

BANK OF CHILE
Form 6-K
April 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 April, 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

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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)(1):

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

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

Yes No

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

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BANCO DE CHILE
REPORT ON FORM 6-K

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

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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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For the periods ended

(Translation of financial statements originally issued in Spanish)

(Expressed in million of Chilean pesos)

	Notes	March 2012 MCh\$	December 2011 MCh\$	March 2011 MCh\$
ASSETS				
Cash and due from banks	7	996,023	881,146	919,219
Transactions in the course of collection	7	546,454	373,639	859,776
Financial assets held-for-trading	8	346,338	301,771	363,514
Receivables from Repurchase agreements and Security Borrowing	9	40,050	47,981	101,333
Derivative instruments	10	375,169	385,688	390,798
Loans and advances to banks	11	299,377	648,425	343,713
Loans to customers, net	12	17,357,290	16,993,303	14,490,715
Financial assets available-for-sale	13	1,359,057	1,468,898	1,222,391
Financial assets held-to-maturity	13			
Investments in other companies	14	15,880	15,418	13,847
Intangible assets	15	35,216	35,517	35,929
Property and equipment	16	209,188	207,888	206,617
Current tax assets	17	2,197	1,407	10,955
Deferred tax assets	17	112,394	116,282	107,603
Other assets	18	261,008	263,584	333,216
TOTAL ASSETS		21,955,641	21,740,947	19,399,626
LIABILITIES				
Current accounts and other demand deposits	19	5,155,775	4,895,426	4,501,384
Transactions in the course of payment	7	349,718	155,424	695,346
Payables from Repurchase Agreements and Security Lending	9	301,456	223,202	192,189
Savings accounts and time deposits	20	9,140,305	9,282,324	8,160,115
Derivative instruments	10	393,669	429,913	389,952
Borrowings from financial institutions	21	1,698,913	1,690,939	1,517,854
Debt issued	22	2,499,397	2,388,341	1,750,887
Other financial obligations	23	146,950	184,785	164,959
Current tax liabilities	17	7,442	4,502	2,755
Deferred tax liabilities	17	23,722	23,213	26,322
Provisions	24	258,396	457,938	224,342
Other liabilities	25	213,311	265,765	362,006
TOTAL LIABILITIES		20,189,054	20,001,772	17,988,111
EQUITY				
	27			
Attributable to Bank's Owners:				
Capital		1,509,994	1,436,083	1,225,969
Reserves		177,574	119,482	119,482
Other comprehensive income		12,883	(2,075)	9,034
Retained earnings:				
Retained earnings from previous periods		16,379	16,379	16,091
Income for the period		121,161	428,805	116,885

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Less:			
Provision for minimum dividends	(71,405)	(259,501)	(75,947)
Subtotal	1,766,586	1,739,173	1,411,514
Non-controlling interests	1	2	1
TOTAL EQUITY	1,766,587	1,739,175	1,411,515
TOTAL LIABILITIES AND EQUITY	21,955,641	21,740,947	19,399,626

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 three-months ended March 31, 2012 and 2011

(Translation of financial statements originally issued in Spanish)

(Expressed in million of Chilean pesos)

	Notes	March 2012 MCh\$	March 2011 MCh\$
A. CONSOLIDATED STATEMENT OF INCOME			
Interest revenue	28	434,426	309,347
Interest expense	28	(190,071)	(107,384)
Net interest income		244,355	201,963
Income from fees and commissions	29	91,301	91,549
Expenses from fees and commissions	29	(16,035)	(13,534)
Net fees and commission income		75,266	78,015
Net financial operating income	30	(1,779)	28,100
Foreign exchange transactions, net	31	12,241	(11,887)
Other operating income	36	7,637	7,244
Total operating revenues		337,720	303,435
Provisions for loan losses	32	(46,950)	(26,120)
OPERATING REVENUES, NET OF PROVISIONS FOR LOAN LOSSES		290,770	277,315
Personnel expenses	33	(75,204)	(69,107)
Administrative expenses	34	(57,525)	(55,548)
Depreciation and amortization	35	(7,720)	(7,737)
Impairment	35		
Other operating expenses	37	(14,901)	(9,011)
TOTAL OPERATING EXPENSES		(155,350)	(141,403)
NET OPERATING INCOME		135,420	135,912
Income attributable to associates	14	590	803
Income before income tax		136,010	136,715
Income tax	17	(14,849)	(19,830)
NET INCOME FOR THE PERIOD		121,161	116,885
Attributable to:			
Bank's Owners		121,161	116,885
Non-controlling interests			
Net income per share attributable to Bank's Owners:		Ch\$	Ch\$

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Basic net income per share	27	1.39	1.42
Diluted net income per share	27	1.39	1.42

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 three-months ended March 31, 2012 and 2011

(Translation of financial statements originally issued in Spanish)

(Expressed in million of Chilean pesos)

	Notes	March 2012 MCh\$	March 2011 MCh\$
B. CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME			
NET INCOME FOR THE PERIOD		121,161	116,885
OTHER COMPREHENSIVE INCOME			
Net unrealized gains (losses):			
Net change in unrealized gains (losses) on available for sale instruments	13	17,436	3,461
Gains and losses on derivatives held as cash flow hedges		772	
Cumulative translation adjustment		(45)	18
Other comprehensive income before income taxes		18,163	3,479
Income tax related to other comprehensive income	17	(3,118)	(786)
Total other comprehensive income		15,045	2,693
TOTAL CONSOLIDATED COMPREHENSIVE INCOME		136,206	119,578
Attributable to:			
Bank's owners		136,206	119,578
Non-controlling interest			
Comprehensive net income per share attributable to Bank's owners:			
Basic net income per share		1.57	1.45
Diluted net income per share		1.57	1.45

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 three months ended March 31, 2011 and 2012**

(Translation of financial statements originally issued in Spanish)

(Expressed in millions of Chilean pesos)

Notes	Reserves		Other comprehensive income				Retained earnings					Non-controlling interest MCh\$
	Paid-in Capital MCh\$	Other reserves MCh\$	Reserves from earnings MCh\$	Unrealized gains (losses) on available- for- sale MCh\$	Derivatives cash flow hedge MCh\$	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\$		
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	
Capitalization of retained earnings	67,217							(67,217)				
Retention (released) earnings			32,096					(32,096)				
Dividends distributions and paid	27							(279,216)	242,503	(36,713)	(1)	
Other comprehensive income:												
Cumulative translation adjustment						18				18		
Valuation adjustment on available-for-sale instruments, net				3,146						3,146		
Income for the period 2011								116,885		116,885		
Provision for minimum dividends	27								(75,947)	(75,947)		
Balances as of March 31, 2011	1,225,969	32,256	87,226	9,120		(86)	16,091	116,885	(75,947)	1,411,514	1	
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	
Capitalization of retained earnings	73,911							(73,911)				
			58,092					(58,092)				

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Retention (released) earnings												
Dividends distributions and paid	27							(296,802)	259,501	(37,301)	(1)	
Other comprehensive income:												
Cumulative translation adjustment								(45)		(45)		
Cash flow hedge adjustment, net					633					633		
Valuation adjustment on available-for-sale instruments (net)				14,370						14,370		
Income for the period 2012								121,161		121,161		
Provision for minimum dividends	27								(71,405)	(71,405)		
Balances as of March 31, 2012		1,509,994	32,256	145,318	12,726	238	(81)	16,379	121,161	(71,405)	1,766,586	1

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 three-months ended March 31, 2012 and 2011**

(Translation of financial statements originally issued in Spanish)

(Expressed in million of Chilean pesos)

	Notes	March 2012 MCh\$	March 2011 MCh\$
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:			
Net income for the period		121,161	116,885
Items that do not represent cash flows:			
Depreciation and amortization	35	7,720	7,737
Provision for loan losses	32	55,157	35,875
Provision of contingent loans	32	751	1,734
Fair value adjustment of financial assets held-for-trading		1,378	(232)
(Income) loss attributable to investments in other companies	14	(590)	(692)
(Income) loss sales of assets received in lieu of payment	36	(1,695)	(1,255)
(Income) loss on sales of property and equipment		(57)	(1,269)
(Increase) decrease in other assets and liabilities		(117,648)	47,648
Charge-offs of assets received in lieu of payment	37	254	364
Other credits (debits) that do not represent cash flows		(79,621)	11,714
Net changes in interest and fee accruals		3,729	(78,347)
Changes in assets and liabilities that affect operating cash flows:			
(Increase) decrease in loans and advances to banks, net		349,072	6,627
(Increase) decrease in loans to customers		(366,234)	(426,250)
(Increase) decrease in financial assets held-for-trading, net		(76,249)	(85,649)
(Increase) decrease in deferred taxes, net	17	4,397	3,587
Increase (decrease) in current account and other demand deposits		260,467	55,004
Increase (decrease) in payables from repurchase agreements and security lending		56,037	86,910
Increase (decrease) in savings accounts and time deposits		(166,389)	441,150
Proceeds from sale of assets received in lieu of payment		2,228	1,821
Total cash flows provided by operating activities		53,868	223,362
CASH FLOWS PROVIDED BY INVESTING ACTIVITIES:			
(Increase) decrease in financial assets available for sale, net		114,873	(48,876)
Purchases of property and equipment	16	(6,339)	(5,579)
Proceeds from sales of property and equipment		73	1,628
Purchases of intangible assets	15	(2,300)	(2,121)
Investments in other companies	14		
Dividends received from investments in other companies	14		
Total cash flows provided by investing activities		106,307	(54,948)
CASH FLOWS USED IN FINANCING ACTIVITIES:			
Repayment of mortgage finance bonds		(7,497)	(11,019)
Proceeds from bond issuances	22	109,811	
Redemption of bond issuances		(26,038)	(10,056)
Dividends paid		(296,802)	(279,216)

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Increase (decrease) in borrowings from financial institutions		234,001	18,906
Increase (decrease) in other financial obligations		(36,652)	(11,316)
Increase (decrease) in borrowings from Central Bank of Chile		(22,793)	
Payment of borrowings from Central Bank of Chile (long-term)		(8)	(5)
Long-term foreign borrowings		63,492	208,539
Payment of long-term foreign borrowings		(189,716)	(17,831)
Other long-term borrowings		249	1,786
Payment of other long-term borrowings		(1,355)	(4,722)
Total cash flows used in financing activities		(173,308)	(104,934)
TOTAL NET POSITIVE (NEGATIVE) CASH FLOWS FOR THE PERIOD		(13,133)	63,480
Cash and cash equivalents at beginning of year	7	1,429,908	1,447,694
Cash and cash equivalents at end of period	7	1,416,775	1,511,174

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 three-months ended March 31, 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.

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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 three-months period ended March 31, 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 three 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:

Rut	Subsidiaries	Country	Functional Currency	Direct		Interest Owned Indirect		Total	
				March 2012 %	March 2011 %	March 2012 %	March 2011 %	March 2012 %	March 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 three months period ended March 31, 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 March 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 three months ended March 31, 2012.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Principles, continued:

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 March 31, 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. To date, Banco de Chile and its subsidiaries are evaluating the possible impact that the adoption of this standard will have on its consolidated financial statements.

IAS 19 Employee Benefits

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

IAS 27 Separate Financial Statements

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

3. New Accounting Pronouncements, continued:

IAS 28 Investments in Associates and Joint Venture

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

IAS 32 Financial Instruments: Presentation

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

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 possible impact that the adoption of this standard 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.

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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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

3. New Accounting Pronouncements, continued:

IFRS 10 Consolidated Financial Statement

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

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

IFRS 11 Joint Arrangements

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

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

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

IFRS 12 Disclosure of Interests in Other Entities

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

effects of those interests on its financial statements.

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

IFRS 13 Fair Value Measurement

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

4. Changes in Accounting Policies and Disclosures:

During the period ended March 31, 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 March 22, 2012 with the objective of proposing, among other matters, the increase the Banks capital through the capitalization of 30% of the Bank's net income for the fiscal year 2011, by means of the issuance of shares without nominal value, set at the value of \$67.48 per share and distributed among shareholders, without charge, at the rate of 0.018956 new shares per each paid for and subscribed share and to adopt all necessary resolutions subject to the options contemplated in Article 31 of Law N°19,396.

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

b. On February 16, 2012 and pursuant to Article 116 of Law No.18,045, Bank of Chile in his capacity as representative of the bondholders Series A, issued by Compañía Sud Americana de Vapores S.A., 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 March 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

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.

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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 three-month period ended March 31, 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.

In order to be comparable, the figures have been adjusted for March 2011, following the same criteria used today. These changes are detailed as follows:

1. The distribution of capital and income to operating segments. Under the new criteria, the assignment of capital considers risk-weighted assets and the amounts provided by treasury.

2. Income from maturity mismatches and currency (excluding those related to trading instruments and available for sale) have been allocated to business segments taking into account the volume of loans and deposits balances managed by each business.

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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 March 31, 2012 and 2011 for each of the segments defined above:

	Retail		Wholesale		Treasury		Subsidiaries		Subtotal		Adjustment (*)	
	March 2012 MCh\$	March 2011 MCh\$	March 2012 MCh\$	March 2011 MCh\$	March 2012 MCh\$	March 2011 MCh\$	March 2012 MCh\$	March 2011 MCh\$	March 2012 MCh\$	March 2011 MCh\$	March 2012 MCh\$	March 2011 MCh\$
Net interest income	163,398	141,455	66,135	49,014	10,337	8,473	1,114	2,274	240,984	201,216	3,371	747
Net fees and commissions income	42,718	41,192	10,427	9,144	(131)	(97)	24,447	30,526	77,461	80,765	(2,195)	(2,750)
Other operating income	5,700	5,542	7,144	13,647	1,858	579	7,423	4,852	22,125	24,620	(4,026)	(1,163)
Total operating revenue	211,816	188,189	83,706	71,805	12,064	8,955	32,984	37,652	340,570	306,601	(2,850)	(3,166)
Provisions for loan losses	(46,935)	(17,708)	(441)	(8,940)	374		52	528	(46,950)	(26,120)		
Depreciation and amortization	(5,327)	(5,258)	(1,896)	(1,534)	(132)	(579)	(365)	(366)	(7,720)	(7,737)		
Other operating expenses	(99,003)	(86,693)	(29,254)	(27,450)	(1,379)	(1,726)	(20,844)	(20,963)	(150,480)	(136,832)	2,850	3,166
Income attributable to associates	385	508	177	160	13		15	135	590	803		
Income before income taxes	60,936	79,038	52,292	34,041	10,940	6,650	11,842	16,986	136,010	136,715		
Income taxes												
Income after income taxes												
Assets	8,861,180	8,396,338	9,388,447	7,305,450	3,112,230	2,945,980	1,147,974	1,103,372	22,509,831	19,751,140	(668,781)	(470,072)
Current and deferred taxes												
Total assets												

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Liabilities	6,639,249	5,737,959	8,865,354	8,184,237	4,360,228	3,586,313	961,840	920,597	20,826,671	18,429,106	(668,781)	(470,072)	20,
Current and deferred taxes													
Total liabilities													20,

(*) 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:

	March 2012 MCh\$	December 2011 MCh\$	March 2011 MCh\$
Cash and due from banks:			
Cash	325,820	346,169	302,869
Current account with the Chilean Central Bank	514,809	139,328	119,035
Deposits in other domestic banks	94,723	106,656	119,623
Deposits abroad	60,671	288,993	377,692
Subtotal - Cash and due from banks	996,023	881,146	919,219
Net transactions in the course of collection			
Highly liquid financial instruments	196,736	218,215	164,430
Repurchase agreements	213,684	290,069	412,597
Total cash and cash equivalents	10,332	40,478	14,928
	1,416,775	1,429,908	1,511,174

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:

	March 2012 MCh\$	December 2011 MCh\$	March 2011 MCh\$
Assets			
Documents drawn on other banks (clearing)	188,599	185,342	162,244
Funds receivable	357,855	188,297	697,532
Subtotal transactions in the course of collection	546,454	373,639	859,776

Liabilities

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Funds payable	(349,718)	(155,424)	(695,346)
Subtotal transactions in the course of payment	(349,718)	(155,424)	(695,346)
Net transactions in the course of collection	196,736	218,215	164,430

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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:

	March 2012 MCh\$	December 2011 MCh\$	March 2011 MCh\$
Instruments issued by the Chilean Government and Central Bank of Chile:			
Central Bank bonds	59,982	66,243	76,017
Central Bank promissory notes	3,414	4,657	10,934
Other instruments issued by the Chilean Government and Central Bank	14,047	6,942	49,786
Other instruments issued in Chile			
Deposit promissory notes from domestic banks			
Mortgage bonds from domestic banks	63	61	119
Bonds from domestic banks	678	585	
Deposits in domestic banks	221,574	191,003	183,891
Bonds from other Chilean companies	585		
Other instruments issued in Chile	1,505	370	2,261
Instruments issued by foreign institutions			
Instruments from foreign governments or central banks			
Other instruments issued abroad			
Mutual fund investments:			
Funds managed by related companies	44,490	31,910	40,506
Funds managed by third parties			
Total	346,338	301,771	363,514

Instruments issued by the Chilean Government and Central Bank include instruments sold under agreements to repurchase to customers and financial institutions, equivalent to MCh\$11,596 as of March 31, 2012 (MCh\$4,521 as of March 31, 2011).

Other instruments issued in Chile include instruments sold under agreements to repurchase to customers and financial instruments, amounting to MCh\$251,750 as of March 31, 2012 (MCh\$151,849 in 2011).

Agreements to repurchase have an average expiration of 7 days as of period-end (8 days in 2011).

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Additionally, the Bank holds financial investments in mortgage finance bonds issued by itself in the amount of MCh\$62,373 as of March 31, 2012 (MCh\$73,445 as of March 31, 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 March 31, 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	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			950											950
Central Bank promissory notes														
Other instruments issued by the Chilean Government and Central Bank	1,153	3,221											1,153	3,221
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	7,871	5,584	30,141	37,974	885	53,604							38,897	97,162
Instruments issued by foreign institutions														
Instruments from foreign governments or central bank														

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Other instruments

Total	9,024	9,755	30,141	37,974	885	53,604	40,050	101,333
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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 March 31, 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	11,532	7,321											11,532	7,321
Central Bank promissory notes	2,970	3,007											2,970	3,007
Other instruments issued by the Chilean Government and Central Bank		939												939
Other Instruments Issued in Chile														
Deposit promissory notes from domestic banks	280,330	171,857	105	9,065	5,997								286,432	180,922
Mortgage bonds from domestic banks														
Bonds from domestic banks														
Deposits in domestic banks														
Bonds from other Chilean companies														
Other instruments issued in Chile	522												522	
Instruments issued by foreign institutions														
Instruments from foreign														

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governments or central bank									
Other instruments									
Total	295,354	183,124	105	9,065	5,997			301,456	192,189

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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 March 31, 2012, the Bank held securities with a fair value of Ch\$63,320 million (Ch\$74,895 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 March 31, 2012 is Ch\$272,727 million (Ch\$161,966 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 March 31, 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 year and up to 5 years		Over 5 years		Asset	
	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\$
Derivatives held for hedging purposes														
Cross currency swap							30,966		24,787	29,653	100,290	131,921		
Interest rate swap							14,797	10,268	23,589	17,451	164,813	156,432		2,289
Total derivatives held for hedging purposes							45,763	10,268	48,376	47,104	265,103	288,353		2,289
Derivatives held as cash flow hedges														
Interest rate swap and cross currency swap	57,742						57,213							
Total Derivatives held as cash flow hedges	57,742						57,213							
Derivatives held-for-trading purposes														
Currency forward	5,014,259	4,461,187	3,057,682	2,942,052	3,780,719	3,991,049	405,339	397,935	26,173	7,436	97		90,283	77,446
Cross currency swap	163,219	163,579	452,278	383,901	1,181,848	1,013,085	2,073,321	1,506,187	1,077,784	1,046,048	1,151,795	1,018,026	214,484	240,202
Interest rate swap	214,975	51,900	300,801	210,942	2,176,784	1,236,431	1,729,859	1,646,637	775,262	512,291	941,419	475,883	70,123	70,265
Call currency options	19,534	19,283	12,697	14,510	15,823	57,584							196	586
Put currency options			7,814		6,446	2,578							83	10
Others		43,157									679,607	650,797		
Total derivatives of negotiation	5,411,987	4,739,106	3,831,272	3,551,405	7,161,620	6,300,727	4,208,519	3,550,759	1,879,219	1,565,775	2,772,918	2,144,706	375,169	388,509
Total	5,469,729	4,739,106	3,831,272	3,551,405	7,161,620	6,300,727	4,311,495	3,561,027	1,927,595	1,612,879	3,038,021	2,433,059	375,169	390,798

Table of ContentsNOTES 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 March 31, 2012 and 2011:

	As of March 31,	
	2012 MCh\$	2011 MCh\$
Hedged element		
Commercial loans	156,043	161,574
Corporate bonds	203,199	184,151
Total	359,242	345,725
Hedge instrument		
Cross currency swap	156,043	161,574
Interest rate swap	203,199	184,151
Total	359,242	345,725

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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 March 31, 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 (Corporate bonds MXN)							
Outflows	(239)	(477)	(2,385)	(62,461)			(65,562)
Hedged Instrument (Cross currency swap MXN leg) Inflows	239	477	2,385	62,461			65,562
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 March 31, 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		795	813	60,985			62,593
Hedged Instrument (Cross currency swap CLF leg)							
Outflows		(795)	(813)	(60,985)			(62,593)
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\$287 millions generated from hedging instruments has been recorded in equity.

(c.4) The net effect in income of derivatives cash flow hedges amount to Ch\$1,525 millions.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

11. Loans and advances to Banks:

(a) Amounts are detailed as follows:

	March 2012 MCh\$	December 2011 MCh\$	March 2011 MCh\$
Domestic Banks			
Interbank loans	64,273	15,059	13,636
Other credits with domestic banks			
Provisions for loans to domestic banks	(53)	(5)	(5)
Subtotal	64,220	15,054	13,631
Foreign Banks			
Loans to foreign banks	162,454	190,838	61,844
Overdrafts in current accounts			
Credit with domestic companies	58,299	127,076	134,869
Credits with third countries	14,751	15,639	133,649
Other credits with foreign banks			
Provisions for loans to foreign banks	(841)	(1,001)	(697)
Subtotal	234,663	332,552	329,665
Central Bank of Chile			
Non-available Central Bank deposits		300,000	
Other Central Bank credits	494	819	417
Subtotal	494	300,819	417
Total	299,377	648,425	343,713

(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	5	87	92
Provisions released			
Balance as of March 31, 2011	5	697	702
Balance as of January 1, 2012	5	1,001	1,006

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Charge-offs

Provisions established	48		48
Provisions released		(160)	(160)
Balance as of March 31, 2012	53	841	894

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

12. Loans to Customers, net:

(a) Loans to Customers:

As of March 31, 2012 and 2011, the composition of the portfolio of loans is the following:

	Assets before allowance		As of March 31, 2012				Net assets MCh\$
	Normal Portfolio MCh\$	Substandard Loans MCh\$	Total MCh\$	Individual Provisions MCh\$	Group Provisions MCh\$	Total MCh\$	
Commercial loans							
Commercial loans	7,969,331	215,851	8,185,182	(87,563)	(55,874)	(143,437)	8,041,745
Foreign trade loans	1,287,646	63,816	1,351,462	(53,824)	(330)	(54,154)	1,297,308
Current account debtors	196,785	2,462	199,247	(2,638)	(2,165)	(4,803)	194,444
Factoring transactions	504,213	7,570	511,783	(8,067)	(521)	(8,588)	503,195
Commercial lease transactions (1)	1,001,063	24,764	1,025,827	(5,167)	(7,665)	(12,832)	1,012,995
Other loans and accounts receivable	43,509	4,316	47,825	(868)	(1,536)	(2,404)	45,421
Subtotal	11,002,547	318,779	11,321,326	(158,127)	(68,091)	(226,218)	11,095,108
Mortgage loans							
Mortgage bonds	118,267	10,437	128,704		(995)	(995)	127,709
Transferable mortgage loans	164,337	5,240	169,577		(763)	(763)	168,814
Other residential real estate mortgage loans	3,456,383	52,239	3,508,622		(14,397)	(14,397)	3,494,225
Credits from ANAP	29		29				29
Residential lease transactions							
Other loans and accounts receivable	67	413	480		(22)	(22)	458
Subtotal	3,739,083	68,329	3,807,412		(16,177)	(16,177)	3,791,235
Consumer loans							
Consumer loans in installments	1,668,004	110,960	1,778,964		(122,716)	(122,716)	1,656,248
Current account debtors	234,071	9,767	243,838		(6,820)	(6,820)	237,018
Credit card debtors	584,767	18,189	602,956		(25,324)	(25,324)	577,632
Consumer lease transactions (1)							
Other loans and accounts receivable	235	8	243		(194)	(194)	49
Subtotal	2,487,077	138,924	2,626,001		(155,054)	(155,054)	2,470,947
Total	17,228,707	526,032	17,754,739	(158,127)	(239,322)	(397,449)	17,357,290

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

12. Loans to Customers net, continued:

(a) Loans to Customers continued:

	As of March 31, 2011						Net assets MCh\$
	Normal Portfolio MCh\$	Assets before allowances Substandard Loans MCh\$	Total MCh\$	Individual Provisions MCh\$	Group Provisions MCh\$	Total MCh\$	
Commercial loans							
Commercial loans	6,930,286	226,373	7,156,659	(95,994)	(50,424)	(146,418)	7,010,241
Foreign trade loans	906,485	80,201	986,686	(63,660)	(303)	(63,963)	922,723
Current account debtors	126,124	7,155	133,279	(6,455)	(2,073)	(8,528)	124,751
Factoring transactions	411,993	1,637	413,630	(5,200)	(411)	(5,611)	408,019
Commercial lease transactions (1)	781,557	24,635	806,192	(7,871)	(6,308)	(14,179)	792,013
Other loans and accounts receivable	28,976	3,274	32,250	(364)	(1,384)	(1,748)	30,502
Subtotal	9,185,421	343,275	9,528,696	(179,544)	(60,903)	(240,447)	9,288,249
Mortgage loans							
Mortgage bonds	142,659	13,888	156,547		(1,325)	(1,325)	155,222
Transferable mortgage loans	190,113	6,260	196,373		(1,028)	(1,028)	195,345
Other residential real estate mortgage loans	2,672,999	42,997	2,715,996		(12,101)	(12,101)	2,703,895
Credits from ANAP	58		58				58
Residential lease transactions							
Other loans and accounts receivable	46	449	495		(25)	(25)	470
Subtotal	3,005,875	63,594	3,069,469		(14,479)	(14,479)	3,054,990
Consumer loans							
Consumer loans in installments	1,476,369	93,201	1,569,570		(104,824)	(104,824)	1,464,746
Current account debtors	218,217	10,469	228,686		(4,289)	(4,289)	224,397
Credit card debtors	461,783	13,144	474,927		(16,753)	(16,753)	458,174
Consumer lease transactions (1)		94	94		(70)	(70)	24
Other loans and accounts receivable	314	15	329		(194)	(194)	135
Subtotal	2,156,683	116,923	2,273,606		(126,130)	(126,130)	2,147,476
Total	14,347,979	523,792	14,871,771	(179,544)	(201,512)	(381,056)	14,490,715

(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 March 31, 2012, MCh\$411,859 (MCh\$361,426 in 2011) correspond to finance leases for real estate and MCh\$613,968 (MCh\$444,860 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 three-month period ended March 31, 2012 and 2011 are as follows:

	Individual MCh\$	Allowances Group MCh\$	Total MCh\$
Balance as of January 1, 2011	182,440	194,545	376,985
Charge-offs:			
Commercial loans	(1,204)	(8,306)	(9,510)
Mortgage loans		(535)	(535)
Consumer loans		(21,668)	(21,668)
Total charge-offs	(1,204)	(30,509)	(31,713)
Allowances established		37,734	37,734
Allowances released (*)	(1,692)	(259)	(1,951)
Balance as of March 31, 2011	179,544	201,512	381,056
Balance as of January 1, 2012	160,377	224,113	384,490
Charge-offs:			
Commercial loans	(1,058)	(8,730)	(9,788)
Mortgage loans		(817)	(817)
Consumer loans		(31,705)	(31,705)
Total charge-offs	(1,058)	(41,252)	(42,310)
Allowances established		56,461	56,461
Allowances released (*)	(1,192)		(1,192)
Balance as of March 31, 2012	158,127	239,322	397,449

(*) 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:

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1. As of March 31, 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 March 31, 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 (*)	
	March 2012 MCh\$	March 2011 MCh\$	March 2012 MCh\$	March 2011 MCh\$	March 2012 MCh\$	March 2011 MCh\$
Due within one year	351,364	270,863	(44,460)	(33,300)	306,904	237,563
Due after 1 year but within 2 years	265,863	194,785	(33,193)	(25,270)	232,670	169,515
Due after 2 years but within 3 years	181,423	133,525	(21,725)	(17,339)	159,698	116,186
Due after 3 years but within 4 years	108,945	94,023	(14,835)	(12,000)	94,110	82,023
Due after 4 years but within 5 years	71,952	58,424	(10,502)	(8,646)	61,450	49,778
Due after 5 years	189,628	166,832	(23,201)	(19,577)	166,427	147,255
Total	1,169,175	918,452	(147,916)	(116,132)	1,021,259	802,320

(*) The net balance receivable does not include past-due portfolio totaling MCh\$4,568 as of March 31, 2012 (MCh\$3,966 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 three-month period ended March 31, 2012 and 2011 Banco de Chile has not carried out transactions of sale or transfer of the loan portfolio.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, continued

13. Investment Securities:

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

	March 2012			December 2011			March 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	175,620		175,620	158,865		158,865	138,389		138,389
Promissory notes issued by the Chilean Government and Central Bank	16,982		16,982	58,564		58,564	245,468		245,468
Other instruments	187,874		187,874	194,965		194,965	46,808		46,808
Other instruments issued in Chile									
Deposit promissory notes from domestic banks									
Mortgage bonds from domestic banks	91,844		91,844	87,966		87,966	83,574		83,574
Bonds from domestic banks	125,899		125,899	124,203		124,203	60,944		60,944
Deposits from domestic banks	455,609		455,609	521,881		521,881	376,355		376,355
Bonds from other Chilean companies	44,842		44,842	48,790		48,790	30,794		30,794
Promissory notes issued by other Chilean companies	5,736		5,736	5,659		5,659	5,387		5,387
Other instruments	130,275		130,275	139,602		139,602	127,358		127,358
Instruments issued abroad									

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Instruments from
foreign governments
or central banks

Other instruments(*)	124,376	124,376	128,403	128,403	107,314	107,314
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**Impairment
Provision**

Total	1,359,057	1,359,057	1,468,898	1,468,898	1,222,391	1,222,391
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(*)According with SBIF's regulation, as of March 31, 2011, the bank reclassified an amount of MCh139,602 from Instruments issued abroad to Instruments of other domestic institutions. See Note N°39 (b).

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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\$9,381 as of March 31, 2012 (MCh\$5,596 in 2011). The agreements to repurchase have an average maturity of 4 days as of March 31, 2012 (11 days in 2011).

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

As of March 31, 2012, the portfolio of financial assets available-for-sale includes a net unrealized gain of MCh\$12,726 (net unrealized gain of MCh\$9,120 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 Income.

Gross profits and losses realized on the sale of available-for-sale investments as of March 31, 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 three-month period ended March 31, 2012 and 2011 and December 31, 2011 are as follows:

	March 2012 MCh\$	December 2011 MCh\$	March 2011 MCh\$
Unrealized gain (loss) arising during the year	(18,350)	(10,416)	(75)
Gain (loss) included in the income statement	35,786	932	3,536
Net gain (loss) on available for sale before income tax	17,436	(9,484)	3,461

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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\$15,880 as of March 31, 2012 (MCh\$13,847 in 2011), which is detailed as follows:

Company	Shareholder	Ownership Interest		Equity		Book Value		Investment Income (Loss)	
		March 2012 %	March 2011 %	March 2012 MCh\$	March 2011 MCh\$	March 2012 MCh\$	March 2011 MCh\$	March 2012 MCh\$	March 2011 MCh\$
Investments valued at equity method:									
Servipag Ltda.	Banco de Chile	50.00	50.00	7,582	6,391	3,791	3,196	92	108
Redbanc S.A.	Banco de Chile	38.13	38.13	5,788	5,171	2,207	1,972	161	218
Administrador Financiero del Transantiago S.A.	Banco de Chile	20.00	20.00	9,854	4,633	1,971	926	228	151
Transbank S.A.	Banco de Chile	26.16	26.16	6,383	6,600	1,670	1,726	28	103
Soc. Operadora de Tarjetas de Crédito Nexus S.A.	Banco de Chile	25.81	25.81	6,412	6,412	1,655	1,655	65	67
Artikos Chile S.A.	Banco de Chile	50.00	50.00	1,903	1,848	952	924	(41)	4
Soc. Operadora de la Cámara de Compensación de Pagos de Alto Valor S.A.	Banco de Chile	14.17	14.17	3,886	3,421	550	485	23	18
Centro de Compensación Automatizado S.A.	Banco de Chile	33.33	33.33	1,312	1,069	437	356	17	11
Sociedad Interbancaria de Depósitos de Valores S.A.	Banco de Chile	26.81	26.81	1,586	1,436	425	385	17	12
Subtotal						13,658	11,625	590	692
Investments valued at cost:									
Bolsa de Comercio de Santiago S.A.						1,646	1,646		111
Banco Latinoamericano de Comercio Exterior S.A. (Bladex)						309	309		
Bolsa Electrónica de Chile S.A.						257	257		
Cámara de Compensación Sociedad de Telecomunicaciones						8	8		

Financieras Interbancarias
Mundiales (Swift)