BANK OF CHILE
Form 6-K
July 30, 2012
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FORM 6-K
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Private Issuer

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

For the month of July, 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 x Form 40-F o

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

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

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

Yes o No x

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

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BANCO DE CHILE
REPORT ON FORM 6-K

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

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BANCO DE CHILE AND SUBSIDIARIES

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

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BANCO DE CHILE AND SUBSIDIARIES

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BANCO DE CHILE AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

For the periods ended

(Translation of financial statements originally issued in Spanish)

(Expressed in million of Chilean pesos)

	Notes	June 2012 MCh$	December 2011 MCh$	June 2011 MCh$
ASSETS				
Cash and due from banks	7	768,328	881,146	1,133,971
Transactions in the course of collection	7	484,773	373,639	516,476
Financial assets held-for-trading	8	370,945	301,771	364,461
Receivables from Repurchase agreements and Security Borrowing	9	41,027	47,981	94,694
Derivative instruments	10	343,975	385,688	385,433
Loans and advances to banks	11	331,180	648,425	391,176
Loans to customers, net	12	17,970,558	16,993,303	15,485,499
Financial assets available-for-sale	13	1,513,313	1,468,898	1,200,350
Financial assets held-to-maturity	13			
Investments in other companies	14	15,498	15,418	14,125
Intangible assets	15	34,247	35,517	35,547
Property and equipment	16	207,736	207,888	205,973
Current tax assets	17	1,550	1,407	6,619
Deferred tax assets	17	113,639	116,282	111,132
Other assets	18	283,703	263,584	305,194
TOTAL ASSETS		**22,480,472**	**21,740,947**	**20,250,650**
LIABILITIES				
Current accounts and other demand deposits	19	5,094,930	4,895,426	4,781,492
Transactions in the course of payment	7	267,312	155,424	316,704
Payables from Repurchase Agreements and Security Lending	9	290,208	223,202	273,370
Savings accounts and time deposits	20	9,341,168	9,282,324	8,450,305
Derivative instruments	10	408,233	429,913	403,211
Borrowings from financial institutions	21	1,435,215	1,690,939	1,674,490
Debt issued	22	3,032,199	2,388,341	1,912,870
Other financial obligations	23	153,503	184,785	163,830
Current tax liabilities	17	12,272	4,502	1,150
Deferred tax liabilities	17	22,736	23,213	31,401
Provisions	24	344,463	457,938	302,748
Other liabilities	25	282,508	265,765	303,998
TOTAL LIABILITIES		**20,684,747**	**20,001,772**	**18,615,569**
EQUITY	27			
Attributable to Bank s Owners:				
Capital		1,509,994	1,436,083	1,402,711
Reserves		177,574	119,482	119,482
Other comprehensive income		7,443	(2,075)	6,624

Retained earnings:			
Retained earnings from previous periods	16,379	16,379	16,091
Income for the period	228,125	428,805	230,910
Less:			
Provision for minimum dividends	(143,791)	(259,501)	(140,738)
Subtotal	1,795,724	1,739,173	1,635,080
Non-controlling interests	1	2	1
TOTAL EQUITY	**1,795,725**	**1,739,175**	**1,635,081**
TOTAL LIABILITIES AND EQUITY	**22,480,472**	**21,740,947**	**20,250,650**

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

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BANCO DE CHILE AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE

INCOME

For the six-months ended June 30, 2012 and 2011

(Translation of financial statements originally issued in Spanish)

(Expressed in million of Chilean pesos)

	Notes	June 2012 MCh$	June 2011 MCh$
A. CONSOLIDATED STATEMENT OF INCOME			
Interest revenue	28	829,313	707,051
Interest expense	28	(354,250)	(271,116)
Net interest income		**475,063**	**435,935**
Income from fees and commissions	29	183,933	187,946
Expenses from fees and commissions	29	(32,361)	(28,439)
Net fees and commission income		**151,572**	**159,507**
Net financial operating income	30	11,337	12,052
Foreign exchange transactions, net	31	15,570	9,494
Other operating income	36	10,366	13,217
Total operating revenues		**663,908**	**630,205**
Provisions for loan losses	32	(97,235)	(63,220)
OPERATING REVENUES, NET OF PROVISIONS FOR LOAN LOSSES		**566,673**	**566,985**
Personnel expenses	33	(152,403)	(139,168)
Administrative expenses	34	(115,830)	(110,964)
Depreciation and amortization	35	(15,524)	(15,397)
Impairment	35	(130)	(3)
Other operating expenses	37	(27,961)	(40,026)
TOTAL OPERATING EXPENSES		**(311,848)**	**(305,558)**
NET OPERATING INCOME		**254,82**	**261,427**
Income attributable to associates	14	874	1,694
Income before income tax		**255,699**	**263,121**
Income tax			
	17	(27,574)	(32,211)
NET INCOME FOR THE PERIOD		**228,125**	**230,910**
Attributable to:			
Bank s Owners		228,125	230,910
Non-controlling interests			

		Ch$	**Ch$**
Net income per share attributable to Bank s Owners:			
Basic net income per share	27	2.62	2.74
Diluted net income per share	27	2.62	2.74

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

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BANCO DE CHILE AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the six-months ended June 30, 2012 and 2011

(Translation of financial statements originally issued in Spanish)

(Expressed in million of Chilean pesos)

	Notes	June 2012 MCh$	June 2011 MCh$
B. CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME			
NET INCOME FOR THE PERIOD		**228,125**	**230,910**
OTHER COMPREHENSIVE INCOME			
Net unrealized gains (losses):			
Net change in unrealized gains (losses) on available for sale instruments	13	10,646	938
Gains and losses on derivatives held as cash flow hedges		901	
Cumulative translation adjustment		(27)	4
Other comprehensive income before income taxes		**11,520**	**942**
Income tax related to other comprehensive income	17	(2,000)	(188)
Total other comprehensive income		**9,520**	**754**
TOTAL CONSOLIDATED COMPREHENSIVE INCOME		**237,645**	**231,664**
Attributable to:			
Bank s owners		237,645	231,664
Non-controlling interest			
		Ch$	**Ch$**
Comprehensive net income per share attributable to Bank s owners:			
Basic net income per share		2.73	2.75
Diluted net income per share		2.73	2.75

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

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BANCO DE CHILE AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the six months ended June 30, 2011 and 2012

(Translation of financial statements originally issued in Spanish)

(Expressed in millions of Chilean pesos)

			Reserves		Other comprehensive income			Retained earnings					
	Notes	**Paid-in Capital MCh$**	**Other reserves MCh$**	**Reserves from earnings MCh$**	**Unrealized gains (losses) on available-for- sale MCh$**	**Derivatives cash flow hedge MCh$**	**Cumulative translation adjustment MCh$**	**Retained earnings from previous periods MCh$**	**Income for the year MCh$**	**Provision for minimum dividends MCh$**	**Attributable to equity holders of the parent MCh$**	**Non-controlling interest MCh$**	**T eq M**
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	1,40
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)	(3
Other comprehensive income:													
Cumulative translation adjustment							4				4		
Valuation adjustment on available-for-sale instruments, net					750						750		
Capital increase	27	176,742									176,742		17
Income for the period 2011									230,910		230,910		23
Provision for minimum dividends	27									(140,738)	(140,738)		(14
Balances as of June 30, 2011		**1,402,711**	**32,256**	**87,226**	**6,724**		**(100)**	**16,091**	**230,910**	**(140,738)**	**1,635,080**	**1**	**1,63**
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	1,73
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)	(1)	(3
Other comprehensive income:													
Cumulative translation adjustment							(27)				(27)		
Cash flow hedge adjustment, net						741					741		
Valuation adjustment on available-for-sale instruments (net)					8,804						8,804		
Income for the period 2012									228,125		228,125		22
Provision for minimum dividends	27									(143,791)	(143,791)		(14
Balances as of June 30, 2012		**1,509,994**	**32,256**	**145,318**	**7,160**	**346**	**(63)**	**16,379**	**228,125**	**(143,791)**	**1,795,724**	**1**	**1,79**

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

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BANCO DE CHILE AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the six-months ended June 30, 2012 and 2011

(Translation of financial statements originally issued in Spanish)

(Expressed in million of Chilean pesos)

	Notes	June 2012 MCh$	June 2011 MCh$
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:			
Net income for the period		228,125	230,910
Items that do not represent cash flows:			
Depreciation and amortization	35	15,524	15,397
Impairment of property and equipment	35	130	3
Provision for loan losses	32	114,978	78,487
Provision of contingent loans	32	2,559	6,678
Fair value adjustment of financial assets held-for-trading		794	(163)
(Income) loss attributable to investments in other companies	14	(715)	(1,553)
(Income) loss sales of assets received in lieu of payment	36	(3,966)	(2,723)
(Income) loss on sales of property and equipment		(95)	(1,269)
(Increase) decrease in other assets and liabilities		(5,281)	29,969
Charge-offs of assets received in lieu of payment	37	1,052	1,855
Other credits (debits) that do not represent cash flows		(27,015)	(33,190)
Net changes in interest and fee accruals		2,506	18,692
Changes in assets and liabilities that affect operating cash flows:			
(Increase) decrease in loans and advances to banks, net		316,933	(40,074)
(Increase) decrease in loans to customers		(1,035,656)	(1,481,098)
(Increase) decrease in financial assets held-for-trading, net		(52,653)	(85,969)
(Increase) decrease in deferred taxes, net	17	2,166	5,136
Increase (decrease)in current account and other demand deposits		200,097	334,797
Increase (decrease) in payables from repurchase agreements and security lending		38,233	176,841
Increase (decrease) in savings accounts and time deposits		40,278	705,766
Proceeds from sale of assets received in lieu of payment		5,254	3,837
Total cash flows provided by operating activities		**(156,752)**	**(37,671)**
CASH FLOWS PROVIDED BY INVESTING ACTIVITIES:			
(Increase) decrease in financial assets available for sale, net		193,358	(81,024)
Purchases of property and equipment	16	(10,280)	(10,007)
Proceeds from sales of property and equipment		119	1,638
Purchases of intangible assets	15	(3,985)	(4,239)
Investments in other companies	14	(34)	
Dividends received from investments in other companies	14	915	746
Total cash flows provided by investing activities		**180,093**	**(92,886)**
CASH FLOWS USED IN FINANCING ACTIVITIES:			
Repayment of mortgage finance bonds		(14,149)	(20,219)
Proceeds from bond issuances	22	656,214	164,441
Redemption of bond issuances		(30,028)	(17,093)
Subscription and payment of shares			176,742

Dividends paid		(296,802)	(279,216)
Increase (decrease) in borrowings from financial institutions		97,582	3,649
Increase (decrease) in other financial obligations		(29,022)	(11,323)
Increase (decrease) in borrowings from Central Bank of Chile		(22,793)	
Borrowings from Central Bank (long-term)			34
Payment of borrowings from Central Bank of Chile (long-term)		(32)	(43)
Long-term foreign borrowings		315,938	562,604
Payment of long-term foreign borrowings		(641,153)	(175,766)
Other long-term borrowings		341	2,168
Payment of other long-term borrowings		(2,694)	(6,098)
Total cash flows used in financing activities		**33,402**	**399,880**
TOTAL NET POSITIVE (NEGATIVE) CASH FLOWS FOR THE PERIOD		**56,743**	**269,323**
Cash and cash equivalents at beginning of year	7	**1,429,908**	**1,444,447**
Cash and cash equivalents at end of period	7	**1,486,651**	**1,713,770**

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

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BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-months ended June 30, 2011 and 2012

(Translation of financial statements originally issued in Spanish)

(Expressed in million of Chilean pesos)

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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:

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.

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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 six-months period ended June 30, 2012 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 six-months period after period end and not duplicating the previous published information in the last Consolidated Financial Statements. Therefore, the current Financial Statements do not include all the complete information required for the Consolidated Financial statements according to the international accounting standards and international financial information agreed upon by the IASB, reason by which for a suitable understanding of the information that is included in these Financial Statements, they must be read along with the annual Consolidated Financial statements of Banco de Chile, corresponding to the annual exercise ended December 31, 2011.

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:

				Interest Owned					
				Direct		Indirect		Total	
Rut	Subsidiaries	Country	Functional Currency	June 2012 %	June 2011 %	June 2012 %	June 2011 %	June 2012 %	June 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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Principles, 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 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 six months period ended June 30, 2012 there have been no significant changes to estimations made when preparing the Bank s 2011 Annual Financial Statements, other than those indicated in these Interim Condensed Consolidated Financial Statements.

d) Reclassification:

For comparative purposes, certain line items of the June 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 six-months ended June 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 financial statements of the period.

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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 June 30, 2012, 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. Affect only the presentation, disclosure still evaluated.

On May 2012, incorporating 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 from 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 states 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.

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.

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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 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. 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.

To date, Banco de Chile and its subsidiaries are evaluating the potential impact that its adoption will have on its consolidated financial statements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

3. New Accounting Pronouncements, continued:

IAS 34 Interim Financial Reporting

In May 2012, incorporating 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.

To date, Banco de Chile and its subsidiaries are evaluating the potential impact that its adoption will have on its consolidated financial statements.

IFRS 1 First-time Adoption of International Financial Reporting Standards

In March, 2012, IASB issued amendments to IFRS 1, dealing with loans received from governments at a below market rate of interest, give first-time adopters of IFRSs relief from full retrospective application of IFRSs when accounting for these loans on transition. The amendments are mandatory for annual periods beginning on or after ***January 1, 2013***. Earlier application is permitted. Banco de Chile and its subsidiaries are evaluating that the adoption of this standard will have not impact 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 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 evaluating the potential impact that its adoption will have on its consolidated financial statements.

IFRS 9 Financial Instruments: Financial liabilities

On October 28, 2010, 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***.

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 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.

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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

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3. New Accounting Pronouncements, continued:

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 potential impact that its adoption will have on its consolidated financial statements.

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 potential impact that its adoption will have on its consolidated financial statements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

4. Changes in Accounting Policies and Disclosures:

During the period ended June 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, our board of directors decided to call an ordinary shareholders meeting to be held on June 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 June 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., inform you 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, 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 June 27, 2012, the Central Bank of Chile communicated to Banco de Chile that in the Extraordinary Session, No.1666E, held today, the Board of the Central Bank of Chile resolved to request its corresponding surplus, from the fiscal year ended on the 31st of December 2011, including the proportional part of the agreed upon capitalization profits, be paid in cash currency.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

5. Relevant Events, continued:

d. On April 27, 2012 Banco de Chile informs that in the Ordinary Meeting held on the 26th of April, 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 informs regarding the capitalization of 30% of the distributable net income obtained during the fiscal year ending the 31st of December, 2011, through the issuance of fully paid-in shares, of no par value, agreed in the Extraordinary Shareholders Meeting held on the 22th of March, 2012, the Bank informed as an essential information:

(i) In the said Extraordinary Shareholders Meeting, it was agreed to increase the Bank´s capital in the amount of $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 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, N°23,246 on the Chamber of Commerce of Santiago, on May 18, 2012 and was published at Diario Oficial N°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 N°4/2012, on June 4, 2012.

(ii) The Board of Directors of Banco de Chile, at the meeting N°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.

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

6. Segment Reporting:

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

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

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

Treasury and money market operations:

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

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

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

Entity

- Banchile Trade Services Limited
- Banchile Administradora General de Fondos S.A.

- Banchile Asesoría Financiera S.A.
- Banchile Corredores de Seguros Ltda.
- Banchile Factoring S.A.
- Banchile Corredores de Bolsa S.A.
- Banchile Securitizadora S.A.
- Socofin S.A.
- Promarket S.A.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

6. Segment Reporting, continued:

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

6. Segment Reporting, continued:

The following table presents the income for the periods ended June 30, 2012 and 2011 for each of the segments defined above:

	Retail		Wholesale		Treasury		Subsidiaries		Subtotal		Adjustment (*)		Total	
	June 2012 MCh$	June 2011 MCh$	June 2012 MCh$	June 2011 MCh$	June 2012 MCh$	June 2011 MCh$	June 2012 MCh$	June 2011 MCh$	June 2012 MCh$	June 2011 MCh$	June 2012 MCh$	June 2011 MCh$	June 2012 MCh$	June 2011 MCh$
Net interest income	325,896	287,562	129,775	125,299	10,821	15,732	2,353	2,609	468,845	431,202	6,218	4,733	475,063	435,9
Net fees and commissions income (loss)	85,261	80,941	20,342	20,319	(251)	(271)	51,290	64,023	156,642	165,012	(5,070)	(5,505)	151,572	159,5
Other operating income	7,377	8,624	18,787	17,887	2,441	2,405	16,133	11,454	44,738	40,370	(7,465)	(5,607)	37,273	34,7
Total operating revenue	418,534	377,127	168,904	163,505	13,011	17,866	69,776	78,086	670,225	636,584	(6,317)	(6,379)	663,908	630,2
Provisions for loan losses	(92,053)	(53,132)	(5,684)	(9,204)	(91)	(276)	593	(608)	(97,235)	(63,220)			(97,235)	(63,2
Depreciation and amortization	(10,467)	(10,753)	(3,651)	(3,298)	(659)	(627)	(747)	(719)	(15,524)	(15,397)			(15,524)	(15,3
Other operating expenses	(196,609)	(184,639)	(58,778)	(64,227)	(2,989)	(5,183)	(44,265)	(42,491)	(302,641)	(296,540)	6,317	6,379	(296,324)	(290,1
Income attributable to associates	557	1,138	121	359	6		190	197	874	1,694			874	1,6
Income before income taxes	119,962	129,741	100,912	87,135	9,278	11,780	25,547	34,465	255,699	263,121			255,699	263,1
Income taxes													(27,574)	(32,2
Income after income taxes													228,125	230,9
Assets	9,015,981	7,806,682	9,663,394	8,559,463	3,071,724	3,193,069	1,193,422	1,033,874	22,944,521	20,593,088	(579,238)	(460,189)	22,365,283	20,132,8
Current and deferred taxes													115,189	117,7
Total assets													22,480,472	20,250,6
Liabilities	6,963,122	5,917,679	8,647,688	8,546,659	4,622,339	3,743,965	995,828	834,904	21,228,977	19,043,207	(579,238)	(460,189)	20,649,739	18,583,0
Current and deferred taxes													35,008	32,5

Total liabilities	20,684,747	18,615,5

(*) This column corresponds to the elimination adjustment to conform the consolidated financial position.

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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:

	June 2012 MCh$	December 2011 MCh$	June 2011 MCh$
Cash and due from banks:			
Cash	325,835	346,169	326,197
Current account with the Chilean Central Bank	313,836	139,328	366,927
Deposits in other domestic banks	45,015	106,656	107,084
Deposits abroad	83,642	288,993	333,763
Subtotal - Cash and due from banks	768,328	881,146	1,133,971
Net transactions in the course of collection	217,461	218,215	199,772
Highly liquid financial instruments	496,114	290,069	362,985
Repurchase agreements	4,748	40,478	17,042
Total cash and cash equivalents	1,486,651	1,429,908	1,713,770

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:

	June 2012 MCh$	December 2011 MCh$	June 2011 MCh$
Assets			
Documents drawn on other banks (clearing)	206,785	185,342	176,173
Funds receivable	277,988	188,297	340,303
Subtotal transactions in the course of collection	484,773	373,639	516,476
Liabilities			

Funds payable	(267,312)	(155,424)	(316,704)
Subtotal transactions in the course of payment	(267,312)	(155,424)	(316,704)
Net transactions in the course of collection	217,461	218,215	199,772

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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:

	June 2012 MCh$	December 2011 MCh$	June 2011 MCh$
Instruments issued by the Chilean Government and Central Bank of Chile:			
Central Bank bonds	45,328	66,243	75,216
Central Bank promissory notes	2,992	4,657	3,058
Other instruments issued by the Chilean Government and Central Bank	34,219	6,942	40,025
Other instruments issued in Chile			
Deposit promissory notes from domestic banks			
Mortgage bonds from domestic banks	38	61	96
Bonds from domestic banks	337	585	1,514
Deposits in domestic banks	235,847	191,003	214,400
Bonds from other Chilean companies			
Other instruments issued in Chile	147	370	2,365
Instruments issued by foreign institutions			
Instruments from foreign governments or central banks			
Other instruments issued abroad			3
Mutual fund investments:			
Funds managed by related companies	52,037	31,910	27,784
Funds managed by third parties			
Total	370,945	301,771	364,461

Instruments issued by the Chilean Government and Central Bank include instruments sold under agreements to repurchase to customers and financial institutions, equivalent to MCh$14,969 as of June 30, 2011, for the period ended June 30, 2012 the Bank does not have movement by this concept.

Other instruments issued in Chile include instruments sold under agreements to repurchase to customers and financial instruments, amounting to MCh$258,581 as of June 30, 2012 (MCh$236,035 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$57,141 as of June 30, 2012 (MCh$70,368 as of June 30, 2011), which are presented as a reduction of the liability line item Debt issued .

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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 June 30, 2012 and 2011, the Bank has the following receivables 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														
Central Bank promissory notes														
Other instruments issued by the Chilean Government and Central Bank														
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	3,684	12,671	2,137	12,050	35,206	69,973							41,027	94,694
Instruments issued by foreign institutions														
Instruments from foreign governments or central bank														

Other instruments								
Total	3,684	12,671	2,137	12,050	35,206	69,973	41,027	94,694

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

9, Repurchase Agreements and Security Lending and Borrowing, 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 June 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		14,977												14,977
Central Bank promissory notes	19,758	9,514											19,758	9,514
Other instruments issued by the Chilean Government and Central Bank		6,063												6,063
Other Instruments Issued in Chile														
Deposit promissory notes from domestic banks	264,347	225,323	5,989	13,820	114								270,450	239,143
Mortgage bonds from domestic banks														
Bonds from domestic banks		3,673												3,673
Deposits in domestic banks														
Bonds from other Chilean companies														
Other instruments issued in Chile														
Instruments issued by foreign institutions														
Instruments from foreign														

governments or central bank									
Other instruments									
Total	284,105	259,550	5,989	13,820	114			290,208	273,370

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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 June 30, 2012, the Bank held securities with a fair value of Ch$40,975 million (Ch$93,077 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 June 30, 2012 is Ch$284,969 million (Ch$264,484 million in 2011). The counterparty is allowed to sell or repledge those securities in the absence of default by the Bank.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

10. Derivative Instruments and Accounting Hedges:

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

	Notional amount of contract with final expiration date in											
	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 year and up to 5 years		Over 5 years	
	2012 MCh$	2011 MCh$	2012 MCh$	2011 MCh$	2012 MCh$	2011 MCh$	2012 MCh$	2011 MCh$	2012 MCh$	2011 MCh$	2012 MCh$	2011 MCh$
Derivatives held for hedging purposes												
Cross currency swap							31,095	12,580	24,890	16,217	98,205	125,94
Interest rate swap							20,193	10,035	24,705	17,055	159,085	180,72
Total derivatives held for hedging purposes							51,288	22,615	49,595	33,272	257,290	306,66
Derivatives held as cash flow hedges												
Interest rate swap and cross currency swap	57,982						56,371					
Total Derivatives held as cash flow hedges	57,982						56,371					
Derivatives held-for-trading purposes												
Currency forward	4,177,236	4,540,647	2,830,017	3,253,050	4,298,631	4,551,396	314,332	380,125	28,624	7,138	84	
Cross currency swap	190,032	160,000	880,376	723,905	2,323,544	2,167,735	1,921,430	2,698,110	955,455	700,095	1,084,906	810,20
Interest rate swap	208,582	71,791	579,631	251,885	1,240,117	959,053	2,344,901	1,157,773	1,452,865	594,665	1,154,829	639,73
Call currency options	2,756	8,691	15,884	3,769	41,839	72,554						
Put currency options	3,507	1,577	1,127	942	24,678	2,827						
Others											682,437	660,19
Total derivatives of negotiation	4,582,113	4,782,706	4,307,035	4,233,551	7,928,809	7,753,565	4,580,663	4,236,008	2,436,944	1,301,898	2,922,256	2,110,13
Total	4,640,095	4,782,706	4,307,035	4,233,551	7,928,809	7,753,565	4,688,322	4,258,623	2,486,539	1,335,170	3,179,546	2,416,79

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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 June 30, 2012 and 2011:

	As of June 30,	
	2012 MCh$	2011 MCh$
Hedged element		
Commercial loans	154,189	154,737
Corporate bonds	203,983	207,813
Total	358,172	362,550
Hedge instrument		
Cross currency swap	154,189	154,737
Interest rate swap	203,983	207,813
Total	358,172	362,550

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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. 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 June 30, 2012						
	Up to1 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	(235)	(471)	(2,354)	(60,843)			(63,903)
Hedged Instrument (Cross currency swap MXN leg)							
Inflows	235	471	2,354	60,843			63,903
Net cash flows							

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

10. Derivative Instruments and Accounting Hedges, continued:

(c) Cash flow Hedges, continued:

	As of June 30, 2012						
	Up to1 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 (Cash flows CLF)							
Inflows			1,628	60,427			62,055
Hedged Instrument (Cross currency swap CLF leg)							
Outflows			(1,628)	(60,427)			(62,055)
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) Unrealized profit of Ch$416 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$658 millions.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

11. Loans and advances to Banks:

(a) Amounts are detailed as follows:

	June 2012 MCh$	December 2011 MCh$	June 2011 MCh$
Domestic Banks			
Interbank loans	49,747	15,059	63,427
Other credits with domestic banks			
Provisions for loans to domestic banks	(41)	(5)	(23)
Subtotal	49,706	15,054	63,404
Foreign Banks			
Loans to banks	208,920	206,477	222,271
Overdrafts in current accounts			
Credit with domestic companies	73,680	127,076	105,597
Credits with third countries			
Other credits with foreign banks			
Provisions for loans to foreign banks	(1,226)	(1,001)	(753)
Subtotal	281,374	332,552	327,115
Central Bank of Chile			
Non-available Central Bank deposits		300,000	
Other Central Bank credits	100	819	657
Subtotal	100	300,819	657
Total	331,180	648,425	391,176

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

	Bank s Location		
Detail	**Chile MCh$**	**Abroad MCh$**	**Total MCh$**
Balance as of January 1, 2011		610	610
Charge-offs			
Provisions established	23	143	166
Provisions released			
Balance as of June 30, 2011	23	753	776
Balance as of January 1, 2012	5	1,001	1,006

Charge-offs			
Provisions established	36	225	261
Provisions released			
Balance as of June 30, 2012	41	1,226	1,267

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

12. Loans to Customers, net:

(a) Loans to Customers:

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

	As of June 30, 2012						
	Assets before allowance			Allowances established			
	Normal Portfolio MCh$	Substandard Loans MCh$	Total MCh$	Individual Provisions MCh$	Group Provisions MCh$	Total MCh$	Net assets MCh$
Commercial loans							
Commercial loans	8,208,053	214,738	8,422,791	(89,347)	(59,588)	(148,935)	8,273,856
Foreign trade loans	1,336,637	92,292	1,428,929	(58,335)	(349)	(58,684)	1,370,245
Current account debtors	193,147	2,324	195,471	(2,384)	(2,452)	(4,836)	190,635
Factoring transactions	603,131	6,183	609,314	(7,823)	(529)	(8,352)	600,962
Commercial lease transactions (1)	1,042,255	23,457	1,065,712	(5,054)	(8,521)	(13,575)	1,052,137
Other loans and accounts receivable	69,480	3,455	72,935	(339)	(1,507)	(1,846)	71,089
Subtotal	11,452,703	342,449	11,795,152	(163,282)	(72,946)	(236,228)	11,558,924
Mortgage loans							
Mortgage bonds	112,465	9,345	121,810		(852)	(852)	120,958
Transferable mortgage loans	158,186	4,881	163,067		(722)	(722)	162,345
Other residential real estate mortgage loans	3,602,220	53,714	3,655,934		(15,053)	(15,053)	3,640,881
Credits from ANAP	28		28				28
Residential lease transactions							
Other loans and accounts receivable	65	382	447		(1)	(1)	446
Subtotal	3,872,964	68,322	3,941,286		(16,628)	(16,628)	3,924,658
Consumer loans							
Consumer loans in installments	1,690,482	113,388	1,803,870		(120,257)	(120,257)	1,683,613
Current account debtors	227,101	7,558	234,659		(6,769)	(6,769)	227,890
Credit card debtors	585,637	17,849	603,486		(28,054)	(28,054)	575,432
Consumer lease transactions (1)							
Other loans and accounts receivable	218	7	225		(184)	(184)	41
Subtotal	2,503,438	138,802	2,642,240		(155,264)	(155,264)	2,486,976
Total	17,829,105	549,573	18,378,678	(163,282)	(244,838)	(408,120)	17,970,558

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

12. Loans to Customers net, continued:

(a) Loans to Customers continued:

	As of June 30, 2011						
	Assets before allowances			Allowances established			
	Normal Portfolio MCh$	Substandard Loans MCh$	Total MCh$	Individual Provisions MCh$	Group Provisions MCh$	Total MCh$	Net assets MCh$
Commercial loans							
Commercial loans	7,254,992	243,897	7,498,889	(102,744)	(53,020)	(155,764)	7,343,125
Foreign trade loans	1,106,317	70,744	1,177,061	(57,902)	(456)	(58,358)	1,118,703
Current account debtors	184,615	7,613	192,228	(6,868)	(2,138)	(9,006)	183,222
Factoring transactions	528,743	2,543	531,286	(6,181)	(463)	(6,644)	524,642
Commercial lease transactions (1)	847,675	25,199	872,874	(8,081)	(6,532)	(14,613)	858,261
Other loans and accounts receivable	39,642	3,372	43,014	(305)	(1,707)	(2,012)	41,002
Subtotal	9,961,984	353,368	10,315,352	(182,081)	(64,316)	(246,397)	10,068,955
Mortgage loans							
Mortgage bonds	136,733	12,926	149,659		(1,245)	(1,245)	148,414
Transferable mortgage loans	185,036	6,043	191,079		(1,000)	(1,000)	190,079
Other residential real estate mortgage loans	2,857,334	44,547	2,901,881		(12,308)	(12,308)	2,889,573
Credits from ANAP	56		56		(21)	(21)	35
Residential lease transactions							
Other loans and accounts receivable	46	430	476				476
Subtotal	3,179,205	63,946	3,243,151		(14,574)	(14,574)	3,228,577
Consumer loans							
Consumer loans in installments	1,521,759	93,810	1,615,569		(102,862)	(102,862)	1,512,707
Current account debtors	212,893	10,728	223,621		(8,460)	(8,460)	215,161
Credit card debtors	464,564	13,023	477,587		(17,767)	(17,767)	459,820
Consumer lease transactions (1)							
Other loans and accounts receivable	286	10	296		(17)	(17)	279
Subtotal	2,199,502	117,571	2,317,073		(129,106)	(129,106)	2,187,967
Total	15,340,691	534,885	15,875,576	(182,081)	(207,996)	(390,077)	15,485,499

(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 June 30, 2012, MCh$437,035 (MCh$366,301 in 2011) correspond to finance leases for real estate and MCh$628,677 (MCh$506,573 in 2011), correspond to finance leases for other assets.

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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 six-month period ended June 30, 2012 and 2011 are as follows:

	Allowances		
	Individual MCh$	**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	(3,041)	(14,758)	(17,799)
Mortgage loans		(1,315)	(1,315)
Consumer loans		(46,116)	(46,116)
Total charge-offs	(3,041)	(62,189)	(65,230)
Allowances established	2,682	75,639	78,321
Allowances released (*)			
Balance as of June 30, 2011	182,081	207,996	390,077
Balance as of January 1, 2012	160,377	224,113	384,490
Charge-offs:			
Commercial loans	(3,870)	(17,792)	(21,662)
Mortgage loans		(2,218)	(2,218)
Consumer loans		(67,207)	(67,207)
Total charge-offs	(3,870)	(87,217)	(91,087)
Allowances established	6,775	107,942	114,717
Allowances released (*)			
Balance as of June 30, 2012	163,282	244,838	408,120

(*) See note N°12 (d) sale or transfer of loan portfolio.

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:

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

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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 (*)**	
	June 2012 MCh$	**June 2011 MCh$**	**June 2012 MCh$**	**June 2011 MCh$**	**June 2012 MCh$**	**June 2011 MCh$**
Due within one year	365,455	292,315	(47,331)	(36,369)	318,124	255,946
Due after 1 year but within 2 years	274,222	217,216	(34,965)	(27,123)	239,257	190,093
Due after 2 years but within 3 years	187,975	148,484	(23,057)	(18,129)	164,918	130,355
Due after 3 years but within 4 years	109,623	102,645	(15,619)	(12,312)	94,004	90,333
Due after 4 years but within 5 years	74,395	60,740	(11,193)	(8,751)	63,202	51,989
Due after 5 years	205,837	168,728	(25,475)	(19,416)	180,362	149,312
Total	1,217,507	990,128	(157,640)	(122,100)	1,059,867	868,028

(*) The net balance receivable does not include past-due portfolio totaling MCh$5,845 as of June 30, 2012 (MCh$4,846 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 June 30, 2012 and 2011 Banco de Chile has carried out transactions of sale or transfer of the loan portfolio according to the following: