year 2012.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

6. Segment Reporting:

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

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

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

Treasury and money market operations:

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

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

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

Entity

- Banchile Trade Services Limited

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- 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.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

6. Segment Reporting, continued:

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

- The net interest margin of loans and deposits is measured on an individual transaction and individual client basis, stemming from the difference between the effective customer rate and the related Bank's fund transfer price in terms of maturity, re-pricing and currency.
- The internal performance profitability system considers capital allocation in each segment in accordance to the Basel guidelines.
- Operating expenses are distributed at each area level. The Bank allocates all of its indirect operating costs to each business segment by utilizing a different cost driver in order to allocate such costs to the specific segment.

The Bank did not enter into transactions with a particular customer or third party that exceed 10% or more of its total income during the nine-month period ended September 30, 2012 and 2011.

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.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

6. Segment Reporting, continued:

The following table presents the information by segment for the periods ended September 30, 2012 and 2011 for each of the segments defined above:

	Retail		Wholesale		Treasury		Subsidiaries		Subtotal		Adjustment (*)	
	September 2012 MCh\$	September 2011 MCh\$	September 2012 MCh\$	September 2011 MCh\$	September 2012 MCh\$	September 2011 MCh\$	September 2012 MCh\$	September 2011 MCh\$	September 2012 MCh\$	September 2011 MCh\$	September 2012 MCh\$	September 2011 MCh\$
Net interest income	481,852	430,070	181,664	180,084	9,006	15,640	4,994	3,513	677,516	629,307	7,168	6,582
Net fees and commissions income (loss)	133,637	128,104	24,445	24,820	(363)	(408)	77,945	90,495	235,664	243,011	(8,427)	(7,822)
Other operating income	10,392	11,680	20,380	32,756	11,574	12,248	23,717	19,805	66,063	76,489	(9,127)	(7,901)
Total operating revenue	625,881	569,854	226,489	237,660	20,217	27,480	106,656	113,813	979,243	948,807	(10,386)	(9,141)
Provisions for loan losses	(138,141)	(82,253)	(90)	(23,923)	84	(942)	563	(1,270)	(137,584)	(108,388)		
Depreciation and amortization	(15,603)	(15,925)	(5,498)	(4,760)	(999)	(1,162)	(1,167)	(1,138)	(23,267)	(22,985)		
Other operating expenses	(299,518)	(278,519)	(86,007)	(93,621)	(5,387)	(6,918)	(67,664)	(64,468)	(458,576)	(443,526)	10,386	9,141
Income attributable to associates	384	1,903	193	599	21		259	261	857	2,763		
Income before income taxes	173,003	195,060	135,087	115,955	13,936	18,458	38,647	47,198	360,673	376,671		
Income taxes												
Income after income taxes												
Assets	9,192,495	8,374,468	9,502,575	9,060,024	3,403,764	3,288,521	1,175,064	1,082,710	23,273,898	21,805,723	(664,033)	(485,729)
Current and deferred taxes												
Total assets												
Liabilities	7,135,781	6,186,498	9,142,352	9,198,491	4,275,812	3,938,302	966,999	872,768	21,520,944	20,196,059	(664,033)	(485,729)

Current and
deferred
taxes
Total
liabilities

20,

(*)This column corresponds to the elimination adjustment to conform to the interim condensed consolidated statements of comprehensive income and statements of financial position

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

7. Cash and Cash Equivalents:

(a) Cash and cash equivalents and their reconciliation to the statement of cash flows at each period-end are detailed as follows:

	September 2012 MCh\$	December 2011 MCh\$	September 2011 MCh\$
Cash and due from banks:			
Cash	392,752	346,169	361,859
Current account with the Chilean Central Bank	43,877	139,328	136,208
Deposits in other domestic banks	38,358	106,656	112,172
Deposits abroad	135,409	288,993	255,910
Subtotal - Cash and due from banks	610,396	881,146	866,149
Net transactions in the course of collection			
Highly liquid financial instruments	198,487	218,215	170,361
Repurchase agreements	528,345	290,069	373,507
Total cash and cash equivalents	9,873	40,478	20,927
	1,347,101	1,429,908	1,430,944

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:

	September 2012 MCh\$	December 2011 MCh\$	September 2011 MCh\$
Assets			
Documents drawn on other banks (clearing)	187,824	185,342	180,378
Funds receivable	222,113	188,297	280,703
Subtotal transactions in the course of collection	409,937	373,639	461,081

Liabilities

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Funds payable	(211,450)	(155,424)	(290,720)
Subtotal transactions in the course of payment	(211,450)	(155,424)	(290,720)
Net transactions in the course of collection	198,487	218,215	170,361

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

8. Financial Assets Held-for-trading:

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

	September 2012 MCh\$	December 2011 MCh\$	September 2011 MCh\$
Instruments issued by the Chilean Government and Central Bank of Chile:			
Central Bank bonds	28,322	66,243	33,503
Central Bank promissory notes	2,991	4,657	7,603
Other instruments issued by the Chilean Government and Central Bank	28,701	6,942	17,524
Other instruments issued in Chile			
Mortgage bonds from domestic banks	28	61	90
Bonds from domestic banks	343	585	4,234
Deposits in domestic banks	205,981	191,003	228,677
Other instruments issued in Chile	175	370	45
Instruments issued by foreign institutions			
Other instruments issued abroad			
Mutual fund investments:			
Funds managed by related companies	75,127	31,910	52,264
Total	341,668	301,771	343,940

Instruments issued by the Chilean Government and Central Bank include instruments sold under agreements to repurchase to customers and financial institutions, for the period ended September 30, 2012 and 2011 the Bank does not have movement for this concept.

Other instruments issued in Chile include instruments sold under agreements to repurchase to customers and financial instruments, amounting to MCh\$186,754 as of September 30, 2012 (MCh\$218,054 in 2011).

Agreements to repurchase have an average expiration of 8 days as of period-end (4 days in 2011).

Additionally, the Bank holds financial investments in mortgage finance bonds issued by itself in the amount of MCh\$53,962 as of September 30, 2012 (MCh\$66,874 as of September 30, 2011), which are presented as a reduction of the liability line item Debt issued.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

9. 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 September 30, 2012 and 2011, the Bank has the following receivables resulting from such transactions:

	Up to 1 month		Over 1 month and Over 3 months and		Over 3 months and Over 1 year and up		Over 1 year and up		Over 3 years and up		Over 5 years		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	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														
Central Bank promissory notes														
Other instruments issued by the Chilean Government and Central Bank	821						821							821
Other Instruments Issued in Chile														
Deposit promissory notes from domestic banks														
Mortgage bonds from domestic banks														
Bonds from domestic banks														
Deposits in domestic banks														
Bonds from other Chilean companies														
Other instruments issued in Chile	8,038	3,089	36,178	43,435	1,793	26,341							46,009	72,865

**Instruments
issued by foreign
institutions**

Instruments from
foreign
governments or
central bank
Other instruments

Total	8,859	3,089	36,178	43,435	1,793	26,341		46,830	72,865
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Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

6. Segment Reporting, continued:

(b) The Bank obtains financing by selling financial instruments and committing to purchase them at future dates, plus interest at a prefixed rate. As of September 30, 2012 and 2011, the Bank has the following payables resulting from such transactions:

	Up to 1 month		Over 1 month and up to 3 months		Over 3 months and up to 12 months		Over 1 year and up to 3 years		Over 3 years and up to 5 years		Over 5 years		Total	
	2012 MCh\$	2011 MCh\$	2012 MCh\$	2011 MCh\$	2012 MCh\$	2011 MCh\$	2012 MCh\$	2011 MCh\$	2012 MCh\$	2011 MCh\$	2012 MCh\$	2011 MCh\$	2012 MCh\$	2011 MCh\$
Instruments issued by the Chilean Governments and Central Bank of Chile														
Central Bank bonds		2,815												2,815
Central Bank promissory notes	11,622	1,744		15,288									11,622	17,032
Other instruments issued by the Chilean Government and Central Bank														
Other Instruments Issued in Chile														
Deposit promissory notes from domestic banks	292,867	191,517	404	18,905		23							293,271	210,445
Mortgage bonds from domestic banks														
Bonds from domestic banks														
Deposits in domestic banks														
Bonds from other Chilean companies														
Other instruments	4,156												4,156	

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issued in Chile

**Instruments
issued by
foreign
institutions**

Instruments from
foreign
governments or
central bank

Other
instruments

Total	308,645	196,076	404	34,193	23	309,049	230,292
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Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

9. Receivables from Repurchase Agreements and Security Borrowing, continued:

(c) 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. As of September 30, 2012, the Bank held securities with a fair value of Ch\$46,830 million (Ch\$70,463 million in 2011) on such terms. The Bank has an obligation to return the securities to its counterparties.

(d) Securities given:

The carrying amount of securities lent and of Payables from Repurchase Agreements and Security Lending as of September 30, 2012 is Ch\$198,351 million (Ch\$237,292 million in 2011). The counterparty is allowed to sell or repledge those securities in the absence of default by the Bank.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

10. Derivative Instruments and Accounting Hedges:

(a) As of September 30, 2012 and 2011, the Bank's portfolio of derivative instruments is detailed as follows:

	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	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011			2012	2011
	MM\$	MM\$	MM\$	MM\$	MM\$	MM\$	MM\$	MM\$	MM\$	MM\$	MM\$	MM\$	MM\$	MM\$	MM\$	MM\$
Derivatives held for hedging purposes																
Cross currency swap							31,045	13,208	24,850	17,043	95,814	129,965				10
Interest rate swap							24,922	15,609	17,613	14,012	132,698	197,605				25
Total derivatives held for hedging purposes							55,967	28,817	42,463	31,055	228,512	327,570				35
Derivatives held as cash flow hedges																
Interest rate swap and cross currency swap	82,739						55,388				24,487					2
Total Derivatives held as cash flow hedges	82,739						55,388				24,487					2
Derivatives held-for-trading purposes																
Currency forward	3,223,110	6,255,228	2,622,351	3,433,039	4,122,813	4,055,157	483,081	407,577	24,744	8,641	65		105,657	354,717	133	
Cross currency swap	396,826	120,000	760,730	335,014	3,008,540	1,286,175	2,757,096	1,040,133	1,470,854	208,613	2,272,725	146,538	79,482	87,472	101	
Interest rate swap	104,974	292,780	489,825	431,469	1,399,758	857,220	2,430,379	1,352,448	1,316,295	668,734	1,177,397	580,498	194,560	192,181	178	
Call currency options	18,360	9,273	24,036	206	58,191	86,337	3,418							575	2,282	
Put currency options	12,244	1,288	19,655	103	29,661	4,018	1,709							903	12	
Others												663,899				
Total derivatives of negotiation	3,755,514	6,678,569	3,916,597	4,199,831	8,618,963	6,288,907	5,675,683	2,800,158	2,811,893	885,988	3,450,187	1,390,935	381,177	636,664	414	
Total	3,838,253	6,678,569	3,916,597	4,199,831	8,618,963	6,288,907	5,787,038	2,828,975	2,854,356	917,043	3,703,186	1,718,505	381,177	636,664	453	

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

10. Derivative Instruments and Accounting Hedges, continued:

(b) Fair value Hedges:

The Bank uses cross-currency swaps and interest rate swaps to hedge its exposure to changes in the fair value of the hedged elements attributable to interest rates. 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 September 30, 2012 and 2011:

	As of September 30,	
	2012 MCh\$	2011 MCh\$
Hedged element		
Commercial loans	151,709	160,216
Corporate bonds	175,233	227,226
Total	326,942	387,442
Hedge instrument		
Cross currency swap	151,709	160,216
Interest rate swap	175,233	227,226
Total	326,942	387,442

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

10. Derivative Instruments and Accounting Hedges, continued:

(c) Cash flow Hedges:

(c.1) From the year 2011, the Bank uses cross currency swaps to hedge the risk from variability of cash flows attributable to changes in the interest rates of bonds and foreign exchange of bonds issued abroad in Mexican pesos to rate TIIE (Interbank Interest Rate Balance) plus 0.6 percentage points and Hong Kong dollars to fix rate. The cash flows of the cross currency swaps equal the cash flows of the hedged items, which modify uncertain cash flows to known cash flows derived from a fixed interest rate.

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

(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:

	As of September 30, 2012						
	Up to 1 month MCh\$	Over 1 month and up to 3 months MCh\$	Over 3 months and up to 12 months MCh\$	Over 1 year and up to 3 years MCh\$	Over 3 years and up to 5 years MCh\$	Over 5 years MCh\$	Total MCh\$
Hedged item (Corporate bonds MXN)							
Outflows	(233)	(466)	(2,331)	(58,884)			(61,914)
Hedged item (Corporate bonds HKD)							
Outflows			(979)	(1,959)	(1,964)	(34,285)	(39,187)
Hedged Instrument (Cross currency swap MXN leg)							
Inflows	233	466	2,331	58,884			61,914
Hedged Instrument (Cross currency swap HKD leg)							
Inflows			979	1,959	1,964	34,285	39,187

Net cash flows

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

10. Derivative Instruments and Accounting Hedges, continued:

(c) Cash flow Hedges, continued:

	As of September 30, 2012						Total MCh\$
	Up to 1 month MCh\$	Over 1 month and up to 3 months MCh\$	Over 3 months and up to 12 months MCh\$	Over 1 year and up to 3 years MCh\$	Over 3 years and up to 5 years MCh\$	Over 5 years MCh\$	
Hedged item (Cash flows CLF)							
Inflows		815	1,663	62,035	859	34,225	99,597
Hedged Instrument (Cross currency swap CLF/MXN leg)							
Outflows		(815)	(1,663)	(60,330)			(62,808)
Hedged Instrument (Cross currency swap CLF/HKD leg)							
Outflows				(1,705)	(859)	(34,225)	(36,789)
Net cash flows							

Respect to assets hedged, these are revalued monthly according to the variation of the UF, which is equivalent to realize monthly reinvestment of the assets until maturity of the relationship hedging.

(c.3) The accumulated amount of unrealized gain was Ch\$811 millions generated from hedging instruments, which has been recorded in equity.

(c.4) The net effect in income of derivatives cash flow hedges amount to Ch\$693 millions.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

11. Loans and advances to Banks:

(a) Amounts are detailed as follows:

	September 2012 MCh\$	December 2011 MCh\$	September 2011 MCh\$
Domestic Banks			
Interbank loans	44,076	15,059	24,813
Others credits with domestic banks			504
Provisions for loans to domestic banks	(36)	(5)	(14)
Subtotal	44,040	15,054	25,303
Foreign Banks			
Loans to banks	179,419	206,477	204,144
Overdrafts in current accounts			
Credit with domestic companies	55,884	127,076	
Credits with third countries	14,286		39,027
Other credits with foreign banks			197,892
Provisions for loans to foreign banks	(828)	(1,001)	(1,379)
Subtotal	248,761	332,552	439,684
Central Bank of Chile			
Non-available Central Bank deposits	500,000	300,000	200,000
Other Central Bank credits	232	819	303
Subtotal	500,232	300,819	200,303
Total	793,033	648,425	665,290

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

Detail	Bank s Location		Total MCh\$
	Chile MCh\$	Abroad MCh\$	
Balance as of January 1, 2011		610	610
Charge-offs			
Provisions established	14	769	783
Provisions released			
Balance as of September 30, 2011	14	1,379	1,393
Balance as of January 1, 2012	5	1,001	1,006

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Charge-offs

Provisions established	31		31
Provisions released		(173)	(173)
Balance as of September 30, 2012	36	828	864

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

12. Loans to Customers, net:

(a) Loans to Customers:

As of September 30, 2012 and 2011, the composition of the portfolio of loans is the following:

	Assets before allowance		As of September 30, 2012				Net assets MCh\$
	Normal Portfolio MCh\$	Impaired Loans MCh\$	Total MCh\$	Individual Provisions MCh\$	Group Provisions MCh\$	Total MCh\$	
Commercial loans							
Commercial loans	8,219,956	238,843	8,458,799	(91,892)	(62,697)	(154,589)	8,304,210
Foreign trade loans	1,268,977	53,584	1,322,561	(48,182)	(406)	(48,588)	1,273,973
Current account debtors	188,909	11,271	200,180	(3,276)	(2,550)	(5,826)	194,354
Factoring transactions	545,880	6,611	552,491	(7,495)	(480)	(7,975)	544,516
Commercial lease transactions (1)	1,038,277	25,626	1,063,903	(4,725)	(8,645)	(13,370)	1,050,533
Other loans and accounts receivable	35,336	4,163	39,499	(477)	(1,602)	(2,079)	37,420
Subtotal	11,297,335	340,098	11,637,433	(156,047)	(76,380)	(232,427)	11,405,006
Mortgage loans							
Mortgage bonds	108,907	5,731	114,638		(766)	(766)	113,872
Transferable mortgage loans	152,558	3,229	155,787		(582)	(582)	155,205
Other residential real estate mortgage loans	3,732,356	34,646	3,767,002		(13,888)	(13,888)	3,753,114
Credits from ANAP	27		27				27
Residential lease transactions(1)							
Other loans and accounts receivable	114	350	464				464
Subtotal	3,993,962	43,956	4,037,918		(15,236)	(15,236)	4,022,682
Consumer loans							
Consumer loans in installments	1,704,482	140,782	1,845,264		(124,908)	(124,908)	1,720,356
Current account debtors	232,697	10,717	243,414		(7,460)	(7,460)	235,954
Credit card debtors	588,074	24,085	612,159		(31,853)	(31,853)	580,306
Consumer lease transactions (1)							
Other loans and accounts receivable	199	7	206		(166)	(166)	40

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Subtotal	2,525,452	175,591	2,701,043	(164,387)	(164,387)	2,536,656
Total	17,816,749	559,645	18,376,394	(156,047)	(256,003)	17,964,344

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

12. Loans to Customers net, continued:

(a) Loans to Customers, continued:

	As of September 30, 2011						
	Normal Portfolio MCh\$	Assets before allowances Substandard Loans MCh\$	Total MCh\$	Individual Provisions MCh\$	Allowances established Group Provisions MCh\$	Total MCh\$	Net assets MCh\$
Commercial loans							
Commercial loans	7,470,714	250,522	7,721,236	(108,305)	(54,947)	(163,252)	7,557,984
Foreign trade loans	1,437,578	74,703	1,512,281	(63,890)	(410)	(64,300)	1,447,981
Current account debtors	152,547	7,575	160,122	(6,959)	(2,227)	(9,186)	150,936
Factoring transactions	548,748	2,312	551,060	(6,968)	(477)	(7,445)	543,615
Commercial lease transactions (1)	905,124	27,115	932,239	(8,427)	(6,992)	(15,419)	916,820
Other loans and accounts receivable	61,749	4,324	66,073	(463)	(1,946)	(2,409)	63,664
Subtotal	10,576,460	366,551	10,943,011	(195,012)	(66,999)	(262,011)	10,681,000
Mortgage loans							
Mortgage bonds	129,744	11,336	141,080		(918)	(918)	140,162
Transferable mortgage loans	176,350	5,947	182,297		(931)	(931)	181,366
Other residential real estate mortgage loans	3,034,709	45,410	3,080,119		(12,910)	(12,910)	3,067,209
Credits from ANAP	55		55		(21)	(21)	34
Residential lease transactions(1)							
Other loans and accounts receivable	56	419	475		(2)	(2)	473
Subtotal	3,340,914	63,112	3,404,026		(14,782)	(14,782)	3,389,244
Consumer loans							
Consumer loans in installments	1,600,630	92,794	1,693,424		(108,861)	(108,861)	1,584,563
Current account debtors	221,384	9,842	231,226		(6,540)	(6,540)	224,686
Credit card debtors	490,028	14,487	504,515		(20,312)	(20,312)	484,203
Consumer lease transactions (1)							
Other loans and accounts receivable	264	8	272		(16)	(16)	256
Subtotal	2,312,306	117,131	2,429,437		(135,729)	(135,729)	2,293,708
Total	16,229,680	546,794	16,776,474	(195,012)	(217,510)	(412,522)	16,363,952

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(1) In this item, the Bank finances its customers purchases of assets, including real estate and other personal property, through finance lease agreements. As of September 30, 2012, MCh\$430,555 (MCh\$385,669 in 2011) correspond to finance leases for real estate and MCh\$633,348 (MCh\$546,570 in 2011), correspond to finance leases for other assets.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

12. Loans to Customers, continued:

(b) Allowances for loan losses:

Movements in allowances for loan losses during the nine-month period ended September 30, 2012 and 2011 are as follows:

	Individual MCh\$	Allowances Group MCh\$	Total MCh\$
Balance as of January 1, 2011	161,581	194,546	356,127
Application of Circular N°3,503	20,859		20,859
Charge-offs:			
Commercial loans	(4,898)	(21,275)	(26,173)
Mortgage loans		(2,079)	(2,079)
Consumer loans		(66,691)	(66,691)
Total charge-offs	(4,898)	(90,045)	(94,943)
Allowances established	17,470	113,009	130,479
Allowances released			
Balance as of September 30, 2011	195,012	217,510	412,522
Balance as of January 1, 2012	160,377	224,113	384,490
Charge-offs:			
Commercial loans	(5,759)	(26,979)	(32,738)
Mortgage loans		(3,117)	(3,117)
Consumer loans		(101,097)	(101,097)
Total charge-offs	(5,759)	(131,193)	(136,952)
Allowances established	1,429	163,083	164,512
Allowances released			
Balance as of September 30, 2012	156,047	256,003	412,050

In addition to these allowances for loan losses, the Bank also establishes a country risk provisions to hedge foreign transactions and additional provisions agreed upon by the Board of Directors, which are presented within liabilities in Provisions (Note 24).

Other Disclosures:

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1. As of September 30, 2012 and 2011, the Bank and its subsidiaries have made purchases and sales of loan portfolios. The effect in income is no more than 5% of net income before taxes, as described in Note 12 (d).

2. As of September 30, 2012 and 2011, the Bank and its subsidiaries have derecognized 100% of its sold loan portfolio.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

12. Loans to Customers, continued:

(c) 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 (*)	
	September 2012 MCh\$	September 2011 MCh\$	September 2012 MCh\$	September 2011 MCh\$	September 2012 MCh\$	September 2011 MCh\$
Due within one year	372,245	312,537	(47,299)	(38,466)	324,946	274,071
Due after 1 year but within 2 years	279,533	235,754	(34,820)	(28,756)	244,713	206,998
Due after 2 years but within 3 years	183,555	163,193	(22,489)	(19,011)	161,066	144,182
Due after 3 years but within 4 years	108,487	105,961	(15,036)	(12,930)	93,451	93,031
Due after 4 years but within 5 years	68,219	64,804	(10,760)	(9,122)	57,459	55,682
Due after 5 years	199,144	174,239	(24,586)	(20,595)	174,558	153,644
Total	1,211,183	1,056,488	(154,990)	(128,880)	1,056,193	927,608

(*) The net balance receivable does not include past-due portfolio totaling MCh\$7,710 as of September 30, 2012 (MCh\$4,631 in 2011).

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.

(d) Sale or transfer of credits from the loans to customers:

During the period ended September 30, 2012 and 2011 Banco de Chile has carried out transactions of sale or transfer of the loan portfolio according to the following:

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Carrying amount MCh\$	As of September 30, 2012		Effect on income (loss) gain MCh\$
	Allowances released MCh\$	Sale price MCh\$	
116,295	(194)	116,295	(194)

Carrying amount MCh\$	As of September 30, 2011		Effect on income (loss) gain MCh\$
	Allowances released MCh\$	Sale price MCh\$	
2,974	(61)	2,909	4

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

13. Investment Securities:

As of September 30, 2012 and 2011 and December 31, 2011, investment securities classified as available-for-sale and held-to-maturity are detailed as follows:

	September 2012			December 2011			September 2011		
	Available- for-sale MCh\$	Held to maturity MCh\$	Total MCh\$	Available- for -sale MCh\$	Held to maturity MCh\$	Total MCh\$	Available- for-sale MCh\$	Held to maturity MCh\$	Total MCh\$
Instruments issued by the Chilean Government and Central Bank of Chile									
Bonds issued by the Chilean Government and Central Bank	201,825		201,825	158,865		158,865	81,369		81,369
Promissory notes issued by the Chilean Government and Central Bank	140,579		140,579	58,564		58,564	292,855		292,855
Other instruments	215,563		215,563	194,965		194,965	72,592		72,592
Other instruments issued in Chile									
Deposit promissory notes from domestic banks									
Mortgage bonds from domestic banks	88,072		88,072	87,966		87,966	89,981		89,981
Bonds from domestic banks	133,252		133,252	124,203		124,203	112,296		112,296
Deposits from domestic banks	479,342		479,342	521,881		521,881	357,846		357,846
Bonds from other Chilean companies	21,123		21,123	48,790		48,790	29,592		29,592
Promissory notes issued by other Chilean companies				5,659		5,659	5,570		5,570
Other instruments	126,250		126,250	139,602		139,602	134,191		134,191
Instruments issued abroad									
Instruments from foreign governments or central banks									
Other instruments	108,885		108,885	128,403		128,403	127,928		127,928
Total	1,514,891		1,514,891	1,468,898		1,468,898	1,304,220		1,304,220

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

13. Investment Securities, continued:

Instruments issued by the Chilean Government and Central Bank include instruments with agreements to repurchase sold to clients and financial institutions, totaling MCh\$11,597 as of September 30, 2012 (MCh\$19,238 in 2011). The agreements to repurchase have an average maturity of 4 days as of September 30, 2012 (5 days in 2011).

In instruments issued abroad are included mainly bank bonds and shares.

As of September 30, 2012, the portfolio of financial assets available-for-sale includes a net unrealized gain of MCh\$17,022 (net unrealized gain of MCh\$725 in 2011), recorded in other comprehensive income within equity.

During 2012 and 2011, there is no evidence of impairment of financial assets available-for-sale.

Realized gains and losses are calculated as the proceeds from sales less the cost (specific identification method) of the investments identified as available-for-sale. In addition, any unrealized gain or loss previously recognized in equity for these investments is reversed and recorded in the Consolidated Statements of Comprehensive Income.

Gross profits and losses realized on the sale of available-for-sale investments as of September 30, 2012 and 2011 are shown in Note 30 Net Financial Operating Income .

Gross profits and losses realized and unrealized on the sale of available-for-sale investments for the nine-month period ended September 30, 2012 and 2011, and the year ended December 31, 2011 are as follows:

	September 2012 MCh\$	December 2011 MCh\$	September 2011 MCh\$
Unrealized gain (loss) arising during the period	25,380	(10,416)	(11,450)
Realized gain included in the consolidated statement of comprehensive income	(2,086)	932	4,889

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Net gain (loss) on available-for-sale before income tax	23,294	(9,484)	(6,561)
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Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

14. Investments in Other Companies:

(a) This item includes investments in other companies for an amount of MCh\$15,368 as of September 30, 2012 (MCh\$15,007 in 2011), which is detailed as follows:

Company	Shareholder	Ownership Interest		Equity		Book Value		Investment Income (Loss)	
		September		September		September		September	
		2012	2011	2012	2011	2012	2011	2012	2011
		%	%	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Investments valued at equity method:									
Servipag Ltda.	Banco de Chile	50.00	50.00	6,977	7,592	3,489	3,796	(210)	708
Administrador Financiero del Transantiago S.A.	Banco de Chile	20.00	20.00	11,586	6,756	2,317	1,351	574	575
Redbanc S.A.	Banco de Chile	38.13	38.13	4,681	5,418	1,785	2,066	(158)	492
Sociedad Operadora de Tarjetas de Crédito Nexus S.A.	Banco de Chile	25.81	25.81	6,412	6,412	1,655	1,655	313	274
Transbank S.A.	Banco de Chile	26.16	26.16	6,068	6,169	1,587	1,614	227	254
Artikos Chile S.A.	Banco de Chile	50.00	50.00	1,337	1,967	668	984	(324)	64
Soc. Operadora de la Cámara de Compensación de Pagos de Alto Valor S.A. (*)	Banco de Chile	15.00	14.17	4,188	3,701	627	524	67	75
Sociedad Interbancaria de Depósitos de Valores S.A.	Banco de Chile	26.81	26.81	1,849	1,522	496	408	89	64
Centro de Compensación Automatizado S.A.	Banco de Chile	33.33	33.33	1,455	1,160	485	387	70	71
Subtotal						13,109	12,785	648	2,577
Investments valued at cost:									
Bolsa de Comercio de Santiago S.A.						1,646	1,646	209	186
Banco Latinoamericano de Comercio Exterior S.A. (Bladex)						309	309		
Bolsa Electrónica de Chile S.A.						257	257		
Cámara de Compensación						8	8		
Sociedad de Telecomunicaciones Financieras Interbancarias Mundiales (Swift)(**)						39	2		
Subtotal						2,259	2,222	209	186
Total						15,368	15,007	857	2,763

(*) The company Operadora de la Cámara de Compensación