

2019 Annual Report

Financial - Sustainability



Committed to Chile

Banco de Chile
El banco de Chile

3

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Letter from the Chairman

Dear Shareholders:

I am proud to present our annual report and financial statements for 2019. This year Banco de Chile once again reported strong earnings and made significant strides in numerous areas. We are certainly pleased with our results, especially considering the particularly challenging year we had in 2019 because of both external and internal factors.

From a financial perspective, the bank achieved net income of Ch\$ 593 billion, equivalent to a return on average capital of 18%, well above the local industry average of 12.8%. These figures are the result of our consistent, long-term strategy. I firmly believe that responsible, cautious growth is one of the main foundations of the bank's future sustainability.

In 2019, SAOS S.A., a subsidiary of SM-Chile S.A., completely repaid the subordinated debt it had with the Chilean Central Bank, marking an important development for the corporation. This obligation was extinguished 17 years before originally scheduled, thanks to the bank's solid, consistent results. In addition to leaving behind the last vestige of the worst financial crisis in Chile's history, this milestone led to an important increase in the market presence of Banco de Chile's stock, after the bank's securities were distributed to shareholders of SM-Chile S.A., which expanded its free float from

27% to 44% and boosted the bank's weight in the main benchmark indexes, thus further increasing its visibility and liquidity in Chile and abroad.

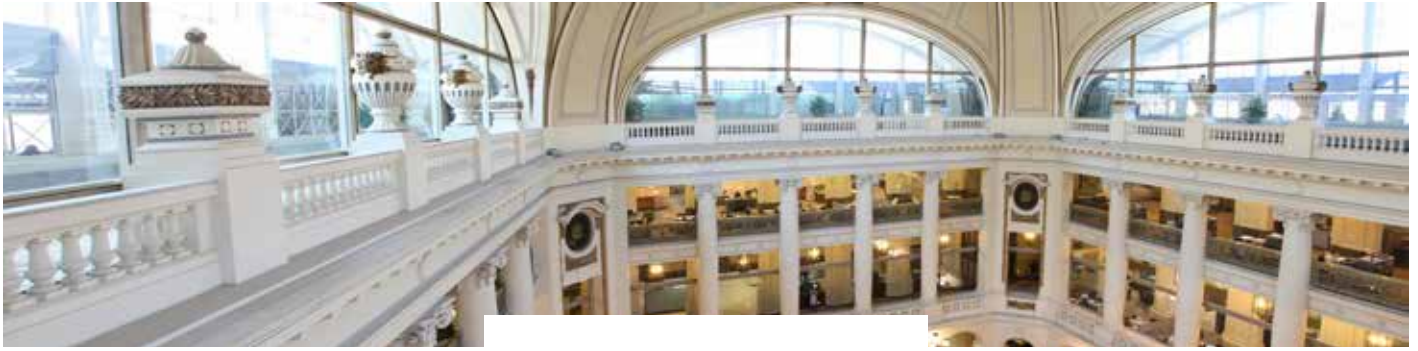
The year 2019 ended in stark contrast as a series of social protests, accompanied by damage to public and private infrastructure, interrupted the country's normal functioning. In just a few months, the country's growth expectations for this two-year period fell around a point and a half per year, equivalent to a loss in production of practically US\$9.0 billion, which is not a trivial sum. This shift occurred in a context of growing external risk and uncertainty, marked by emerging trade tensions in several parts of the world, which affected global growth and commodity prices. There is no doubt that conditions like these reduce the external momentum that reaches our economy.

Should the current growth forecasts of around 1% for 2019 and 2020 materialize, GDP per capita would remain practically stagnant, a situation that obviously concerns us. In response, we must redouble efforts to resume growth, with active participation and contribution from all members of society. In addition to moving forward to rebuild infrastructure, we must bear in mind the important structural aspects that have set Chile apart, such as legal certainty and strong institutions, elements that should be

more present than ever in current discussions of political, social and economic transformations for our country.

Special attention must be paid to the announced rise in fiscal spending since it will boost debt to around 40% of GDP in upcoming years, far above the 5% observed in 2007. The new social agenda involves a series of permanent expenditures that need to be financed with structural revenue. Evidence categorically shows that economic growth is the main source of fiscal revenue. Without investment and growth, we cannot aspire to a more ambitious social agenda. Therefore, the foundations of our economy must be safeguarded. Not only is growth for the year at stake, but the wellbeing of current and future generations.

In 2019, the country took a very important step by making substantial changes to the General Banking Law, converging towards more modern regulation that is more consistent with leading economies and global best practices. However, as I have mentioned before, implementation of Basel III must consider the local reality, especially for aspects that have not yet been defined, such as risk weighting of assets and determining factors for the countercyclical buffer, among others. When modifying regulations, it is very important to avoid undesired effects that unintentionally



affect the wellbeing of people. We have the opportunity to learn from prior experiences, such as amendments to the Maximum Interest Rate or the elimination of negative information on customers, which were partly responsible for a drop in bank penetration rates and the proliferation of informal loans. This situation has been exacerbated by the absence of a consolidated debt system.

Without a doubt, changes in the economy will place pressure on the capacity to generate results in the future. However, I am firmly convinced that the bank's sound fundamentals, its long-term strategy and the ongoing transformation of our customer service models and processes towards an increasingly digital bank, give us the foundations necessary to successfully face the changes in the business environment. I deeply believe that we have the conditions to continue to be a model for the local industry.

In addition, we have further strengthened our foundations of sustainability through a series of environmental, social and governance initiatives. This year we took important steps, including issuing the first green bond in foreign markets, sending a tangible signal of our commitment to the environment. In social matters, we implemented a series of measures as part of a National Support Plan for SMEs and Entrepreneurs,

including financial support, assistance from our corporate volunteer program and donations in conjunction with Desafío Levantemos Chile, reaffirming our commitment to entrepreneurship. More details on these and other actions are presented in this Annual Report which, for the first time, combines our economic results and our non-financial performance into one document.

I would like to close by thanking the more than 13 thousand employees of Banco de Chile, who, in an especially challenging and complex year, were always committed to do their best. They, and everyone that has worked for the bank throughout its 125 years of history, have played a key role in building this institution that has accompanied Chile as it developed. Lastly, I would like to thank the shareholders for the confidence they have placed in the Board that I so proudly chair.

PABLO GRANIFO LAVÍN
Chairman of the Board
Banco de Chile



A Word from Our CEO

Dear Shareholders:

I am pleased to present Banco de Chile's annual report and financial statements for the third year in a row. This document highlights the corporation's commitment to making a significant contribution to the development of Chile and its people, through sustainable corporate management. In 2019 we led the industry in several areas, despite the complex, uncertain political, economic and social environment during the last quarter.

Based on international standards from the Global Reporting Initiative (GRI), this report concentrates our main strategic and financial achievements during the year and, for the first time, provides a comprehensive outlook for our corporation, including both financial and non-financial variables. As a benchmark, we used the assessment performed by Dow Jones Sustainability Index Chile (DJSI), which enables us to understand and meet the expectations of the capital market and society. This report also represents our third Communication of Progress (CoP) and highlights our achievements in complying with the Ten Principles of the UN Global Compact.

This year we concerned ourselves with strengthening and deepening our long-term strategic priorities, which are centered around three interdependent core themes: customer-centricity, greater efficiency and productivity and a commitment to Chile and its development. Our achievements in each of these dimensions have helped consolidate our position as banking industry leaders during the period, in an

increasingly dynamic, demanding and competitive context, while maintaining the corporation's status as a model for the Chilean and regional banking industries.

One of the major challenges we took on in 2019 was the digital transformation and its contribution to the bank's operations. We have made progress on a new customer service model that aims to add value for our customers. This process involves integrating some branches in order to maximize efficiency, improving how we serve customers, broadening offerings and facilitating access to a healthy mix of products based on the specific needs of our customers.

In this spirit, motivated by the desire to make important contributions in areas beyond banking, this year we promoted a series of initiatives that reinforce the foundations of the bank's sustainable development and bring to life our Commitment to Chile.

Inclusion of persons with disabilities is a cause that motivates us to generate professional and personal development opportunities for children and young people from diverse organizations. It also builds awareness of the importance of providing the tools needed for full inclusion in society.

As we do every year, Banco de Chile is involved in the Teletón. Despite the fact that the 41st edition of the televised event had to be postponed until April 2020, our institution and the other

sponsors already made their contribution to finance the foundation's operations until the main event can be held.

Another important focus of our Sustainability Strategy during the year was to develop a strong ecosystem of entrepreneurship. For the fourth consecutive year, we joined forces with Desafío Levantemos Chile to hold a new version of the national Desafío Emprendedor competition. The event attracted a record number of applicants, with 56,532 entrepreneurs applying from throughout Chile, which is evidence of the enormous number of micro and small entrepreneurs in our country that are looking for opportunities like these to display their ideas and move their businesses into the future.

Yet another strategic pillar we have adopted with conviction is that of caring for the environment, reasonably using resources and fulfilling our duty to make our operations compatible with our surroundings. We have developed a series of sustainable initiatives such as measuring our carbon footprint and neutralizing emissions from our branch network, a corporate recycling program, reforestation campaigns and bicycle racks for employees, among other programs.

In addition, we celebrated an important milestone in the country's sustainable development by issuing the first green bond in our history for US\$48 million. The placement was intended to refinance a series of renewable energy projects located in different regions around the country.

Another important development was the prepayment of the subordinated debt that SAOSS.A., subsidiary of SM-Chile S.A., had with the Chilean Central Bank. The last payment on this debt was made in April. Banco de Chile's effective management throughout time, the ongoing collaboration of all its employees, mergers with Banco Edwards and later Citibank Chile, and an extraordinary economic cycle in the Chilean economy enabled something that was unthinkable when the subordinated debt was originally issued: to repay it in 23 years, 17 years before the initial term of 40 years.

Examining this process in perspective, I am firmly convinced that we have not only concluded an era, but have laid the suitable foundations to face future demands with the strength and tradition that has characterized us for more than 125 years in business.

Despite the strides we have made this year, we were undeniably affected by the events that unfolded throughout the country on October 18th. Our corporation suffered important, material losses, with nine branches severely damaged. In that context, we immediately activated a Contingency and Business Continuity Plan to keep the bank operating for customers and, at the same time, guarantee the integrity and safety of our employees. Thanks to this extraordinary effort by our more than 13 thousand employees, our entire domestic branch network was fully operable just five days after the onset of the crisis. Cognizant of the hardships our employees were



dealing with, which undoubtedly affected their work, personal and family lives, we decided to give our team a special one-time bonus as a tangible gesture to thank them for their commitment to the bank and their responsibility towards Chile. Likewise, we established a monthly minimum wage of Ch\$500.000 gross (or a portion thereof for part-time employees), for all employees of Banco de Chile and its subsidiaries.

Although the crisis made citizen demands more visible, it also left thousands of entrepreneurs deeply wounded, affecting their sole source of employment either because of damaged infrastructure or the inability to sell their products in such a complex environment.

In that context, we organized a National Support Plan for SMEs and Entrepreneurs, a set of concrete actions to help them revive their businesses. For example, we took steps to reduce the invoice payment period for Banco de Chile's smaller suppliers from an average of 21 to just 10 days.

Another measure involved emergency loans and restructuring of outstanding loans to benefit more than 5,000 SME and microenterprise customers. This was in addition to a campaign to share advertising space with these customers in order to promote and draw attention to their businesses on our websites, television, digital media and print media. We also supported entrepreneur fairs that brought together over 250 micro and small businesses, such as the Great Christmas Fair organized by Banco de Chile, which brought together 100 entrepreneurs affected by the social crisis. In response to our employees' commitment, we organized a

competition and awarded 43 grants providing direct assistance to affected microentrepreneurs throughout Chile.

In this Annual Report, I would also like to highlight several important accolades earned by Banco de Chile. This recognition from our customers and the industry of our excellent work throughout the year fills us with pride and satisfaction. First, we were selected as the "Company with the Best Corporate Reputation for the Decade (2010-2019)," according to the Merco Empresas y Líderes 2019 study. The measurement also ranked the bank third in the general corporate ranking, consolidating our leadership in corporate reputation.

We also obtained, for the second straight year, first place among Large Banks in the Procalidad 2019 National Customer Satisfaction Award. This recognition is granted by the bank's own customers for dedication and effort to provide excellent service.

As a result of significant effort, dedication and excellence by our entire team, Banco de Chile was honored as the best digital bank in the country in the categories of Consumer and Corporate Banking at the 20th version of the "Digital Bank Awards 2019" organized by the prestigious magazine Global Finance. Together with this, in Latin America we received an award for the "Best Online Portal Service", within the regional subcategory for corporate banking. Although these diverse achievements and accolades fill us with pride, we are aware of the enormous challenges that the future holds, not only for the banking industry with the enactment

of new regulations, but also for the entire country.

The economy's weak performance during the last quarter of 2019, which limits growth forecasts to around 1% for 2020, is intensified by the natural uncertainty arising from the constituent process and the pressure to quickly move forward with the social agenda, without neglecting the country's debt or public spending levels.

At Banco de Chile, we will continue to work together with our employees to make this institution the best bank for our shareholders and customers, as well as the best place to work, upholding our commitment to making Chile a more prosperous, dignified country with opportunities for all.



EDUARDO EBENSBERGER ORREGO
Chief Executive Officer
Banco de Chile



PROFILE

Banco de Chile



Our Bank

Corporate Governance

Corporate Ethics and Compliance

Risk Management

Banco de Chile



Banco de Chile Profile

Our Bank

Banco de Chile dates back to 1893 when the banking corporation was formed following the merger of three banks: Valparaíso, Agrícola and Nacional de Chile. For more than 125 years, Banco de Chile has offered comprehensive solutions to meet the lending, savings, investment, advising and cash management needs of individuals and companies, making it a model for both the financial industry and the business community in Chile.

According to Standard & Poor's and Moody's international risk ratings, the corporation is among Latin America's soundest private banks. In 2019, it boasted more than 2 million active customers, 353 branches in Chile and one of the best digital and mobile banking platforms in the country. The bank has been recognized by specialized international publications for numerous applications that allow customers to safely and quickly carry out a wide variety of financial transactions.

Banco de Chile's business model is based on contributing to the development of Chile and its people by leveraging its solid competitive advantages and opportunities in the environment. These elements are the basis for value creation, which is generated through processes framed within its strategic priorities. Customer-Centricity, Commitment to Chile and Efficiency and Productivity.

Its business strategy is centered around being a universal bank with broad segmentation for each of the markets served, from microenterprises to major corporations in the wholesale segment and individuals in the retail segment. Its value proposition is complemented by services from its stock brokerage, fund management, insurance brokerage, financial advising, securitization and collections subsidiaries. The treasury division provides sophisticated financial products to complement its offering to people and companies. The bank serves the needs of different groups of customers through a broad network of in-person and remote channels. It also has a strategic alliance with Citigroup that gives its customers access to a broad network of correspondent banks.

Banco de Chile has a highly skilled team of 13,555 employees, a comprehensive vision of risks, recognized commitment to inclusion and entrepreneurship, a growing focus on sustainability and a solid corporate reputation, which enables it to maintain an excellent relationship with suppliers and investors. Thanks to these assets, the bank reported after-tax net income of Ch\$ 593 billion in 2019—positioning it first in the industry in earnings—and a return on average capital and reserves (ROAC) of 18.0%.

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- 102-1
- 102-2
- 102-3
- 102-4
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- 102-7

353

Branches

766

Cajas Chile

1,712

ATMs

Corporate Statement

PURPOSE

To contribute to the development of the country and its people.

MISSION

We are a leading, globally-connected financial corporation with a prestigious business tradition. We provide financial services of excellence, offering creative and effective solutions and thus ensuring value creation for our customers, shareholders, employees and the community.

VISION

To be the best bank for our customers, the best place to work, and the best investment for our shareholders.

CORPORATE VALUES

Integrity, commitment, respect, loyalty, sound judgment, responsibility and fairness.



Historical Review

Banco de Chile is a leading financial institution in the Chilean banking industry with a tradition of more than 125 years in business. Throughout its history, the bank has played a key role in Chile's economic development, providing continued support for entrepreneurship and participating in several major charitable campaigns.

The corporation's beginnings date back to the end of the 19th century when Banco de Valparaíso, Banco Nacional de Chile and Banco Agrícola merged to form Banco de Chile banking corporation. The bank began operating the following year with a network of 25 branches throughout the country.

Banco de Chile overcame the economic crisis of 1930 thanks to a sound capital base.

The Chilean State Development Corporation (CORFO) became Banco de Chile's largest shareholder in 1973 as a result of a process to nationalize the banking industry. In 1975, ownership and control of the bank were transferred to private investors.

Amidst a global and local financial crisis, authorities intervened to protect Banco de Chile's deteriorated loan portfolio and compromised capital base.



The bank created Banco CrediChile, a business area with its own branch network specialized in consumer loans for middle and low-income individuals.

10

1893

1930

1970s

1983

1993

1926



Banco de Chile relocated its headquarters from the former offices of Banco Nacional de Chile at Huérfanos 930 to a brand-new building at Ahumada 251.

1960

Following a major earthquake and tsunami in Valdivia, Banco de Chile provided support for the devastated region with special loan resources to help rebuild the hardest hit areas.



1982

Banco de Chile began the internationalization process by opening a U.S. branch in New York.

1986/87

In 1986, Banco de Chile acquired the assets and liabilities of Banco Continental. Ownership and control of the bank were transferred to private investors in 1987. Thirty thousand new shareholders were incorporated through "popular capitalism". Banco de Chile absorbed the operations of Banco Morgan Finansa.

1996

In order to release Banco de Chile from the financial burden of repaying its debt to the Chilean Central Bank, the bank changed its name to SM-Chile S.A., a publicly-held corporation established to resolve this debt. A new company was also formed, a subsidiary of SM-Chile S.A., which assumed all assets and liabilities of the former Banco de Chile. The subordinated obligation with the Chilean Central Bank was transferred to a second new subsidiary, SAOS S.A.

Banco de Chile merged with Banco de A. Edwards and Quiñenco S.A., acquired the majority shareholding in Banco de Chile. The bank continued the internationalization process through an American Depositary Receipts (ADR) program to list Banco de Chile shares on the New York Stock Exchange (NYSE).

Banco de Chile's stock was included on the MSCI stock index following a capital increase of Ch\$ 210 billion. The objective of this process was to strengthen the bank's capital base in order to sustain its expected growth over the next few years and increase the share's depth in financial markets.

LQIF carried out a secondary offer of Banco de Chile's shares, reducing its interest to 51%. As a result, it considerably increased its free float and the value of shares traded, while diversifying shareholders.

In response to customer needs, Banco de Chile strengthened its value offering through diverse initiatives such as a new customer service model for Private Banking; boosted its digital offering by launching a new retail Internet platform and new applications; and upgraded 96% of its ATM fleet.



Banco de Chile celebrated 125 years in business and 40 consecutive years supporting the Teletón. Once again it led the industry in earnings with net income attributable to the bank's owners of Ch\$595 billion.

2002/03

2011

2014

2016

2018

11

2008

2013

2015

2017

2019

Banco de Chile took over the assets and liabilities of Citibank Chile, the Chilean subsidiary of Citigroup Inc. Concurrently, Citigroup partnered with Quiñenco to share ownership of LQ Inversiones Financieras S.A.

The bank successfully completed a new capital increase, raising Ch\$253 billion to sustain organic growth, prepare for new international capital requirements and maintain capital adequacy ratios in line with its international rating.



Attentive to market opportunities, the bank purchased Ch\$564 billion in commercial loans from a local financial institution, demonstrating commercial agility and business acumen.

Banco de Chile was listed on the Dow Jones Sustainability Index Chile (DJSI) as a result of its sustainability strategy, which strives to further strengthen its commitment to the development of Chile and its people.



SAOS S.A., a subsidiary of SM-Chile S.A., fully repaid the outstanding subordinated debt it had with the Chilean Central Bank, a milestone for the financial industry. Due to the distribution of Banco de Chile's securities to shareholders of SM-Chile S.A., its free float rose from 27% to 44%.

In the midst of social protests, we developed the National Support Plan for SMEs and Entrepreneurs.



Shareholders and Stock Performance

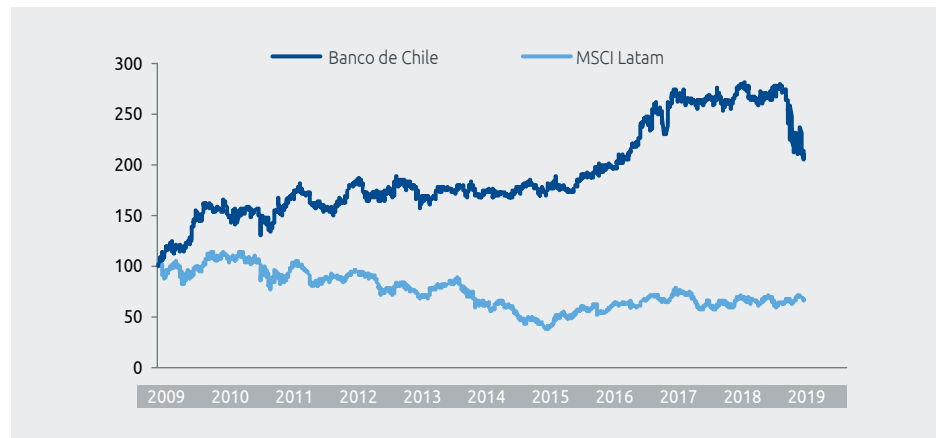
Market Information

Banco de Chile's stock is listed on the Santiago Stock Exchange and the Chilean Electronic Exchange. It also trades on the New York Stock Exchange under the American Depositary Receipts (ADR) program, where one American Depositary Share (ADS) is equivalent to 200 local shares.

As of December 31, 2019, there are 101,017,081,114 subscribed and paid shares, which are identified locally with the ticker "Chile" and on the New York Stock Exchange with "BCH". As a result of the deterioration of the Chilean economy at the end of the year, its stock price closed at Ch \$79.7, down 20% from year-end 2018. This decline was on par with other locally listed banks.

One of the main changes that occurred in 2019 was the increase in the stock's free float from 27% to 44%, due to the distribution of Banco de Chile securities to shareholders of SM-Chile S.A., following the repayment of the subordinated debt that SAOSS.A., a subsidiary of that company, had with the Chilean Central Bank. This event led to an increase in the weight of the bank's stock on the main benchmark indexes, such as the MSCI and IPSA, which afforded the stock greater visibility in both local and foreign markets. As a result, since the second quarter of 2019, we have observed a rise in average daily transactions and a larger number of foreign investors, which gives us a more robust and diversified capital base.

Stock Performance
Banco de Chile and MSCI Latam
(Base 100, December 2009)



Banco de Chile
Stock Performance

| | Closing Price | Average Price ⁽¹⁾ | Number of Shares Traded | Total Value Traded ⁽²⁾ | Average Daily Value Traded |
|--------------------|---------------|------------------------------|-------------------------|-----------------------------------|----------------------------|
| Local Share | (Ch\$) | (Ch\$) | (millions) | (MUS\$) | (MUS\$) |
| 2018 | 99.2 | 100.1 | 9,900.5 | 1,555.4 | 6.3 |
| 1Q | 101.5 | 102.2 | 2,856.0 | 481.9 | 7.8 |
| 2Q | 100.7 | 100.5 | 2,568.1 | 413.0 | 6.6 |
| 3Q | 100.2 | 99.6 | 2,188.8 | 331.0 | 5.6 |
| 4Q | 99.2 | 98.1 | 2,287.6 | 329.5 | 5.4 |
| 2019 | 79.7 | 98.8 | 23,025.6 | 3,167.8 | 12.8 |
| 1Q | 100.2 | 102.9 | 3,104.8 | 480.3 | 7.6 |
| 2Q | 99.9 | 99.2 | 5,203.2 | 750.7 | 12.1 |
| 3Q | 102.1 | 101.9 | 7,444.8 | 1,067.7 | 17.5 |
| 4Q | 79.7 | 91.3 | 7,272.8 | 869.1 | 14.0 |
| ADR ⁽³⁾ | (US\$) | (US\$) | (millions) | (MUS\$) | (MUS\$) |
| 2018 | 28.6 | 31.3 | 9.4 | 780.4 | 3.1 |
| 1Q | 33.5 | 33.9 | 2.5 | 259.2 | 4.2 |
| 2Q | 31.0 | 32.3 | 1.9 | 187.3 | 2.9 |
| 3Q | 30.4 | 30.1 | 2.3 | 209.2 | 3.3 |
| 4Q | 28.6 | 28.9 | 2.7 | 124.7 | 2.0 |
| 2019 | 21.0 | 28.2 | 22.5 | 603.3 | 2.4 |
| 1Q | 29.4 | 30.8 | 2.8 | 87.2 | 1.4 |
| 2Q | 29.7 | 29.0 | 4.5 | 130.2 | 2.1 |
| 3Q | 28.1 | 28.9 | 5.8 | 167.7 | 2.6 |
| 4Q | 21.0 | 24.3 | 9.4 | 218.2 | 3.4 |

Source: Bloomberg.

⁽¹⁾ Average price is calculated as the sum of the monetary value of each transaction, divided by the total number of shares traded in a given period.

⁽²⁾ Total traded volume is the sum of the prices of the transactions multiplied by the number of shares at each price.

⁽³⁾ On November 15, 2018, the number of shares representing each ADS was modified from 600 to 200. This change was applied retroactively for comparison purposes.

Ratios per Share

| | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|----------------|----------------|----------------|-----------------|-----------------|
| Income before Taxes (Ch\$) | 6.5 | 6.6 | 6.9 | 7.4 | 7.6 |
| Net Income (Ch\$) | 5.8 | 5.7 | 5.8 | 5.9 | 5.9 |
| Distributable Net Income (Ch\$) ⁽¹⁾ | 4.8 | 4.9 | 5.2 | 5.0 | 5.0 |
| Price-Earnings | 12.4 | 13.9 | 17.0 | 16.8 | 13.6 |
| Price-to-Book ⁽²⁾ (times) | 2.5 | 2.7 | 3.2 | 3.0 | 2.3 |
| Total Number of Shares as of December 31 of each year | 96,129,146,433 | 97,624,347,430 | 99,444,132,192 | 101,017,081,114 | 101,017,081,114 |

⁽¹⁾ For illustrative purposes, the figure for 2019 was calculated by deducting an amount equivalent to price-level restatement of paid-in capital and reserves based on the variation in the Consumer Price Index from November 2018 to November 2019 from net income for the year.

⁽²⁾ Includes capital, reserves, valuation accounts and retained earnings from prior years.

Distribution of Earnings and Dividends

In an extraordinary shareholders' meeting held in March 2010, shareholders agreed to introduce a transitory article into our bylaws establishing that—for the purposes of Law No. 19,396 and the agreement signed November 8, 1996, between the Chilean Central Bank and Banco de Chile, currently SM Chile S.A. (undergoing liquidation)—the bank's distributable net income would be calculated by first subtracting or adding the effect of inflation on paid-in capital and reserves for the year and their corresponding variations. For the purposes of determining price-level restatement, paid-in capital and reserves would be adjusted based on the percent variation in the consumer price index for the period between the last day of the second month

prior to the beginning of the fiscal year and the last day of the month prior to the balance sheet date. The difference between net income and distributable net income was to be recorded in a special reserve account and could not be distributed or capitalized. This transitory article is no longer valid as a result of the payment of the outstanding subordinated obligation referred to in Law 19,396, that Sociedad Matriz de Banco de Chile S.A., through its subsidiary Sociedad Administradora de la Obligación Subordinada S.A. (SAOS S.A.), had with the Chilean Central Bank, which occurred on April 30, 2019.

In ordinary meeting No. 2,897 on March 14, 2019, the board of directors, in accordance with

number 3.2 of Chapter B4 of the Compendium of Accounting Standards for Banks, regarding provisions for minimum dividends, agreed to establish, from January 2019 onwards, provisions for minimum dividends of 60% of distributable net income generated over the course of each year. For these purposes, distributable net income shall be defined as the result of deducting from net income for the year the price-level restatement of paid-in capital and reserves based on the variation in the Consumer Price Index between the prior month and the month of November of the prior year.

Historical Dividends

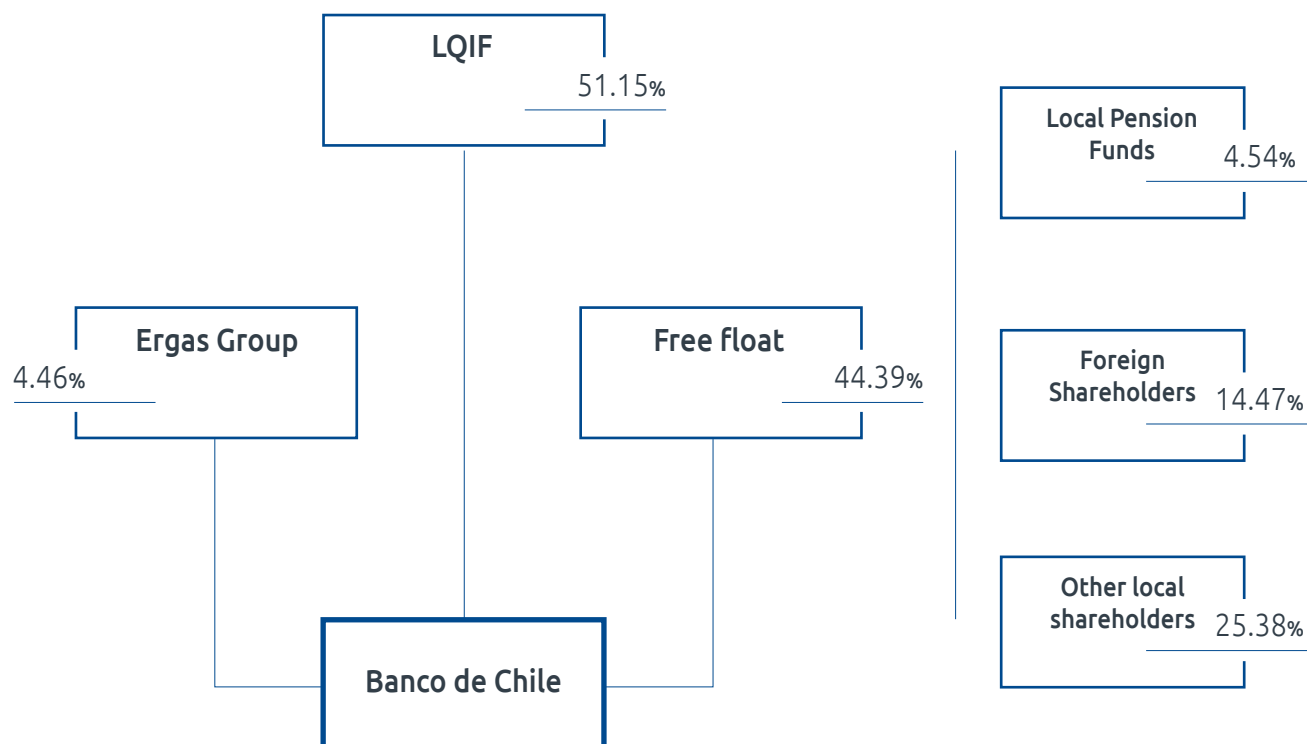
| | Mar-14 | Mar-15 | Mar-16 | Mar-17 | Mar-18 | Mar-19 |
|---|--------|--------|--------|--------|--------|--------|
| Distributed in cash dividends (%) ⁽¹⁾ | 70 | 70 | 70 | 60 | 60 | 70 |
| Distributed in stock dividends (%) ⁽¹⁾ | 30 | 30 | 30 | 40 | 40 | - |
| Cash dividend per share (Ch\$) | 3.48 | 3.43 | 3.38 | 2.92 | 3.15 | 3.53 |
| Stock dividends per share (%) | 2.31 | 2.25 | 2.23 | 2.66 | 2.24 | - |

⁽¹⁾ Calculated on distributable net income.



Ownership and Control

As of December 31, 2019, Banco de Chile has 17,426 shareholders.



LQ Inversiones Financieras S.A. and Inversiones LQSM Ltda. (LQIF Group), subsidiaries of Quiñenco S.A., and Citigroup Inc., directly control 51.15% of the shares of Banco de Chile. Under the strategic partnership agreement between Quiñenco and Citigroup Inc. for the merger by incorporation of Citibank Chile into Banco de Chile, Citigroup Inc., took a shareholding in LQIF, with an initial holding of 32.96%, which it later increased to 50% of that company. An essential feature of this partnership is the agreement that Quiñenco will at all times continue to be the controller of LQIF and the companies that LQIF directly or indirectly controls. The main shareholders of Banco de Chile as of December 31, 2018 and 2019, are detailed in Note No. 27 of the consolidated financial statements.

Risk Rating

Local Rating for Banco de Chile

| Banco de Chile | Fitch | Feller-Rate |
|--------------------|---------------------|---------------------|
| Short-term | L 1+ | L 1+ |
| Long-term | AAA | AAA |
| Letters of credit | AAA | AAA |
| Bonds | AAA | AAA |
| Subordinated bonds | AA | AA+ |
| Number of Shares | First Class Level 1 | First Class Level 1 |
| Outlook | Stable | Stable |

International Rating for Banco de Chile

| Banco de Chile | Standard & Poor's | Moody's |
|-------------------------|-------------------|---------|
| Foreign currency | | |
| Short-term | A-1 | P-1 |
| Long-term | A | A1 |
| Local currency | | |
| Short-term | A-1 | P-1 |
| Long-term | A | A1 |
| Outlook | Stable | Stable |

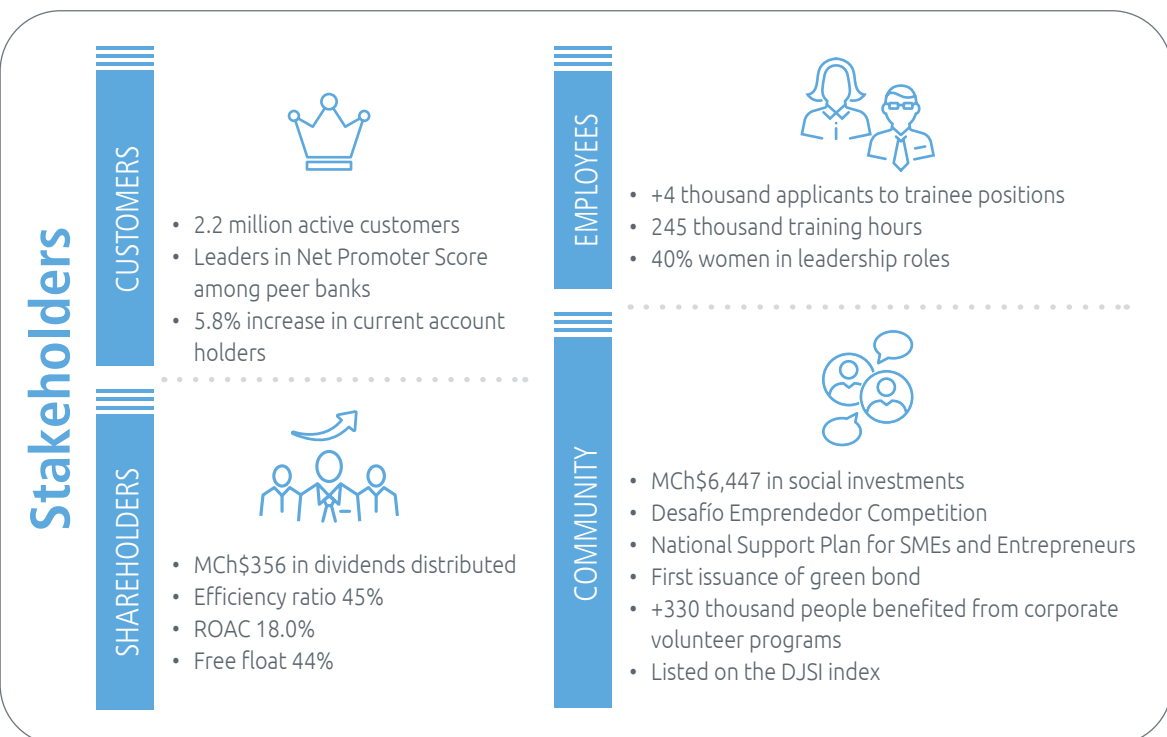
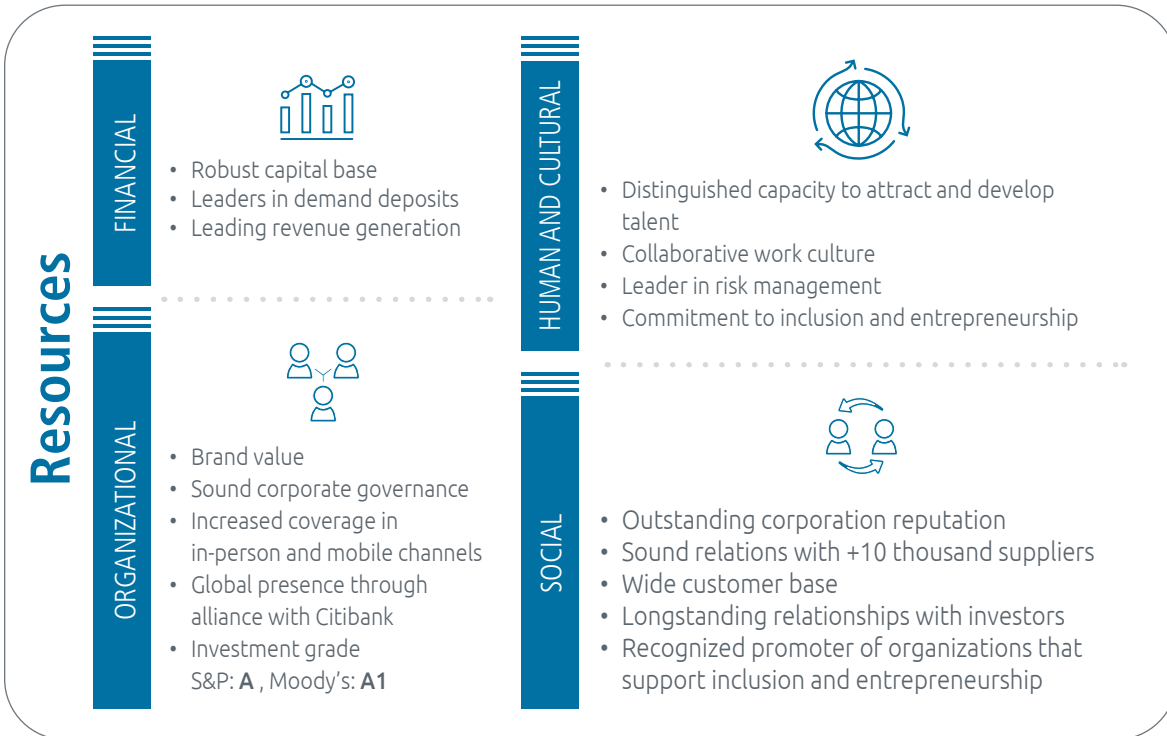
Risk Factors

- Banco de Chile's growth and profitability are strongly impacted by the level of economic activity in Chile.
- Given its exposure to certain sectors or segments, the growth of the bank's loan portfolio and the evolution of the local economy and unemployment may increase portfolio default levels.
- Heightened competition and industry consolidation may result in lower operating margins.
- Significant, unexpected changes in inflation, interest rates and exchange rates could affect the bank's profitability.
- Liquidity risk may affect the bank's ability to finance its operations and meet depositors' requests.
- Part of the information included in our financial statements considers assumptions, estimates and modeling which, if inaccurate, could have a material impact on its results and financial position.
- Turbulence in local or international markets may result in negative adjustments in the market value of the bank's financial instruments, which could affect its results and financial position.
- Any downgrade in Chile's or the bank's credit rating could increase its cost of funding and reduce its margins, results of operations and profitability.
- Like any other financial institution, the bank is exposed to reputational risk that may affect its results and financial position. Some events that may negatively impact the bank's reputation and results include operational problems, criminal incidents, cybersecurity events or acts of terrorism, unethical conduct by personnel, employee involvement in public or political matters, lawsuits, regulatory penalties and the inability to meet minimum service quality standards or new regulatory requirements.
- Changes to banking regulations and accounting criteria could impact the bank's results and profitability.
- The constituent process set to begin in 2020 or, if applicable, structural reforms to the constitution or laws that involve material changes to the Chilean political and/or economic system, as well as substantial alterations to labor laws and/or the pension system in Chile, could adversely affect the bank's results.

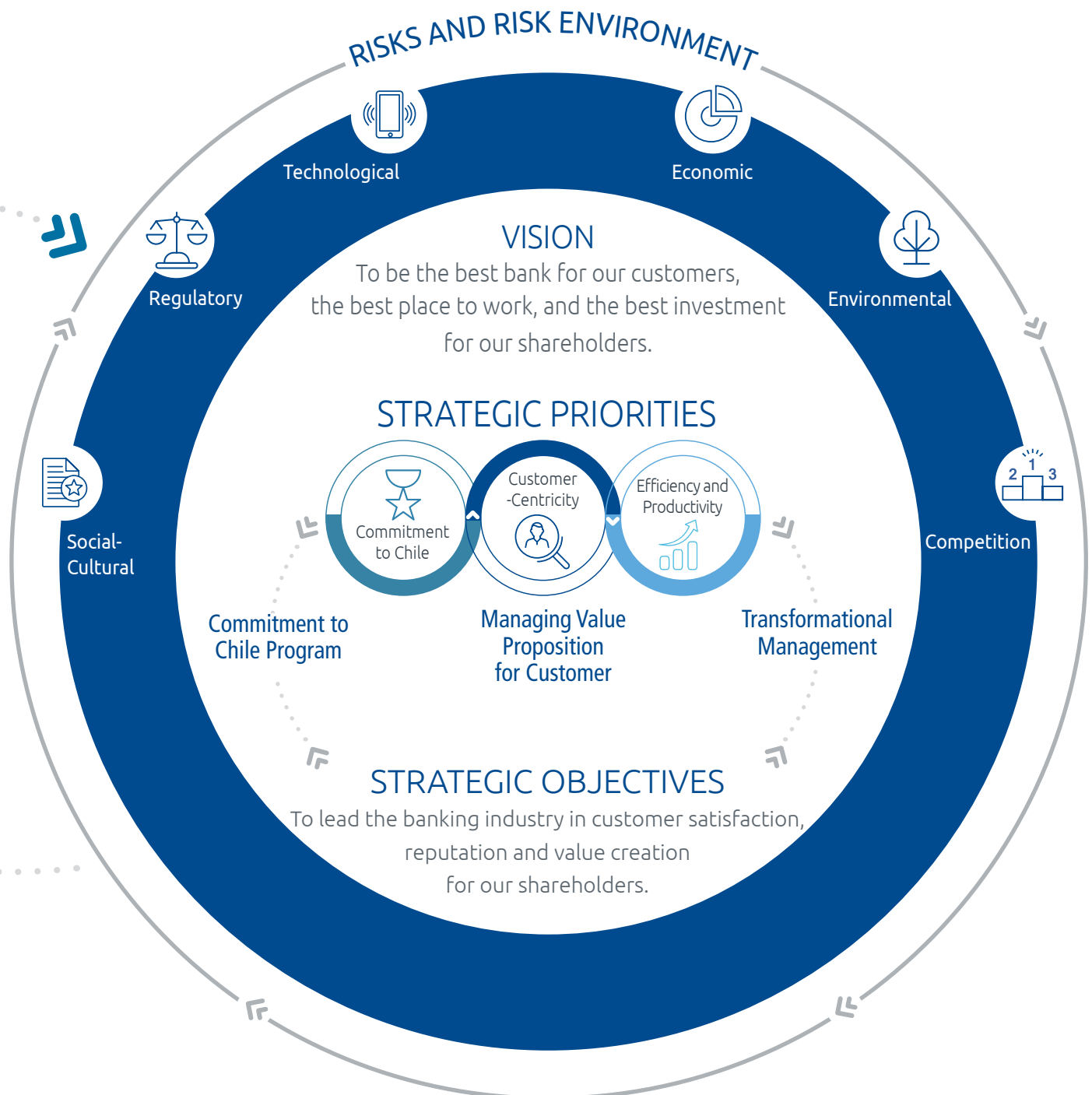


Strategy and Business Model

Banco de Chile has a business model that builds sustainable value for our stakeholders: Customers, Shareholders, Employees and the Community. Thus, we make progress every day to fulfill our purpose to contribute to the development of the country and its people.



Strategy and Risk Management and Resources



Stakeholder Engagement

Banco de Chile's strategy identifies stakeholders and makes an explicit commitment to each of them. The matrix is constantly reviewed in order to make any necessary adjustments.

| Stakeholders | Engagement Objectives | Mechanisms and/or Channels of Communication | Frequency of Engagement |
|---------------------|---|--|--|
| Customers | <ul style="list-style-type: none"> Offer excellent service characterized by integrity, personalization, agility and proactivity in order to build long-term, trust-based relationships Use permanently available service channels to keep customers informed in a timely, appropriate manner Provide differentiated financial solutions featuring quality, innovative products and services for each customer segment | <ul style="list-style-type: none"> Website www.bancochile.cl E-mail Traditional physical channels (branches and ATMs) Remote online assistance Mobile applications SMS and telephone contact Facebook, Twitter, Instagram and YouTube Satisfaction surveys Correspondent banks | Ongoing |
| Shareholders | <ul style="list-style-type: none"> Be the best investment option, maintaining a leading position in value of shares traded Promote operational efficiency and productivity in order to encourage prudent risk management based on integrity and transparency | <ul style="list-style-type: none"> Annual general shareholders' meeting Annual Report & 20F Financial reporting Investor Relations Conference calls with investors Website www.bancochile.cl | Annual Monthly Ongoing Quarterly Ongoing |
| Employees | <ul style="list-style-type: none"> Offer merit-based development opportunities with competitive compensation and economic benefits Promote a respectful, polite work environment in a location equipped with the appropriate technology and infrastructure | <ul style="list-style-type: none"> Skill evaluations Counseling Program ("Programa Orienta") Health Program ("Mi Salud") Parenting program ("Ser Padres") Team meetings Workplace climate survey Conventions Assistance for employees with disabilities Intranet Informational emails Mobile application | Annual Ongoing |
| Community | <ul style="list-style-type: none"> Promote financial education Facilitate a more equitable society that offers greater opportunities through inclusion of persons with disabilities Manage the business in an environmentally respectful manner Support SMEs and entrepreneurs in developing their businesses | <ul style="list-style-type: none"> Financial education talks through the Count on Chile ("Cuentas con el Chile") program Financial education training In-person training for entrepreneurs Corporate volunteer programs Programs that support entrepreneurship Partnerships with non-profit institutions and expert NGOs Facebook, Twitter, Instagram and YouTube | Ongoing |
| Suppliers | <ul style="list-style-type: none"> Build long-term collaborative supplier relationships based on transparency, competition, efficiency, respect and objectivity Streamline and increase the effectiveness of processes for supplying goods and services Ensure that services are hired and goods are acquired under market conditions Ensure that the bank's obligations are paid in accordance with the terms and conditions of supplier contracts | <ul style="list-style-type: none"> Informational emails Letters to specific suppliers Website www.bancochile.cl Remote online assistance Telephone assistance | Ongoing |

Partnerships and Memberships

Chambers of Commerce and Financial Associations:

- Santiago Chamber of Commerce
- German-Chilean Chamber of Commerce and Industry
- Argentine-Chilean Chamber of Commerce
- Belgian-Chilean Chamber of Commerce
- Brazilian-Chilean Chamber of Commerce
- Colombian-Chilean Chamber of Commerce
- Chinese-Chilean Chamber of Commerce, Industry and Tourism
- Chilean Chamber of Construction
- American-Chilean Chamber of Commerce
- Indian-Chilean Chamber of Commerce
- Circle of Banking Executives

Regional Organizations

- Industrial Association of the Fifth Region
- Regional Chamber of Commerce and Production
- Corporation for Regionalization of the BíoBío

Contributions to Foundations

- Cultiva Foundation
- Mater Kidney Foundation
- Astoreca Foundation
- Chilesincáncer Foundation
- Fundación Coanil
- Desafío Levantemos Chile Foundation
- Hogar de Cristo Foundation
- Las Rosas Foundation
- Teletón Foundation
- Trabajo en la Calle Foundation
- Pontificia Universidad Católica de Chile /Sotero del Río Hospital Cancer Project



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Institutional and Community Organizations

- Chilean Association of Banks and Financial Institutions
- Center for Public Research
- Acción Empresa Foundation
- Chilena del Pacífico Foundation
- Paz Ciudadana Foundation

International Initiatives

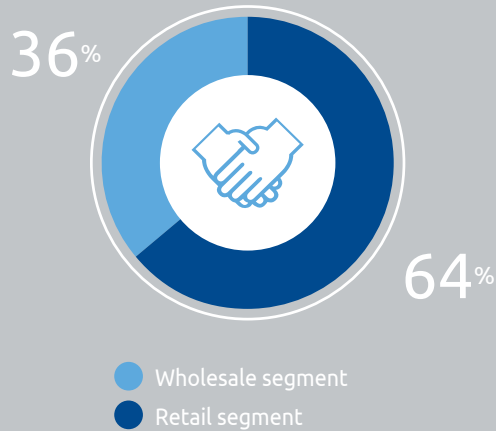
Global Compact

United Nations initiative that promotes respect for human rights, labor rights, caring for the environment and ethical business practices among companies, governments and organizations. Banco de Chile joined the initiative in 2017.

2019 at a Glance

Financial Leadership and Management

Total Loans

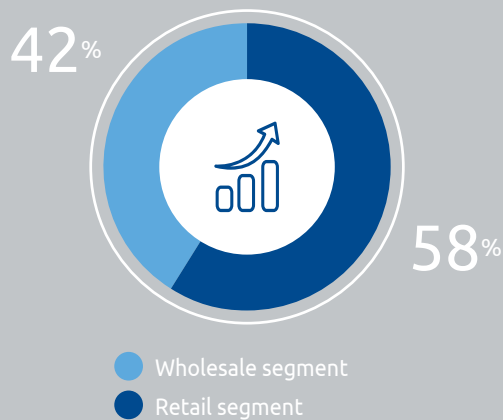


ch\$ **30,019**
billion in loans

+7.5%
growth in total loans

22
102-7

Net income before taxes



Economic value generated
ch\$ **2,547,836**
million

Return of **18.0%** on average capital and reserves

45.2% Efficiency ratio

ch\$ **593** billion
in net income

Customers



2.2 million
active customers

+5.8%
increase in
number of current
account holders

72.5%
Net Promoter Score



The Banker
**Most Valuable Banking
Brand in Chile**

Global Finance
**Best Bank in Chile
Best Digital Bank
Best Online Portal**

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National Customer
Satisfaction Award
2019



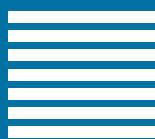
+165 thousand customers
Award-Dollars redeemed

+293 thousand customers
Users of Benefits from
Loyalty Program

Number of complaints

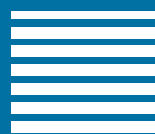


6,365



2017

6,179



2018

5,733



2019

Employees

11,140

Employees of
Banco de Chile

2,415

Employees
of subsidiaries

13,555

Total employees
of the Corporation



5,788

Female Employees



5,352

Male Employees

1st place

Merco Talent - University
Best Bank to Work

Leader

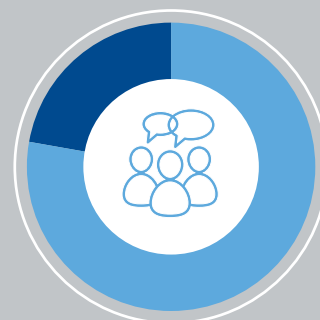
in Merco Talent - Financial Industry

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Contingency Plan

- Extraordinary assistance bonuses
- Comprehensive assistance through Counseling Program ("Programa Orienta")
- Flexibility with attendance, schedules and commutes, prioritizing our employees' safety
- Salary adjustments and incentives

Unionization rate



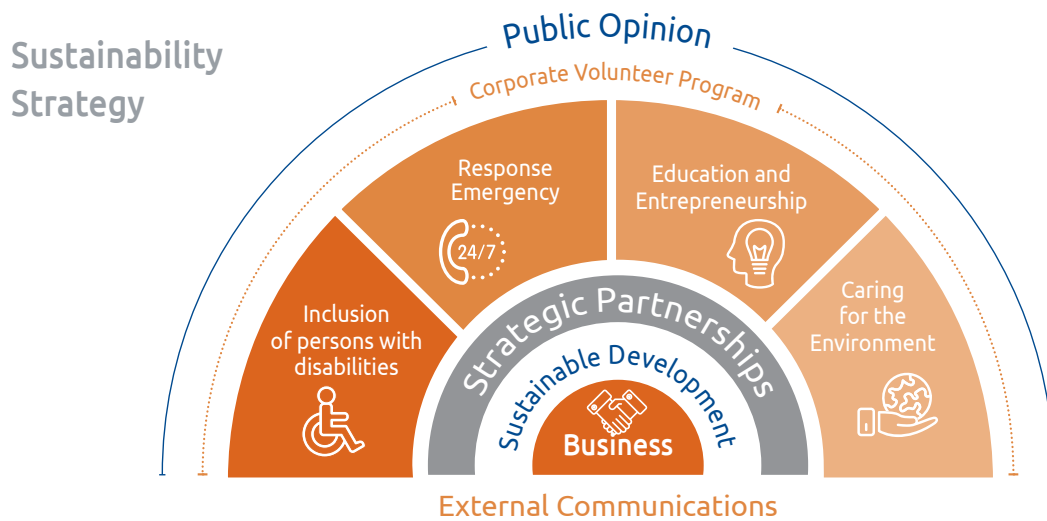
78%

Community

Social Investment 2017
MCh\$ **4,334**

Social Investment 2018
MCh\$ **9,703**

Social Investment 2019
MCh\$ **6,447**



7,000

People participated in financial education training



Development of **National Support Plan for SMEs and Entrepreneurs**



Company with Best Corporate Reputation of the Decade



56,532

Entrepreneurs registered for Desafío Emprendedor Competition



337,542

Beneficiaries of corporate volunteer programs



3,929

Volunteers



33,351

Volunteer Hours

Environment

MUS\$48

First issuance of
green bond

2,518 Kg. CO₂

Mitigated thanks to **Viaja con el Chile** carpooling program



71,642 tCO₂e

Carbon footprint measurement 2019
Direct GHG emissions (scope 1, 2 and 3)

26

Corporate recycling



15,084 Kg.

Paper



1,462 Kg.

PET bottles



1,206 Kg.

Glass



174 Kg.

Bottle tops



308 Kg.

Cans

Paper consumption (tons)



642



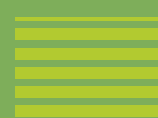
2017

523



2018

492



2019

Suppliers

10,039
SME supplier base

7th year
ProSME Seal Recertification



27

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97%
of purchasing budget
is from local suppliers

24 days
average payment period
for invoices from suppliers



During the
Contingency Plan

the average payment period for invoices from
small suppliers was reduced to 10 days

Awards and Recognition

BRAND FINANCE / THE BANKER

Most Valuable Banking Brand in Chile

GLOBAL BANKING AND FINANCE

Best Digital and Mobile Banking in Chile, Best Investment Bank in Chile (Banchile)

GLOBAL FINANCE

Best Bank in Chile, Best Digital Bank for People and Companies in Chile, Best Sub-Custodian Bank in Chile, Best Foreign Trade Bank in Chile, Best Online Portal

MERCO

Best Corporate Reputation of the Decade, Best Bank in Chile for Attracting and Managing Talent, Best Bank to Work for According to University Students

PROCALIDAD 2019

First place in National Customer Satisfaction Award

MORNINGSTAR FUND AWARDS 2019

Best Chile Equity Fund (Banchile)

BANK OF AMERICA MERRIL LYNCH

Top Letter of Credit Reimbursement Bank – Platinum Achiever

SAFETY ASSOCIATION (MUTUAL DE SEGURIDAD)

Lowest accident rate in banking sector

NATIONAL SAFETY COUNCIL (CONSEJO NACIONAL DE SEGURIDAD)

Bank with the lowest workplace accident frequency index

General Corporate Governance Principles

The board-approved general corporate governance principles provide performance guidelines for the bank's management and all associates, including at its subsidiaries. These principles are based on its by-laws and code of conduct, recommendations from international organizations and applicable laws, such as the General Banking Law, the Corporations Law, the Securities Market Law and applicable regulations issued by the Chilean Central Bank and the Financial Market Commission (CMF).

The corporation has internal self-regulation mechanisms to ensure compliance with current regulations and adherence to corporate values, while creating value for shareholders, customers, employees, the community and the market in general.



Committees and Meetings at Banco de Chile and Subsidiaries

BOARD COMMITTEES

| | | | | | | | | | |
|----------------------|----------------|---------------------------|--|--|---------------------------|---------|-----------|------------|---------------------|
| Directors' and Audit | Portfolio Risk | Board of Directors Credit | Finance, International and Market Risk | Anti-Money Laundering and Terrorism Financing Prevention | Superior Operational Risk | Leasing | Factoring | CrediChile | Executive Insurance |
|----------------------|----------------|---------------------------|--|--|---------------------------|---------|-----------|------------|---------------------|

30

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MANAGEMENT COMMITTEES AND MEETINGS

| | | | | | | | |
|-----------------------------|-------------------------|----------------------|------------------------------|----------------------------|-------------------|---------------------------|---|
| Senior Management Committee | Retail Business Meeting | Disclosure Committee | Ethics and Conduct Committee | Operational Risk Committee | Quality Committee | Subsidiary Risk Committee | Internal Modeling Technical Oversight Committee |
|-----------------------------|-------------------------|----------------------|------------------------------|----------------------------|-------------------|---------------------------|---|



Structure of Banco de Chile and Subsidiaries



Board of Directors

The board is the main corporate governance body and its duties include: establishing strategic guidelines; approving policies, procedures and mechanisms designed to meet the objectives of the corporate governance system; and appointing a Chief Executive Officer.

Members

The board consists of eleven directors and two alternate directors. The complete board is elected every three years. The last board elections took place in March 2017 at an ordinary shareholders' meeting, the bank's maximum decision-making authority. At that time, the following individuals were elected by the votes of LQ Inversiones Financieras S.A.: Pablo Granifo Lavín, Andrónico Luksic Craig, Jane Fraser, Jean Paul Luksic Fontbona, Gonzalo Menéndez Duque, Francisco Pérez Mackenna, Juan Enrique Pino Visintainer, Samuel Libnic and Rodrigo Manubens Moltedo (alternate). Jaime Estévez Valencia and Alfredo Ergas Segal were elected as independent directors and Andrés Ergas Heymann and Thomas Fürst Freiwirth (alternate) were elected by the other shareholders.

At a board meeting held on January 25, 2018, Álvaro Jaramillo Escallon was appointed to replace Jane Fraser. In addition, at a board meeting held on December 27, 2018, Julio Santiago Figueroa was appointed to replace Juan Enrique Pino Visintainer. At the same meeting, Álvaro Jaramillo Escallon was appointed to the Directors' and Audit Committee.

Subsequently, at a meeting held on June 27, 2019, Sandra Guazzotti was appointed alternate director to replace Rodrigo Manubens Moltedo and, following the death of Gonzalo Menéndez Duque, Hernán Büchi Buc was appointed director on August 8, 2019. Lastly, at a meeting on November 28, 2019, Paul Fürst Gwinner was appointed alternate director to replace Thomas Fürst Freiwirth.

Board Operations

The board holds regular meetings twice a month, except in February, when it meets only once. Extraordinary meetings may be called by the chairman of the board or at the request of one or more directors.

Compensation

Board compensation is approved annually at the ordinary shareholders' meeting and may include one or more of the following items: a fixed monthly honorarium, allowances for attending board or committee meetings, or an annual incentive set by shareholders that is subject to the bank meeting earnings targets during the year.

Compensation for the members of the Directors' and Audit Committee, which is also set annually at the ordinary shareholders' meeting, must be at least one third more than the compensation provided to ordinary board members.

Board of Directors

| Board Members | Position | No. of Committees | Age | Nationality | Years on Board ^(*) |
|---------------------------|----------------------|-------------------|-----|-------------|-------------------------------|
| Pablo Granifo Lavín | Chairman | 9 | 61 | Chilean | 12 years |
| Andrónico Luksic Craig | Vice Chairman | 2 | 65 | Chilean | 17 years |
| Álvaro Jaramillo Escallon | Vice Chairman | 6 | 55 | Colombian | 1 year |
| Alfredo Ergas Segal | Independent Director | 5 | 53 | Chilean | 2 years |
| Andrés Ergas Heymann | Director | 3 | 52 | Chilean | 2 years |
| Jean-Paul Luksic Fontbona | Director | 2 | 55 | Chilean | 6 years |
| Samuel Libnic | Director | 2 | 53 | Mexican | 4 years |
| Hernán Büchi Buc | Director | 3 | 70 | Chilean | 5 months |
| Julio Santiago Figueroa | Director | 2 | 48 | Argentinean | 1 year |
| Francisco Pérez Mackenna | Director | 5 | 61 | Chilean | 18 years |
| Jaime Estévez Valencia | Independent Director | 5 | 73 | Chilean | 12 years |
| Sandra Guazzotti | Alternate Director | 3 | 52 | Argentinean | 6 months |
| Paul Fürst Gwinner | Alternate Director | 2 | 53 | Chilean | 1 month |

^(*) As of December 2019.



Board compensation is disclosed in the table below:

Board Expenses and Compensation

| Board member | Compensation | | Board Attendance Allowance | | Committee and Subsidiary Board Attendance Allowance ⁽¹⁾ | | Total | |
|----------------------------|--------------------|--------------------|----------------------------|------------|--|--------------|--------------|--------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ |
| Pablo Granifo Lavín | 582 ⁽²⁾ | 569 ⁽²⁾ | 58 | 56 | 376 | 374 | 1,016 | 999 |
| Andrónico Luksic Craig | 181 | 176 | 8 | 10 | — | — | 189 | 186 |
| Álvaro Jaramillo Escallon | — | — | — | — | — | — | — | — |
| Jaime Estévez Valencia | 60 | 59 | 28 | 29 | 130 | 134 | 218 | 222 |
| Alfredo Ergas Segal | 60 | 59 | 28 | 27 | 86 | 71 | 174 | 157 |
| Francisco Pérez Mackenna | 60 | 59 | 23 | 20 | 79 | 58 | 162 | 137 |
| Andrés Ergas Heymann | 60 | 59 | 25 | 27 | 69 | 70 | 154 | 156 |
| Thomas Fürst Freiwirth | 55 | 59 | 25 | 21 | 49 | 42 | 129 | 122 |
| Gonzalo Menéndez Duque | 30 | 59 | 9 | 27 | 42 | 119 | 81 | 205 |
| Jean-Paul Luksic Fontbona | 60 | 59 | 16 | 11 | — | — | 76 | 70 |
| Julio Santiago Figueroa | — | — | — | — | — | — | — | — |
| Samuel Libnic | — | — | — | — | — | — | — | — |
| Rodrigo Manubens Moltedo | 30 | 59 | 12 | 28 | 24 | 54 | 66 | 141 |
| Sandra Guazzotti | 30 | — | 15 | — | 14 | — | 59 | — |
| Hernán Büchi Buc | 24 | — | 11 | — | 19 | — | 54 | — |
| Paul Fürst Gwinner | 5 | — | 1 | — | 1 | — | 7 | — |
| Other subsidiary directors | — | — | — | — | 124 | 116 | 124 | 116 |
| Total | 1,237 | 1,217 | 259 | 256 | 1,013 | 1,038 | 2,509 | 2,511 |

⁽¹⁾ Includes fees paid to members of the Advisory Committee for Banchile Corredores de Seguros Ltda., of Ch\$13 million (Ch\$12 million in December 2018).

⁽²⁾ Includes a provision of Ch\$401 million (Ch\$391 million in December 2018) for incentives based on compliance with the bank's earnings targets.

Fees paid to advisors to the board amount to Ch\$90 million (Ch\$206 million in December 2018).

Travel and other expenses amount to Ch\$104 million (Ch\$92 million in December 2018).

Other Corporate Governance Matters

Compliance Division Manager

One of the most important tasks of the Compliance Division is to define internal regulations in conjunction with the general counsel's office and the business, operations and financial control

and management areas. It is also responsible for ensuring compliance with regulatory requirements established to prevent asset laundering and terrorism financing and for implementing and controlling the policies and procedures defined after the merger between Banco de Chile and Citibank in 2008. This division, which oversees these matters throughout the bank and its subsidiaries, operates independently and reports directly to the board of directors through the Anti-Money Laundering and Terrorism Financing Prevention Committee.

Policies and Procedures

The continuous development of the banking industry and the ongoing creation of new standards impacting it require the bank to become a part of these changes and adjust its structure accordingly. In this spirit, the bank has implemented a series of policies and control procedures to comply not only with the laws and regulations governing it, but also to attain the highest standards in ethics, corporate governance and quality. In 2019, the Compliance Division spearheaded efforts to implement and revise policies on personal investments, insider information, the code of conduct, fiduciary relationships, prohibitions on conditional credit products, mandatory absence, operational risk, prevention of dishonest practices and the crime prevention model contained in Chilean criminal liability law No. 20,393, etc.

Board of Directors

Pablo Granifo Lavín

CHAIRMAN

Mr. Granifo was reelected chairman of our board of directors in 2017, a position he has held since 2007, before which he was CEO from 2001 to 2007. Prior to that, he was the CEO of Banco A. Edwards from 2000 to 2001, Corporate Manager at Banco Santiago from 1999 to 2000 and Commercial Manager at Banco Santiago from 1995 to 1999.

He is also the chairman of the boards of Banchile Administradora General de Fondos S.A., Banchile Asesoría Financiera S.A., Socofin S.A., Banchile Securitizadora S.A., Viña San Pedro Tarapacá S.A. and the Executive Committee of Banchile Corredores de Seguros Limitada, and serves on the boards of Compañía Cervecerías Unidas S.A., Embotelladoras Chilenas Unidas S.A., Cervecerías C.C.U. Chile Ltda., Empresa Nacional de Energía, Enx and Quiñenco S.A. He holds a degree in business administration from Pontificia Universidad Católica de Chile.

Andrónico Luksic Craig

VICE CHAIRMAN

Mr. Luksic was reelected vice chairman and member of our board of directors in 2017, a position he has held since 2002. He is also the chairman of LQ Inversiones Financieras S.A., Quiñenco S.A. and Compañía Cervecerías Unidas S.A. and vice chairman of Compañía Sudamericana de Vapores S.A. (CSAV S.A.). He serves on the boards of Antofagasta plc, Antofagasta Minerals, Tech Pack S.A., Nexans S.A. and Invexans S.A.

He is also a member of the following international organizations: the International Business Leaders Advisory Council of the Mayor of Shanghai; the International Advisory Council of the Brookings Institution; the International Advisory Board of Barrick Gold; the Advisory Board of the Panama Canal; and the Chairman's International Advisory Council of the Council of the Americas.

In addition, Mr. Luksic is a Trustee Emeritus at Babson College, and a member of the Harvard Global Advisory Council, the World Projects Advisory Council at Columbia University, the International Advisory Board of the Blavatnik School of Government at Oxford University, the Advisory Boards of both the Tsinghua University School of Economics and Management and the Fudan University School of Management, the Harvard Business School Latin American Advisory Board, the David Rockefeller Center Advisory Committee at Harvard University and the Latin American Executive Board of the MIT Sloan School of Management. Andrónico Luksic and Jean Paul Luksic are brothers.

Álvaro Jaramillo Escallon

VICE CHAIRMAN

Mr. Jaramillo was elected vice chairman and member of our board of directors on January 25, 2018. He is also Citi Country Officer (CCO) Colombia and Latin America North Region Head since January 2017.

Previously, he was Central America & Caribbean Cluster Head for Citi. The countries under his responsibility included: Bahamas, Barbados, Cayman Islands, Costa Rica, Dominican Republic, El Salvador, Guatemala, Haiti, Honduras, Jamaica, Nicaragua, Panama, Puerto Rico, and Trinidad and Tobago where Citi has a physical presence.

Before, he served at Citi as Chief Administrative Officer (CAO) and Treasurer for Latin America, where he managed several functions including compliance, efficiency, strategy, as well as public affairs and government relations.

His experience also includes roles at Citi as Country Director in El Salvador and Puerto Rico, and Treasurer in Colombia and Puerto Rico. He is also a Senior Loan Officer at Citi.

Alfredo Ergas Segal

DIRECTOR

Hernán Büchi Buc

DIRECTOR

Andrés Ergas Heymann

DIRECTOR

Julio Figueroa

DIRECTOR

Jean-Paul Luksic Fontbona

DIRECTOR

Francisco Pérez Mackenna

DIRECTOR

Samuel Libnic

DIRECTOR

Jaime Estévez Valencia

DIRECTOR

Sandra Guazzotti

ALTERNATE DIRECTOR

Paul Fürst Gwinner

ALTERNATE DIRECTOR

DIRECTORS

Alfredo Ergas Segal

Mr. Ergas was named to our board in March 2017. He is an independent director, elected by the pension fund managers. He is also chairman of the board of Transportadora de Gas del Perú and a member of the board of Grupo Costanera S.A. and Transelec S.A. He is also on the board of Inbest and president of the Consultation Council of the School of Economics and Business at Universidad de Chile. Previously, he was Regional CFO of Enersis, where also worked in business development and as the controller. Before that, he was CFO of Endesa Chile and Smartcom, a telecommunications subsidiary of Endesa España, and Money Desk Manager at Santiago S.A. Corredores de Bolsa. He is a professor of finance at Universidad de Chile. He has received awards such as: "One of the Best Chilean CFOs in Investor Relations 2012" from Lira, "Best Commercial Engineer Universidad de Chile 2006", "CFO of the Year" in 2010 (selected by peers) and for his "Contribution to Capital Market Development" from Revista Capital/Inbest/El Mercurio. In addition, he was recognized by the American-Chilean Chamber of Commerce as "Executive of the Year" in 2018. He has a degree in business administration from Universidad de Chile and an MBA from Trium Global Executive, jointly issued by NYU, LSE and HEC.

Andrés Ergas Heymann

Mr. Ergas was appointed to our board of directors in 2017. Previously, he was an advisor to the board since August 2014 until his appointment as director. He is also the chairman of the board of Nomads of the Seas, Todo Moda, Inersa 1 and Shmates. Previously, he was chairman and CEO of Banco HNS, chairman of the board of Compañía General de Leasing and vice chairman of Factoring Finersa. He has also served on the boards of Banco Edwards, Hotel Plaza San Francisco Kempinski, BMW Chile, Inmobiliaria Paidahue, Mitsubishi Motors and Dina Trucks Co. He was the founding chairman of the Association of Factoring Companies. He holds a degree in business administration from Universidad Diego Portales.

Jean-Paul Luksic Fontbona

Mr. Luksic was named to our board of directors in April 2013 and reelected in 2017. He is the chairman of Antofagasta plc, United Kingdom, and Antofagasta Minerals S.A., and is vice chairman of Quiñenco S.A. and Sociedad Matriz SAAM S.A. He also sits on the board of the Chilean Mining Council, the association that represents the largest mining companies in Chile. Mr. Luksic holds a B.Sc. degree in management and science from the London School of Economics and Political Science. Andrónico Luksic and Jean-Paul Luksic are brothers.

Samuel Libnic

Mr. Libnic was named to our board of directors in April 2015 and reelected in 2017. He has been the General Counsel for Citigroup's operations in Latin America since 2007. Currently, his responsibilities include overseeing legal coverage for all products and businesses for Citi in Latin America and Mexico. In April 2010 he also became a member of Citigroup's Legal Management Committee. Between November 2010 and June 2013, Mr. Libnic was the Head of the Legal Department for Citi Brazil, in addition to his regional role. In January 2012, the Citi board of directors appointed him Vice President and in October 2019, Senior Vice President of Citibank N.A. The legal department of Citibanamex, the Mexican banking subsidiary of Citigroup Inc., also began to report to Mr. Libnic in September 2013. Prior to becoming General Counsel, in 1996 he was General Counsel of the Global Corporate and Investment Bank for Citibank Mexico. In 2001, he was named Adjunct General Counsel for Latin America, a position he held until taking on his current role. Before joining Citi, he worked for three years at Shearman & Sterling in New York and for seven years with Basham, Ringe and Correa. He holds a juris doctor with honors from Universidad Anáhuac in Mexico, as well as an LLM from Georgetown Law School and is licensed to practice law both in Mexico and New York.

Hernán Büchi Buc

Mr. Büchi was appointed to our board of directors on August 8, 2019. Previously, he was an advisor to the board since 2008 until his appointment as director and was also a board member in 2007. He is the founder of and an advisor to Instituto Libertad y Desarrollo and is currently the Chairman of the managing council at Universidad del Desarrollo. He is also a member of the boards of Quiñenco S.A. and S.A.C.I. Falabella. Previously, he held multiple public positions such as Minister of Finance (1985-1989), Superintendent of Banks, Minister of Planning and Undersecretary for Health. He holds a degree in civil mining engineering from Universidad de Chile and a master's degree from Columbia University.

Julio Figueroa

Mr. Figueroa was appointed to our board on December 27, 2018. He is CEO of Citi Argentina & Southern Cone (Argentina, Uruguay, Paraguay), based in Buenos Aires, Argentina. He is also the Head of Corporate & Investment Banking (CIB) for the Southern Cone.

Julio Figueroa joined Citi in Buenos Aires in 1994 in Corporate & Investment Banking (CIB) after working for IBM Argentina in the finance division. Since then, he held several roles in CIB Argentina (1994-2001) as Senior Banker covering Argentine clients in different industries. He moved to Citi Latin America Regional Office in Miami in 2001 as Senior Corporate Finance Transactor in CIB, covering corporate clients in Latin America, and to Citi New York in 2004 as Managing Director responsible for Financial Sponsors & Private Equity Clients for CIB Latin America. In 2010 Mr. Figueroa returned to Buenos Aires as CIB Head for Citi Argentina, a position he held until May 2014, when he was appointed CEO for Citi Peru and Vice President of the board of directors of Citibank del Peru S.A., responsible for the wholesale (ICG) and the consumer (GCB) businesses. In November 2015, Mr. Figueroa was named CEO for Citi in Argentina, where he led a significant transformation of the franchise, both in ICG as well as in GCB.

He is a member of numerous organizations in Argentina, such as the American-Argentine Chamber of Commerce (AmCham), the Argentinean Association of Banks (ABA), the Argentinean Business Association (AEA), the Business Council of Latin America (CEAL) in Argentina and Young

Presidents Organization (YPO) in Argentina. Mr. Figueroa received his MBA in finance from CEMA University in Buenos Aires, and a B.A. in business administration and a B.A. in accounting, both from Universidad Católica Argentina (U.C.A.) in Buenos Aires.

Francisco Pérez Mackenna

Mr. Pérez has been a member of our board of directors since 2001 and was reelected in 2017. Since 1998, Mr. Pérez has served as the CEO of Quiñenco S.A. He is also chairman of the board of Compañía Sud Americana de Vapores S.A., Empresa Nacional de Energía Enx S.A., Invexans S.A. and Tech Pack S.A. He was formerly the CEO of Compañía Cervecerías Unidas S.A., where he still serves on the board. He is also on the boards of Embotelladoras Chilenas Unidas S.A., Compañía Cervecerías Unidas Argentina S.A., Compañía Pisquera de Chile S.A., Cervecera CCU Chile Ltda., Inversiones y Rentas S.A., LQ Inversiones Financieras S.A., Nexans, Viña San Pedro Tarapacá S.A., Sociedad Matriz SAAM S.A., Sudamericana, Agencias Aéreas y Marítimas S.A. and Hapag-Lloyd and is a member of the Executive Committee of Banchile Corredores de Seguros Limitada. Prior to 1991, Mr. Pérez was CEO of Citicorp Chile and also was vice president of Bankers Trust in Chile. He received a degree in business administration from Pontificia Universidad Católica and an MBA from the University of Chicago.

Jaime Estévez Valencia

Mr. Estévez has been a member of our board of directors since 2007 and was reelected in 2017. He is an independent director. Presently, he is also on the board of directors of Cruzados SADP. Prior to that, he was the chairman of the board of Banco del Estado and a member of the board of Endesa Chile S.A. He has also served as a director at AFP Provida and AFP Protección, two private Chilean pension funds. He was simultaneously Minister of Public Works and Minister of Transportation and Telecommunications from January 2005 to March 2006. He was also a representative in the Chilean Congress from March 1990 to March 1998 and president of the House of Representatives from March 1995 to November 1996. He has a degree in economics from Universidad de Chile.

ALTERNATE DIRECTORS

Sandra Guazzotti

Ms. Guazzotti was appointed an alternate director on June 27, 2019. She is currently Senior Vice President of Oracle MCR (Latin America, with the exception of Brazil and Mexico) and has more than 20 years of global experience in IT and finance. Presently, she is also chair of the board of the Chilean-American Chamber of Commerce (AmCham Chile) and was co-chair of the ITC Committee for the American Chamber of Commerce in Singapore from 2016 to 2017. She has also been a member of the board of the Pan American Development Foundation since 2015 and a member of Women Corporate Directors (WCD) since 2014. She was distinguished as one of the "100 Women Leaders in Chile" in 2011, 2018 and 2019, by Mujeres Empresarias and the El Mercurio newspaper in Chile. In 2019 she was also chosen as "Executive of the Year", by Revista Capital and Mujeres Empresarias. She has a B.A. in international relations from Tsukuba University in Japan, where she studied on a five-year scholarship from the Japanese government (MOMBUSHO). She also participated in the Senior Executive Program (PADE) at ESE Business School, Universidad de Los Andes, and is certified in Company Direction by the Institute of Directors in London, United Kingdom.

Paul Fürst Gwinner

Paul Javier Fürst Gwinner was elected as the second alternate director by the board of directors on November 28, 2019. From 1998 to date, he has been a director at Grupo Plaza S.A., where he served on the Audit Committee for two years, until April 2019. In addition, he has been a partner and director of the mining company Ventana Minerals since 2009; partner and director of the mining and hydrogeology drilling company Terraservice since 2005; director of the goat milk products company Caprilac, and director of the agricultural company Comaihue. Previously, he was director at Parque Arauco S.A. for eleven years and director at the General Fund Manager WEG for two years. He holds a degree in business administration from Universidad Las Condes. In addition, he completed the Senior Executive Program (PADE) at the ESE Business School at Universidad de los Andes.

Committees and Meetings



AUDITING

- Analyze the external auditors' reports, and the content, procedures and scope of their reviews.
- Analyze the annual internal audit program and the results of internal audits and reviews.
- Analyze the management evaluation conducted by the Financial Market Commission and follow up on commitments made by management.
- Make a proposal to the board regarding external auditing services to be presented at the shareholders' meeting.



PERFORMANCE

- Analyze the Bank's financial statements included in the form 20-F, to be filed with the U.S. Securities and Exchange Commission (SEC).
- Examine the annual performance self-evaluation process carried out by the bank.
- Analyze the interim and annual financial statements.
- Study accounting changes occurring during the year and their effects.



COMPLIANCE

- Review special cases affecting internal control systems.
- Review customer claims filed with the Financial Market Commission, the National Consumer Protection Service (Sernac) and the Customer Defense Division of the Chilean Association of Banks and Financial Institutions.
- Analyze matters related to the Global Compliance Division, primarily regarding the application of policies and procedures to ensure compliance with laws and regulations applicable to the bank.
- Analyze compliance with institutional policies on observance of laws, regulations and internal standards.



RISKS

- Examine fee proposals for external auditors and risk rating agencies.
- Analyze the risk rating agencies' reports, and the content, procedures and scope of their reviews.
- Analyze operational risk policies and risk-management and SOX self-assessment processes.
- Examine compensation systems and plans for managers, senior executives and associates.
- Analyze related-party transactions as referred to in Title XVI of the Corporations Law No. 18,046.

Board Committees

The following summarizes the main objectives and duties of the bank's Board Committees.

Directors' and Audit Committee

Members:

- Jaime Estévez, committee chairman, expert on financial matters and independent director;
- Alfredo Ergas, independent director.
- Álvaro Jaramillo Escallon, director proposed by Citigroup through LQ Inversiones.

Its primary objectives are to seek efficiency, maintenance and functioning of internal control systems and compliance with applicable standards and procedures that govern the bank's businesses. It is also charged with identifying and understanding the risks to the bank and its subsidiaries; supervising the activities of the Controller's Office and ensuring its independence from management; and serving as a liaison and coordinator between internal and independent auditors. In addition, it acts as a channel of communication between the internal audit team, independent auditors and the board and safeguards compliance with obligations in article 50 bis of the Corporations Law, as well as applicable regulations of the Financial Market Commission.

Its main duties consist of examining external auditor and risk rating reports, balance sheets, financial statements and reports; obtaining information regarding accounting changes during the year and their effects; and analyzing related party transactions in conformity with Section XVI of the Corporations Law. It must also propose to the board of directors the external auditors and

risk rating agencies that will be suggested at the shareholders' meeting; examine the compensation systems and plans for senior executives and employees; make recommendations to the board as to the appropriateness of hiring the external audit firm to provide complementary services based on whether such services might lead to the risk of loss of independence and analyzing operational and general risk policies. Furthermore, it reviews customer complaints filed with regulators and associations and performs other tasks indicated in the bylaws, or entrusted to it at a general shareholders' meeting or by the board.

The Directors' and Audit Committee is comprised of three board members who are appointed by the board. Two of them must be independent directors as defined by Chilean law. In 2019, the board met 17 times (12 ordinary meetings and five extraordinary meetings). As established in its bylaws, the CEO, General Counsel and Controller, or their respective replacements, also attend the meetings. The committee's budget is approved annually at the annual general shareholders' meeting.

Portfolio Risk Committee

The main duty of the Portfolio Risk Committee is to inform the board of changes in the composition, concentration and risk of its numerous loan portfolios and the bank's global and sector or business-specific exposure. This committee also reviews the performance of its main debtors, loan delinquency ratios and indicators, write-offs and loan loss provision.



The Portfolio Risk Committee prepares proposals to be discussed and approved by the board, along with credit policies, portfolio evaluation methodologies and models for and calculations of provisions for expected loan losses. It also analyzes the provision adequacy for the different banking divisions and segments, authorizing extraordinary write-offs of loans once recovery efforts have been exhausted. This committee monitors concentration by sector and segment based on industry limit policies and controls the liquidation of repossessed assets. Likewise, it reviews guidelines and advancements in methodologies for developing internal credit risk models.

The Portfolio Risk Committee meets monthly and is comprised of the chairman of the board, one director or alternate director, the CEO, the Wholesale Credit Risk Division Manager, the Retail Credit Risk Division Manager, the Commercial Banking Division Manager and the Management Control and Risk Information Area Manager.

Board of Directors Credit Committee

The Board of Directors Credit Committee is charged with reviewing all transactions with customers and/or economic groups that exceed UF 750,000, as well as transactions with a potential reputational risk for the bank, such as loans for educational institutions, non-profits and/or politically exposed persons (PEP), among others. It is also responsible for analyzing all credit operations that must be approved by this committee in accordance with the bank's internal regulations. The Retail and Wholesale Credit Risk divisions participate in this committee

independently and autonomously from the business divisions.

It meets weekly and is presided over by the chairman of the board. Other members include all board members, advisors to the board, the CEO and the Wholesale Credit Risk or Retail Credit Risk Division Managers, depending on the business segment requesting credit approval.

Finance, International and Market Risk Committee

This committee's main duties are to review and oversee the bank's financial positions, including inherent market and liquidity risks in the trading and accrual books; supervise adherence to internal frameworks for limits/alerts and compliance with regulatory guidelines. It also analyzes the bank's foreign funding profile for commercial transactions, guarantees and derivative transactions (credit exposure, terms, risk mitigation mechanisms, clearing houses involved, etc.); develops and reviews market risk and liquidity policies to ensure they are properly applied to financial exposures of the bank and its subsidiaries; and reviews annual liquidity plans. It is also charged with continuously monitoring financial exposure and market and liquidity risk, as well as the performance of the treasury's different commercial segments, different exposures and obligations, among others.

This committee meets at least once a month. Its permanent members include the chairman of the board, four board members, the CEO, the Corporate Banking Division Manager, the Treasurer, the Wholesale Credit Risk Division Manager and the Financial Risk Area Manager.

Money Laundering and Financing Terrorism Prevention Committee

This committee was created in April 2006. Its purpose is to define the policies and procedures that make up the asset laundering and terrorism financing prevention system, evaluate compliance and decide on all matters related to these subjects. Its duties include: (i) approving policies and procedures on asset laundering and terrorism financing prevention; (ii) approving policies and procedures on the detection of suspicious transactions; (iii) approving policies and procedures on oversight of and relations with correspondent banks; (iv) approving policies and procedures concerning staff selection, training and codes of conduct; (v) approving policies and procedures related to definitions of high-risk customers, products and areas and how they are treated, particularly those involving Politically Exposed Persons; (vi) approving policies and procedures on sanctions applied by the Office of Foreign Assets Controls (OFAC), to persons or countries on the OFAC list; (vii) appointing individuals to serve as liaisons with the Financial Analysis Unit, in accordance with article 3 of Law 19,913; (viii) overseeing training of personnel on asset laundering and terrorism financing prevention policies; (ix) keeping itself informed of important developments and technological projects of the Global Compliance Division; (x) informing the board of regulatory changes on related matters; among others.

The committee meets on a quarterly basis and is comprised of three board members, two of which must be independent. The following individuals also attend meetings and have the right

to speak: the CEO, the General Counsel, the CEO of Banchile Administradora General de Fondos S.A., the Operations and Technology Division Manager, the Controller, the Global Compliance Division Manager and the Asset Laundering Prevention Area Manager.

Superior Operational Risk Committee

The Superior Operational Risk Committee is responsible for: (i) approving the operational risk management model and ensuring that related policies, standards, methodologies and procedures are implemented; (ii) approving plans and development initiatives for the operational risk management model and monitoring of this risk; (iii) approving acceptable operational risk tolerance and appetite levels and continuously monitoring compliance; (iv) following up with the main operational incidents and events, their root causes, impacts and corrective measures; (v) familiarizing itself with alerts from risk indicators and cybersecurity incidents and the different mitigation measures implemented by the bank; (vi) monitoring progress on the main action plans related to incidents, events and operational risk assessments; (vii) familiarizing itself with the bank's operational risk exposure levels and the main operational risks to which it is exposed; (viii) understanding the main strategies for mitigating the most significant operational risks, whether they have occurred or not, and monitoring implementation of these strategies; (ix) ensuring the organization's long-term solvency, preventing any risk factors that may threaten the bank's continuity; (x) ensuring that operational risk, information security, business continuity and outsourcing policies are aligned with the

bank's goals and strategies; (xi) making decisions regarding the development of new products and services, changes in processes or outsourcing, in more complex or high-impact cases; and (xii) informing the board on the comprehensive operational risk management model and the bank's operational risk exposure, as well as its main risks, events and action plans.

This committee meets monthly and is comprised of the chairman of the board, two board members, the CEO, the General Counsel, the Global Risk Control Division Manager, the Operations and Technology Division Manager, the Cybersecurity Division Manager and the Commercial Banking Division Manager.

Leasing Committee

The committee's main duty is to review the evolution and results of the leasing area on a monthly basis based on a report that consolidates the performance of the bank's diverse commercial divisions. This committee meets each month and its members are the chairman of the board, one board member, the CEO, the Commercial Banking Division Manager, the Corporate Customer Area Manager and the Leasing Area Manager.

Factoring Committee

The objective of this committee is to analyze the evolution and results of the factoring area in terms of volume, prices, margins, provisions and expenses, and to analyze the factoring product for each of the bank's business areas. The committee, which meets on a monthly basis, is presided over by the chairman of the board and comprised of the CEO, the Commercial Banking Division Manager, the Large Companies Division Manager, the Factoring and Foreign Trade Division Manager (Metropolitan Region) and the Factoring Area Manager.

CrediChile Committee

The main objective of the CrediChile Committee is to analyze the evolution and results, growth and strategies of the consumer finance division on a monthly basis in order to identify new customer segments and maximize results.

This committee meets each month and its members are the chairman of the board, one board member, the CEO, the Commercial Banking Division Manager and the Consumer Finance Division Manager.

Executive Insurance Committee

The main objective of the Executive Insurance Committee is to review the insurance-related commercial performance and business development initiatives and determine the steps that need to be taken to execute business plans. It is comprised of the chairman of the board, one director, the CEO, the Commercial Banking Division Manager, the Consumer Finance Division Manager and the CEO of Banchile Corredores de Seguros Ltda.



Management Committees

The following section summarizes the main objectives and duties of the bank's main committees in which members of senior management participate.

Senior Management Committee

The Senior Management Committee is the highest management coordination authority in the corporation. It meets twice a month and is chaired by the CEO and comprised of all division managers and the CEO of Banchile Corredores de Bolsa S.A. Its main duty is to establish strategic guidelines, evaluate business performance and analyze the market, the banking industry and the economic, regulatory and competitive environment.

This committee resolves issues related to the bank's internal policies and analyzes its performance. At meetings, the Bank's numerous divisions exchange their points of view and prioritize joint initiatives. Each year, the committee outlines the foundations for an annual plan. First, the CEO and each division manager agree on an individual annual plan for each commercial area and then the general plan is coordinated by the Financial Reporting and Control Division Manager and presented to the board for its approval. This committee also regularly reviews progress on and budgets for approved plans.

Retail Business Meeting

The duties of this monthly meeting include reviewing in detail the commercial performance of the different retail segments within the business. It also proposes commercial initiatives and/or developments that impact the segment and coordinates major decision making that involves several areas and/or divisions.

Its members include the Marketing and Digital Banking Division Manager, the Commercial Banking Division Manager, the Customer Area Manager, the Business and Project Area Manager, the Retail Segment Area Manager and the Commercial Division Manager of Banchile Inversiones. Other individuals may participate depending on the matters addressed.

Disclosure Committee

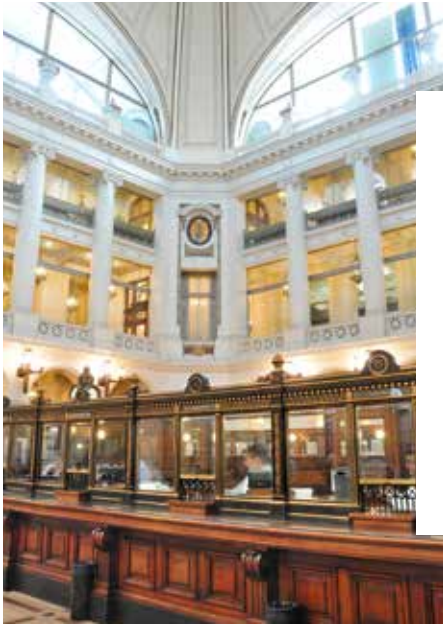
This committee was created to ensure that consolidated financial information for the bank and its subsidiaries is accurately disclosed to the market. Its objective is to review annual, interim and quarterly financial information and, in general, all financial information to be disclosed prior to its release.

This committee meets on a quarterly basis and its members are the Chief Financial Officer, the Accounting Manager, the senior lawyer for international, financial and investment banking affairs, the Wholesale Credit Risk Division Manager, the Retail Credit Risk Division Manager, the Research and Planning Area Manager and the Financial Control and Treasury Area Manager. The Controller also attends meetings and has the right to speak.

Ethics and Conduct Committee

This committee is responsible for defining, promoting and regulating professional and personal conduct of excellence that is consistent with the philosophy and values that must be followed by all bank personnel.

To comply with these objectives and foster a culture of ethical behavior, it establishes policies on ethics and guarantees compliance, develops



training plans related to business ethics and reinforces positive conduct. It also acts as a forum for addressing, discussing and resolving any conduct that is inconsistent with corporate value. It meets at least every four months and more frequently if necessary in the event of reported incidents or internal requirements. It is chaired by the People and Organization Division Manager and comprised of the General Counsel, the Controller, the Global Compliance Division Manager, the Commercial Banking Division Manager and the Operations and Technology Division Manager.

Operational Risk Committee

This committee is responsible for: (i) validating the comprehensive operational risk management model and ensuring that related policies, standards, methodologies and procedures are implemented; (ii) validating plans and development initiatives for the comprehensive operational risk management model and monitoring progress; (iii) approving acceptable operational risk tolerance and appetite levels and continuously monitoring compliance; (iv) guaranteeing compliance with current regulations regarding operational risk; (v) ensuring that the comprehensive operational risk management model is disseminated throughout the organization; (vi) ensuring that business units establish a system of continuous improvements for the existing control structure; (vii) promoting a culture of operational risk management at all levels particularly focused on raising awareness of risk, accepting responsibility and integrating it into daily processes; (viii) familiarizing itself with the main operational incidents and events, their root causes, impacts and corrective measures; (ix) familiarizing itself with alerts from risk indicators and cybersecurity incidents and the different mitigation measures implemented by the bank; (x) monitoring progress on the main action plans related to incidents, events or operational

risk assessments; (xi) identifying and prioritizing strategies for mitigating key operational risk events, whether they have occurred or not, and monitoring implementation of these strategies; and (xii) ensuring the organization's long-term solvency and preventing any risk factors that may threaten the bank's continuity.

This committee meets each month and is chaired by the Global Risk Control Division Manager. Its other members include: the Chief Financial Officer, the Cybersecurity Division Manager, the Operational Risk Area Manager, the Technology Risk Area Manager, the Technology and Infrastructure Area Manager, the Operations Area Manager, the Customer Area Manager, the Large Companies Area Manager, the Corporate Auditing Area Manager, the Customer Service Area Manager and one senior lawyer.

Quality Committee

The main objective of this committee is to generate strategic guidelines for decision making related to customer service in all available channels by analyzing the perception of the bank's customers and its main competitors. This committee's other duties include detecting necessary changes and executing them efficiently and opportunely, and supervising service quality indicators, projects and initiatives.

It meets every two months and is chaired by the CEO. Other members include the Commercial Banking Division Manager, the Corporate Banking Division Manager, the Operations and Technology Division Manager, the Marketing and Customers Division Manager, the Customer and Telephone Banking Area Manager and the Consumer Finance Area Manager. The chairman of the board and the Customer Experience Deputy Manager also attend and participate as guests.

Subsidiary Risk Committee

The Subsidiary Risk Committee is responsible for managing and monitoring the internal consistency of operational, credit, liquidity and market risk compliance policies at the bank's subsidiaries; establishing mechanisms for identifying, monitoring and measuring those risks, and adopting the appropriate corrective measures to be applied by these subsidiaries. Likewise, it must verify the suitability of subsidiary policies for such risks in relation to the bank's own policies.

This committee meets on a quarterly basis and is comprised of the Global Compliance Division Manager, the Wholesale Credit Risk Division Manager, the Global Risk Control Division Manager and the Market Risk Area Deputy Manager.

Technical Internal Modeling Oversight Committee

This committee is responsible for providing methodological guidelines for developing, monitoring and documenting the diverse statistical models used by the bank to manage credit risk in large-scale segments where automated models are used, and for ensuring coherence among the models and compliance with minimum required standards of satisfaction. All models that need to be approved by the Portfolio Risk Committee or the board of directors must have prior endorsement from this committee.

Its members include the Retail Credit Risk Division Manager, the Pre-approval Area Manager, the Risk Monitoring Area Manager, the Research and

Management Area Manager, the Retail Business Development Area Manager, the Risk Modeling Area Manager, the Retail Monitoring and Model Deputy Manager, the Big Data and Regulatory Systems Deputy Manager, the Risk Modeling Validation Deputy Manager and the Provision Modeling department head.

Senior Management

| Members of Senior Management | Position | Age | Nationality | Years in Position |
|-------------------------------|--|-----|-------------|-------------------|
| Eduardo Ebensperger Orrego | Chief Executive Officer | 54 | Chilean | 4 years |
| Rolando Arias Sánchez | Chief Financial Officer | 55 | Chilean | 6 years |
| Alfredo Villegas Montes | General Counsel and Secretary to the Board | 49 | Chilean | < 1 year |
| José Luis Vizcarra Villalobos | Commercial Banking Division Manager | 60 | Chilean | < 1 year |
| José Miguel Quintana Malfanti | Corporate Banking Division Manager | 58 | Chilean | 4 years |
| Claudia Herrera García | Marketing and Digital Banking Division | 49 | Chilean | < 1 year |
| Paola Alam Auad | Wholesale Credit Risk Division Manager | 57 | Chilean | 1 year |
| Julio Cubillo Navarro | Retail Credit Risk Global Risk Control Division Manager | 43 | Spanish | 1 year |
| Felipe Echaiz Bornemann | Compliance Division Manager | 52 | Chilean | 12 years |
| Cristián Lagos Contardo | People and Organization Division Manager | 53 | Chilean | 6 years |
| Óscar Mehech Castellón | Controller | 55 | Chilean | 12 years |
| Esteban Kemp de La Hoz | Operations and Technology Division Manager | 40 | Chilean | 1 year |
| Salvador Danel | Cybersecurity Division Manager | 46 | Mexican | 1 year |
| Hernán Arellano Salas | Chief Executive Officer of Banchile Corredores de Bolsa S.A. | 42 | Chilean | 3 years |

Senior Management

Eduardo Ebersperger Orrego

CHIEF EXECUTIVE OFFICER

Rolando Arias Sánchez

CHIEF FINANCIAL OFFICER

Alfredo Villegas Montes

GENERAL COUNSEL AND
SECRETARY TO THE BOARD

José Luis Vizcarra Villalobos

COMMERCIAL BANKING DIVISION MANAGER

José Miguel Quintana Malfanti

CORPORATE BANKING DIVISION MANAGER

Claudia Herrera García

MARKETING AND DIGITAL BANKING DIVISION
MANAGER

Paola Alam Auad

WHOLESALE CREDIT RISK DIVISION MANAGER

Julio Cubillo Navarro

RETAIL CREDIT RISK / INTERIM
GLOBAL RISK CONTROL DIVISION MANAGER

Felipe Echaiz Bornemann

COMPLIANCE DIVISION MANAGER

Cristián Lagos Contardo

PEOPLE AND ORGANIZATION
DIVISION MANAGER

Óscar Mehech Castellón

CONTROLLER

Esteban Kemp de La Hoz

OPERATIONS AND TECHNOLOGY
DIVISION MANAGER

Salvador Danel

CYBERSECURITY DIVISION MANAGER

Hernán Arellano Salas

CHIEF EXECUTIVE OFFICER OF
BANCHILE CORREDORES DE BOLSA S.A.

EXECUTIVES

Eduardo Ebensperger Orrego

Chief Executive Officer since May 2016. Prior to this position, he was our Commercial Banking Division Manager from 2014 to 2016 following the merger of the Commercial, Wholesale, Large Companies and Real Estate divisions. Before that, he was the Wholesale, Large Companies and Real Estate Division Manager starting in 2005. Between 2002 and 2005, he was CEO of the subsidiary Banchile Factoring S.A. He originally joined Banco Edwards in 1989 and from 1997 to 1999 was manager of regional branches at Banco de A. Edwards, and then Medium-Sized Companies Division Manager. He currently serves on the boards of Banchile Asesoría Financiera S.A., Banchile Securitizadora S.A., Banchile Administradora General de Fondos S.A., Socofin S.A. and on the Executive Committee of Banchile Corredores de Seguros Limitada. Mr. Ebensperger holds a degree in business administration and economics from Universidad de Chile.

Rolando Arias Sánchez

Chief Financial Officer since 2014. Previously, Mr. Arias served as Research and Planning Manager starting in 2006. Before that, he held diverse positions related to management control at Banco de Chile and Banco de A. Edwards. He holds a degree in business administration from Pontificia Universidad Católica de Chile.

Alfredo Villegas Montes

General Counsel and secretary to the board since December 2019. Previously, Mr. Villegas acted as a senior lawyer since 2017 and Commercial Banking senior lawyer since 2008. He joined Banco de Chile in 2002 as a result of the merger with Banco de A. Edwards, where he had worked since 1994. He holds a law degree from Universidad de Chile.

José Luis Vizcarra Villalobos

Commercial Banking Division Manager since January 2020. Mr. Vizcarra joined Banco de Chile in September 1977. As of the date of his most recent appointment, he was Metropolitan Regional Manager, a position he had held since 2017. Previously, he served as Regional Area Manager and Zone Manager in different locations throughout Chile, among other roles.

Mr. Vizcarra has a technical degree in finance from Instituto de Estudios Bancarios Guillermo Subercaseaux, a graduate degree in corporate management from Universidad del Desarrollo, and a graduate certificate in finance from Universidad de Buenos Aires.

José Miguel Quintana Malfanti

Corporate Banking Division Manager since December 2016. Before that, he was the Corporate and Wholesale Banking Deputy Manager (April 2015 - March 2016). From 2008 to 2013, he was in charge of the Multinational Area within the Corporate Banking Division. Mr. Quintana joined Citibank Chile in 1985 and has held several positions in different areas, including Operations, Companies Banking, Sales and Trading, Auditing and Risk Management in Chile and the United States. In 2013, he was named Head of Commercial Banking for Citibank Latin America based in Miami, a position he held until 2015. Mr. Quintana serves on the boards of Banchile Securitizadora S.A. and Banchile Asesoría Financiera S.A. He holds a degree in business administration from Universidad Adolfo Ibáñez.

Claudia Herrera García

Marketing and Digital Banking Division Manager since October 7, 2019. Prior to that, she was the division manager in charge of digital transformation, a strategic program she continues to lead. She joined Banco A. Edwards in 2000 and was promoted to Regional Large Companies Area Manager in 2009. In 2010 she was named area manager of the Metro Large Companies, Factoring and Foreign Trade Area, a position she held until June 2019, when she became the Metro Large Companies, Factoring and Foreign Trade Division Manager. She has a degree in business administration from Universidad Adolfo Ibáñez.

Paola Alam Auad

Wholesale Credit Risk Division Manager since September 2018. Before that, Ms. Alam was the interim Corporate Credit Risk Division Manager since August 2018 and, prior to that, the Companies Risk Area Manager. She joined the Risk Area at Banco de A. Edwards in 1994, where she held several different positions. She served as Risk Manager for the Corporate Banking Segment after the merger between Banco de Chile and Banco de A. Edwards. With experience in risk acceptance across all segments, from SMEs to corporations, in recent years she has been in charge of the Large Companies segment. Before that, she worked at PricewaterhouseCoopers. She holds a degree in business administration from Universidad de Santiago and a graduate certificate in finance from Universidad Adolfo Ibáñez.

Julio Cubillo Navarro

Retail Credit Risk Division Manager since October 2018 and interim Global Risk Control Division Manager since June 2019. Prior to this position, Mr. Cubillos was Credit Risk Manager from May 2017 to July 2018. Before that, he was Consumer Finance Global Risk Manager for BBVA Holding (Spain) and, previously, Retail Tool Manager for the same financial group, where he worked from 2011 to 2017. He began his career at Bankinter in Madrid, where he worked for 11 years in different positions in the risk and segment areas. Mr. Cubillos has a degree in economics from Universidad Carlos III in Madrid and completed a Leadership Development Program at IESE Business School.

Felipe Echaiz Bornemann

Compliance Division Manager since 2008. Mr. Echaiz worked at Citibank for ten years and was a Vice President and the Country Compliance Officer for Citigroup Chile between 2006 and 2007. In 2003, he was Deputy Director of the Anti-Money Laundering and Organized Crime Unit of Chile's Ministry of Public Affairs. Currently, Mr. Echaiz is the chairman of the executive compliance committee of the Chilean Association of Banks and Financial Institutions. He has a law degree from Pontificia Universidad Católica de Chile and a master's in finance and economics from Universidad de Chile.

Cristián Lagos Contardo

People and Organization Division Manager since 2012. From 2008 to March 2012, he was Corporate Manager of People and Reputation at Compañía General de Electricidad S.A. Before that, he was Corporate Human Resources Manager at Chilesat S.A. and Corporate Manager at Telmex, following its merger with Chilesat S.A. Before that, he was Planning and Human Resources Division Manager at Banco Sudamericano and, later, at Scotiabank, following the merger of these banks. He holds a degree in psychology from Universidad Diego Portales.

Óscar Mehech Castellón

Controller since 2008. Prior to this position, Mr. Mehech was division manager for the Regulatory Policy and Global Compliance Divisions. Before that, he was the senior lawyer for Banco de Chile and, in 2002, was the senior lawyer at Banco de A. Edwards. Currently he is the vice chairman of the Oversight Committee for Depósito Central de Valores S.A. He holds a law degree from Universidad de Chile and an MBA from Pontificia Universidad Católica de Chile.

Esteban Kemp de La Hoz

Operations and Technology Division Manager since August 2018. Before that, he was Global Risk Control Division Manager starting in March 2018. Previously, he was Process Engineering Area Manager and then Operational Risk Area Manager since November 2016. He joined Banco de Chile in July 2016 after a career as a consultant at Everis, where he started in 2007, eventually reaching the position of Business Intelligence Services Manager. In 2011, Mr. Kemp joined the financial services organization (FSO) consulting practice at EY Chile, where he was a senior manager. He has a degree in IT engineering from Universidad Austral de Chile and an MBA from Universidad Adolfo Ibáñez.

Salvador Danel

Cybersecurity Division Manager since January 2019. Prior to joining Banco de Chile, he was Cybersecurity Manager for Microsoft from 2016 to 2018, advising clients in diverse industries throughout Latin America. Before that he was a senior manager in the security, risk and infrastructure group at Accenture Mexico, where he implemented IT security strategies in banking and mining industry clients. From 2008 to 2014, he worked as a senior manager in the risk and IT security practice at Deloitte Mexico and as a security advisor for the Liverpool Group. Mr. Danel has a degree in IT engineering from Universidad Anahuac, Mexico.

Hernán Arellano Salas

Chief Executive Officer of Banchile Corredores de Bolsa S.A. since September 2016. Previously, he held several positions at IM Trust S.A. Corredores de Bolsa (2007-2016), including CFO, CEO, Managing Director of Capital Markets, Regional Director and Head of Equities, and was in charge of the equities business at Credicorp Capital in Chile, Peru, Colombia and the U.S. Before that, he was Deputy CFO at Viña San Pedro S.A. (2003-2005) and a senior analyst at Bice Chile Consult Asesorías Financieras (2001-2002). He holds a degree in business administration and a master's degree in applied economics from Pontificia Universidad Católica de Chile and an MBA from Olin GSB, Babson College, U.S. and is an adjunct professor of financial management at Universidad Católica's MBA program.

Corporate Ethics and Compliance

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205-3

Ethics Management System

Banco de Chile's Ethics and Transparency System consists of a Code of Conduct and an Ethics and Conduct Committee. This committee, made up of members of senior management, is responsible for implementing guidelines on this matter and strengthening and regulating the professional and personal conduct of all employees. It is also charged with overseeing ongoing, organization-wide training on ethical conduct and a formal, confidential complaint reporting mechanism. The Code of Ethics was updated in 2019, changing its name to the Code of Conduct and adding new updated practices in line with current needs and requirements. Some topics were modified and others were added, expanding from 5 to 8 sections: Bank Secrecy, Acting on Behalf of Banco de Chile, Conflicts of Interest, Use of Bank Resources, Handling Confidential Information, and new sections on Risk and Cybersecurity, Respectful Treatment and Conduct and Internal and External Fraud.

An ethics training program based on workshops led by each supervisor was first implemented by the bank in 2014. Five years later, it has become a consolidated mechanism that operates on an online platform known as Ethics Challenge. The program's objective is to invite work groups to discuss ethical behavior and create opportunities for participatory reflection on ethics case studies. It also encourages continuous improvement among the bank's diverse areas by generating rankings of the best work teams and facilitating connectivity, giving participants the option to log on from any device with an Internet connection. In 2019, the training process scheduled for the year was

postponed because of the social unrest in Chile that began on October 18, 2019. As a result, only 21% of areas completed the training.

In addition to the Ethics Challenge workshops, two-hour e-learning training sessions on ethics were conducted, which were successfully completed by 1,273 individuals in 2019. Similarly, 895 employees took part in classroom-based orientation sessions. Each orientation session lasts 12 hours, one of which is dedicated specifically to addressing the Code of Conduct in depth.

The bank has several channels available for receiving complaints, suggestions or claims. These include a dedicated e-mail address for the Ethics and Conduct Committee, direct supervisors, the People and Organization Area Contact, the Labor Relations Area or the People and Organization ambassadors in the branch network.

In 2019, 27 complaints or inquiries were received and channeled to the Ethics and Conduct Committee's e-mail address for analysis and assessment. These e-mails are private and exclude anonymous complaints. Of all complaints and inquiries made, 14 cases of ethical violations were substantiated.

Regulatory Compliance and Anti-corruption

The bank has a crime prevention model in accordance with Law No. 20,393 on Criminal Liability for Legal Entities, which describes the methodology, corporate bodies and main elements established to prevent the crimes regulated by that law. It also considers a series of obligations and behavioral criteria that must be followed in

order to comply with the provisions of the law, and a hotline to report employees that have allegedly violated the Crime Prevention Model or Law No. 20,393. The model's risk matrix was used to assess the bank's different processes; a series of major risk focuses have been identified in association with their respective control processes.

In 2019, the bank adjusted its Crime Prevention Model to broaden the scope to new crimes incorporated into laws 21,121 and 21,132. The first law amends the Criminal Code for the prevention, detection and prosecution of corruption, creating new types of crimes, including corruption between individuals and disloyal administration, and the second law modifies the National Fisheries Service to add new crimes including polluting water. All related documents were amended, including employment contracts, clauses in supplier agreements, the Internal Order, Hygiene and Safety Regulations, the risk matrix and the Crime Prevention Model procedures.

Banco de Chile's corporate policies, based on current law and regulations and international best practices, are designed collectively by the respective areas and divisions depending on the subject of the policy. This design process is coordinated by the Global Compliance Division. This division, which was formed following the merger of Banco de Chile and Citibank Chile in 2008, is responsible for establishing and disseminating the bank's internal regulations in given matters addressed in Citigroup's global control policies, as well as enforcing related current laws, standards arising from international agreements and, in general, a

variety of policies that have a direct impact on the bank's reputation.

The corporation also has a Policy on Prevention of Dishonest Practices, which sets guidelines to ensure compliance with current regulations on contributions or benefits given to public or foreign officials in order to prevent the possibility that any of these conducts are contrary to honest practices or considered an attempt to commit bribery, and to prevent acts of corruption between individuals.

All members of the board and senior management have been duly made aware of Banco de Chile's anti-corruption policies and procedures. All other employees also receive repeated communications on these matters through internal channels.

Internal Control and Audit Systems

The board of directors defines and continuously evaluates internal control systems in order to ensure conservative management and effective auditing. To ensure audit independence, Banco de Chile has a framework of action, a hierarchical structure and validation mechanisms for audit observations and the actions designed to address the issues identified. Furthermore, the board reviews all corporate policies and approves the auditing plan on an annual basis. It receives periodic information on the degree of completion. The Directors' and Audit Committee is responsible for regularly assessing the quality of internal control systems and the internal audit function as well as engaging and coordinating with external auditors. Corporate policies are designed collectively by different areas and divisions depending on





the subject of the policy. This design process is coordinated by the Global Compliance Division, This division is charged with defining internal regulations in conjunction with the general counsel's office and the business, operations and financial control and management areas. It is also responsible for ensuring compliance with regulatory requirements established to prevent asset laundering and terrorism financing and for implementing and controlling the policies and procedures defined after the merger between Banco de Chile and Citibank in 2008. This Division, which oversees these matters throughout all areas of the bank and its subsidiaries, operates independently and reports directly to the Anti-Money Laundering Prevention Committee. In addition, it is responsible for ensuring compliance with regulations to prevent asset laundering and terrorism financing. To do so, the bank has a board-approved policy, which details roles and responsibilities, committee structures and processes to be used for supervising, making decisions, gathering client information, monitoring transactions and reporting to the Finance Ministry's Financial Analysis Unit, among other topics.

The Office of the Controller performs the independent and objective function of reviewing internal control at the bank and its subsidiaries, which covers all business lines. Through the use of standardized internal auditing methodologies, this division carries out the following duties:

- Evaluate the effectiveness of risk management processes in five categories: operational, financial, credit, technological and branches, at both a consolidated level and at the stock brokerage and fund management subsidiaries.
- Ensure compliance with laws, regulations and corporate policies.
- Inform the Directors' and Audit Committee of audit observations and the status of corrective actions committed to by management to ensure monitoring and timely resolution.
- Contribute to a workplace that emphasizes proactive risk management and control and promotes continuing education based on observations by the industry or from within the bank and its subsidiaries.

Internal Control Model



Main Responsibilities of 1st Line of Defense

- Identify and evaluate risks arising from operations.
- Control and mitigate risks arising from operations.
- Implement necessary mitigation measures.
- Provide reasonable assurance in attaining operational objectives.
- Ensure the effectiveness and efficiency of operations.
- Ensure the reliability of information.
- Ensure compliance with regulations and laws applicable to its operations.
- Safeguard assets.
- Consistently execute controls over risks.
- Design and implement detailed procedures to supervise control execution.

Main Responsibilities of 2nd Line of Defense

- Design and provide a risk management framework for the organization.
- Facilitate and promote risk management throughout the organization.
- Advise and support process owners in defining the risk exposure level of their operations.
- Effectively report information on the organization's risk profile.
- Present the organization's risk exposure to the board and identify and manage changes in exposure levels.
- Monitor effective application of controls within 1st line of defense.
- Monitor timely implementation of risk treatment or mitigation measures or deficiencies.

Main Responsibilities of 3rd Line of Defense

- Perform an independent and objective analysis of the organization's internal control and audit the operations of the 1st and 2nd lines of defense.
- Carry out periodic, objective tests on the design and effectiveness of the controls used by the organization to mitigate risk.
- Issue an independent opinion on the organization's risk management efforts.

Risk Management

Introduction

Global risk management is a key component of the bank's strategy, and is also fundamental to the sustainability of its business over time. It is differentiated and comprehensive in light of the different business segments served by the bank and its subsidiaries.

The board actively participates in the bank's corporate governance, establishing policies and guidelines for accepted risk levels, while management is responsible for controlling and complying with board mandates as well as establishing related rules and procedures. Likewise, the board sets guidelines for developing and validating models, approves provision models and confirms the adequacy of provisions.

In order to properly manage global risk, the board has formed several committees made up of directors and members of senior management. These committees are described in the corporate governance section of this report.

On a management level, the Retail Credit Risk, Wholesale Credit Risk and Global Risk Control divisions make up the corporate governance structure for risk. These divisions rely on specialized teams and a robust regulatory framework of processes and procedures to optimally and effectively manage the matters under their care.

The first two divisions are responsible for credit risk in the loan approval, monitoring and recovery stages for the retail and whole segments, respectively. The Retail Credit Risk Division also develops the different methodologies for regulatory and management aspects. The

Wholesale Credit Risk Division has a Market Risk Area that is charged with measuring, limiting, controlling and reporting on market risk, as well as defining valuation standards.

The Global Risk Control Division, through the Operational Risk and Technology Risk areas, which includes business continuity, is responsible for controlling these risks. The division also has an Internal Risk Model Validation area.

In addition, the bank has a Cybersecurity Division, which focuses on protecting and overseeing the organization's most sensitive assets and providing customers and employees with a sense of security and confidence.

The standard commercial matrix for calculating provisions on the group commercial portfolio took effect in July 2019, as mandated by the Financial Market Commission (CMF).

Credit Risk Management

Credit risk considers the probability that the counterparty in a loan cannot meet its contractual obligation because of payment incapacity or financial insolvency, and that leads to a potential loan loss.

The bank's credit risk management, which focuses strongly on an appropriate risk-return ratio, is ongoing throughout the loan approval, monitoring and recovery stages. The process aims to maintain a suitable risk balance in order to ensure the bank's solvency over time.

Our credit policies and processes acknowledge the particularities of each market and segment,

thus affording specialized treatment to each one based on the following management principles:

1. Performing a rigorous evaluation during the loan approval process, applying defined credit policies, rules and procedures and making sure that sufficient and accurate information is available. This involves analyzing the customer's cash flow generation and solvency to comply with payment commitments and, when necessary, requiring suitable guarantees to mitigate the risk assumed with the customer.
2. Carrying out a continuous, robust portfolio monitoring process using systems that warn the bank of potential signs of deterioration in the conditions in the original assessment and possible business opportunities with customers demonstrating superior quality and payment behavior.
3. Developing advanced modeling and data management tools that lend efficiency to decision making throughout the various stages of the loan process.
4. Having a flexible, efficient collections structure that can be used to take the appropriate steps depending on the different types of payment problems customers may present.
5. Efficiently managing teams, tools and information availability to ensure optimal credit risk management.

The credit risk divisions continuously manage risk knowledge so as to contribute to the business and anticipate threats that may affect solvency and portfolio quality. Their mission is to establish a framework for credit risk management for the bank's diverse segments that meets regulations

and falls within the bank's defined risk using a portfolio vision that enables it to efficiently and proactively manage, resolve and control the approval process for loans in the bank's different portfolios.

Retail Segment

Risk management in these segments is conducted mainly through a risk assessment that uses scoring tools, accompanied by an appropriate model of credit authority, which is required to approve each operation. These assessments consider elements such as indebtedness levels, payment capacity and maximum acceptable exposure for the customer.

In these segments, the bank has segregated duties among the following areas:

- Modeling Area: responsible for building statistical models, defining variables and respective weights. These models are validated by the Model Validation Area and then presented to the Modeling Technical Committee before being approved by the Portfolio Risk Committee or the board of directors, as appropriate.
- Management Integration Area: in charge of incorporating the statistical models in credit assessment processes, ensuring proper linkage to credit decisions.
- Origination Area: responsible for performing assessments of transactions and customers. It also has specialized areas (by segment and by region) to expand its knowledge of customers and socio-economic information. Furthermore, it has a framework of policies and standards that allow it to ensure portfolio

quality in line with desired risk, defining guidelines for customer approval that are distributed to commercial and risk areas through programs and ongoing education.

- Model and Portfolio Monitoring Area: charged with assessing and measuring model performance and portfolio behavior. The latter is conducted by monitoring the main indicators of the aggregate portfolio and using batch analysis reported in management reports, thus generating important information for decision making at diverse levels. This area also works to ensure that the bank's risk strategy is properly executed by meeting risk/return quality objectives.
- Collections Area: this unit performs collections for all bank segments and centralizes recovery management in retail segments through Socofin, a bank subsidiary, defining criteria for refinancing and payment agreements with customers and incorporating robust collection management tools.

Wholesale Segment

Origination management in these segments is based on an individual assessment of the customer and, if the customer is part of a group of companies, also considers the rest of the group's relationship with the bank. This individual (and group, if appropriate) assessment considers financial capacity with an emphasis on capital solvency, cash flow generation capacity, exposure levels, industry variables, an evaluation of the partners and management and aspects particular to the transaction such as the financing structure, terms, products and any guarantees.

This process is backed by a rating model that makes for a more homogeneous evaluation of the customer and its group. For these customer assessments, the bank also has specialized areas in some segments that require more expert knowledge such as real estate, construction, agriculture, financial, international, among others.

Ongoing portfolio monitoring is performed in a centralized manner using periodically updated information on the customer and its industry. The area also monitors compliance with special conditions established during origination, such as financial covenants, guarantee coverage and restrictions for loan approval. Through monitoring, it also generates alerts to ensure that the individual portfolio is properly classified.

Additionally, loan origination areas monitor loans from application to recovery in order to ensure that portfolio risks are accounted for properly and promptly.

By identifying customers with signs of deterioration or default on any condition, the customer's commercial area and the Wholesale Credit Risk Division work together to devise action plans to normalize the situation. When recovery problems arise on loans, the Special Asset Management Area, which reports to the Wholesale Credit Risk Division, is responsible for managing collections, establishing action plans and negotiating based on each customer's particular circumstances.

Allowances and Expected Losses

Banco de Chile assesses its loan portfolio on an ongoing basis and promptly recognizes the risk level associated with the portfolio. This comprehensive assessment of risk relies on board-approved policies, standards, procedures and models prepared for this purpose based on CMF instructions.

The final outcome of this assessment (both individual and group) is used to determine how much the bank should provision in order to cover losses in the event of customer default.

Individual assessment: An individual debtor assessment is used mainly for legal entities that the bank needs to understand in detail or on a case-by-case basis because their size, complexity or indebtedness level. In order to establish timely and sufficient provisions, each individually assessed debtor is classified into one of 16 categories defined by the CMF. The bank reviews the portfolio's risk ratings on an ongoing basis, including each customer's financial situation, payment behavior and environment.

Group assessment: This assessment criteria is applied mainly to individuals and smaller companies. These assessments are carried out each month using statistical models that enable the bank to estimate the provisions needed to cover portfolio risk. The consistency of these models is analyzed by independently validating the unit that develops the models and, subsequently,

performing backtesting to contrast real losses with model-estimated losses.

Adequacy of provisions In order to verify the quality and soundness of its risk assessment process, every year the bank tests the adequacy of its provisions for its entire loan portfolio, thereby confirming that provisions are sufficient to cover losses that may arise from loans granted. The results of this analysis are presented to the board, which then issues a formal opinion on the adequacy of the bank's provisions for each year.

Additional provisions: Banco de Chile records additional provisions to protect against unforeseeable economic fluctuations that may affect the macroeconomic environment or circumstances of a specific economic sector. Once a year, the amount of additional provisions to be established or released is proposed first to the Portfolio Risk Committee and then to the board for approval.

Market Risk

The bank analyzes and manages price risk (potential losses to imperfectly matched financial exposures in the event of adverse changes in market factors) and liquidity risk (the potential inability to honor financial obligations or quickly liquidate exposures to price risk).

The Market Risk Division, which is part of the Global Risk Control Division, is in charge of setting appropriate limits and controls and reporting on

the bank's market exposures and risks, as well as providing guidelines for its subsidiaries. The Financial Control and Treasury Department, within the Reporting and Financial Control Division, is in charge of measuring these risks and also takes part in reporting them. These units perform their duties independently from the business units. The Treasury Division is responsible for managing the aforementioned exposure and market risks, within the limits and parameters proposed by the Market Risk Division and approved by the board of directors.

Liquidity Risk

Liquidity risk can arise either due to a reduction in the bank's funding capacity (funding liquidity risk) or a reduction in the traded value of its assets that can be liquidated or its market factors from derivatives held in its portfolios (transaction or trading liquidity risk). The bank has a liquidity risk management policy, approved annually by the board, which sets limits and warning levels based on internal methodologies that complement regulatory liquidity limits.

Funding liquidity is measured, controlled and managed by means of internal metrics, including the Market Access Report (MAR). MAR limits are established to ensure that funding can be obtained and/or renewed in professional markets under normal operating conditions, in different time horizons and different currencies.

In accordance with its liquidity risk management policy, the bank performs daily stress exercises

in order to quantify its cash needs in the event of severe adverse scenarios and based on potentially available action plans. These results are contrasted with the maximum exposure to liquidity risk defined by the board.

The bank also utilizes other metrics to manage liquidity such as minimum liquid assets or liquidity buffers, cross-currency funding, liability renewal rates and financial ratios and others metrics required by the regulator such as the liquidity coverage ratio (LCR) and the net stable financing ratio (NSFR). Other metrics have also been required by the regulator recently, including the C46 Index, which simulates the resulting net cash flow for a given period of time. In addition, market factors and/or material events occurring in the financial market are monitored and tracked

Trading liquidity is assured by using limits with certain specific maturities based on the amounts that are normally traded in professional markets for interest rate exposure generated by debt instruments and derivatives. The same processes are used to limit the bank's global exposure to each exchange rate and to exchange rate volatility with varying maturities.

Liquidity risk measurements are regularly reported and controlled and communicated each month to the Finance, International and Market Risk Committee and each quarter to the bank's board. These internal and regulatory metrics are reported on a daily basis to the business units responsible for managing liquidity risk.



Price Risk

The bank separates this risk into three types of financial variables: spot prices, interest rates and options volatility.

It has a market risk management policy, approved annually by the board, which sets internal limits and triggers, in addition to regulatory limits, for measuring financial exposures and/or price risks generated by them.

Price risk is measured and controlled for management purposes using several different internal metrics and reports depending whether they are used for exposures in the Trading and Currency Book or the Accrual Book.

Regarding internal tools designed for the Trading and Currency Book, price risk is managed by calculating and reporting financial exposures using sensitivities or greeks, and the risk of the entire portfolio using the VaR model.

The bank has also established internal metrics for price risk management in the Accrual Book, defining limits and triggers for interest rate exposure. It measures interest rate exposure using the IRE metric (Interest Rate Exposure), and interest rate risk for the Accrual Book using the EaR 12M (Earnings at Risk 12 month) methodology.

Also, internal policies call for daily stress tests of Trading and Currency Book positions, and monthly testing of the Accrual Book, which are contrasted against the appetite for price risk defined by the board.

For financial positions within the Trading and Currency Book, the use of limits and warning levels is reported daily to senior management, along with excesses and activation of warning levels and, if necessary, corrective action and

monitoring plans. The same is done for Accrual Book metrics, but on a monthly basis. This information is reported each month to the Finance International and Market Risk Committee and each quarter to the bank's board.

Operational Risk

Banco de Chile aims to protect its customers, employees and shareholders from Operational Risk (OR) to ensure business sustainability over time. Operational risk is defined as the risk of incurring losses from deficiencies or failures in internal processes, human factors and/or systems, or resulting from external circumstances. This definition includes legal risks and excludes strategic and reputation risks.

Operational risk is inherent to all activities, products and systems, as well as strategic, business and support processes throughout the organization. All bank employees are responsible for managing and controlling operational risks in their action area, since they may result in direct or indirect financial losses as well as damage to the bank's reputation.

To manage and control OR, the bank has defined a comprehensive management framework that includes identifying, evaluating, controlling, mitigating, monitoring and reporting these risks regardless of whether they have occurred or are potential. An ongoing analysis of OR exposure helps set priorities in risk management.

The main components of this comprehensive management framework are:

1. Evaluating strategic, business and support processes to identify operational risks and controls.
2. Managing risks and controls using KRIs and testing to improve and/or anticipate potential occurrence of events.

3. Evaluating and controlling critical outsourced services and the suppliers that provide these services.
4. Identifying the cause of events and fraud and implementing improvements.
5. Assessing projects under development to strike a balance between design, risk and control.
6. Promoting and disseminating a culture of operational risk management.
7. Promoting and monitoring action plans on particularly important aspects related to the main sources of risk that have been identified using the aforementioned OR management tools and other external sources of information.

Technology and Cybersecurity Risk

The bank is involved in an ongoing process of digital and multichannel transformation, which increases technology risk, or the risk of potential damage or losses arising from the use of and access to technology. Consequences could be legal, reputational or financial in nature, or affect customers or service uptime, and could even hinder business continuity. Cybersecurity is considered a strategic problem that requires risks to be analyzed and managed in order to protect the bank's information and image.

Information Security

The bank has defined a framework for comprehensively managing technology risk for

its assets, which involves identifying, estimating, assessing, treating, monitoring, communicating and accepting these risks.

This is carried out by the Technology Risk Division, which is responsible for the following:

1. Defining policies, standards and procedures on information security and business continuity.
2. Continuously evaluating the bank's critical information and technological assets and potential threats that could affect them.
3. Defining, updating and periodically testing business continuity and disaster recovery plans.
4. Assessing digital risks in initiatives that involve technology assets.
5. Efficiently and effectively promoting corrective and preventative actions.
6. Guaranteeing compliance with regulatory guidelines.
7. Identifying the requirements, elements and actions necessary to appropriately manage technology risk.
8. Information Security Management Systems.
9. Drafting the risk treatment plan, which includes cybersecurity.
10. Data protection.
11. Analyzing and valuing risks, threats and weaknesses.
12. Building awareness of and conducting training on information security.



Business Continuity

In its ongoing quest to provide the best service and guarantee availability of customer service channels, the bank has defined business continuity management as part of this process. On a daily basis, we face different situations that could affect the business continuity of our organization or our country and, in response, we are constantly preparing ourselves in order to keep products and services operable for customers.

Emergency readiness is key to providing our customers with excellent service. Therefore, we have developed a robust, consistent Business Continuity Program to safeguard the bank and its subsidiaries. The objective of the program is to establish general guidelines for ensuring the safety of our employees, protecting the bank's capital from catastrophic events, maintaining and updating documentation as necessary and conducting training and testing.

To comply with these guidelines, the bank has developed and implemented a strategy that covers the following areas:

1. Defining policies, rules and standards on business continuity matters.
2. Regularly updating Business Continuity Plans, BIAs and RIAs for all bank units.
3. Planning, coordinating and executing a yearly testing calendar for the five continuity risk

scenarios: Physical infrastructure failure, technological infrastructure failure, large-scale personnel absence, critical supplier service failure and cybersecurity.

4. Managing and strengthening crisis management on an ongoing basis.
5. Evaluating, developing and implementing projects for business continuity management.
6. Assessing business continuity risks in new projects that can affect the availability of critical services.
7. Continuous, formal monitoring of recommendations arising from each test.
8. Building awareness of impacts, scenarios and different causes that can affect the organization.
9. Conducting training on these matters.
10. Ongoing, preventative monitoring of contingencies on web, mobile, in-person and remote channels and their impact on customers.
11. Maintaining the comparability policy with Citibank arising from the merger.
12. Managing, monitoring and updating standards issued by the CMF on an ongoing basis.
13. Aligning and controlling subsidiaries' Business Continuity Programs.

Governance Structure

Banco de Chile maintains a governance structure for operational risk that includes the board, the Superior Operational Risk Committee and the Operational Risk Committee. These committees maintain a comprehensive, global vision of operational risk management and also create an opportunity for escalating and managing relevant situations. The bank also has a Global Risk Control Division that is independent from the business and support units. This division is subdivided into the Operational Risk Area and the Technology Risk Area, which are both responsible for supervising application of operational risk policies and procedures as well as supervising operational and technology risk management at subsidiaries, guaranteeing alignment with the bank's operational risk management model.



Economic and Financial PERFORMANCE



Economic Environment

Chilean Banking Industry Performance

Banco de Chile Results

Economic Value Generated and Distributed

Financial Contribution by the State

Contribution to Chile's Economic Development

Banco de Chile



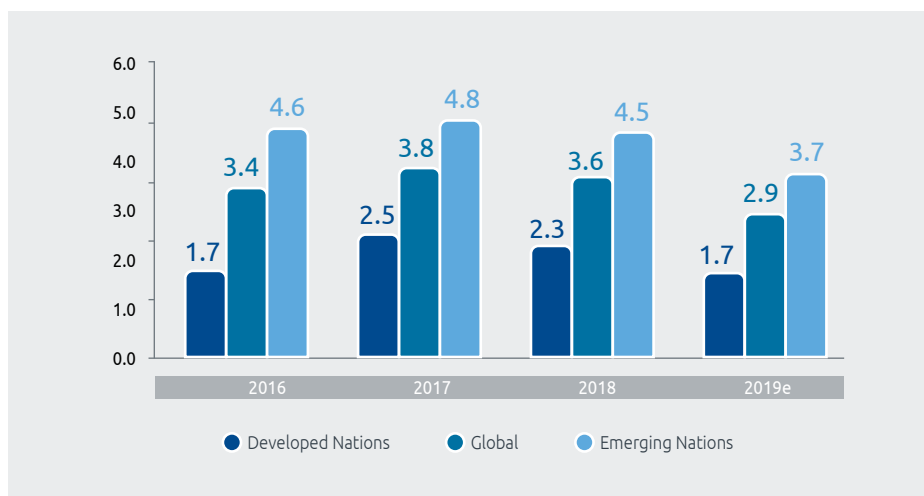
Economic and Financial Performance

Economic Environment

After a sluggish first half of the year, factors such as waning trade tensions between China and the U.S., a resilient US job market and expansionary monetary policies maintained throughout most of the world pushed global GDP growth upwards towards the end of the year. As a result, there is broad consensus that global growth will expand in 2020. Specifically, the IMF expects an improvement from 2.9% to 3.3%, while Bloomberg's figure based on analyst estimates predicts an improvement of 3.1%, from 2.9%. As in 2018, growth was highly synchronized across diverse countries, without major imbalances between emerging and developed nations.

According to IMF estimates, developed countries expanded 1.7% in 2019, mainly driven by the positive cycle in the U.S., where GDP increased by around 2.3% in 2019, above the country's long-term trend. To a large extent, this cycle has continued due to persistent favorable financial conditions (the Federal Funds rate remains at negative real values) and expansionary fiscal policy following corporate tax cuts enacted last year. In this context, unemployment dipped to around 3.5%, reaching the lowest values seen in over 50 years. Although estimates point towards a slight deceleration in 2020, special attention should be paid to the evolution of several risk factors, such as the outcome of the presidential elections and potential trade agreements with China.

Growth Estimates
(percentage)



Source: IMF

Europe, on the other hand, estimates growth at 1.2% for 2019, which is very similar to the figure expected for 2020. Despite this positive growth, persisting low inflationary pressure has been a determining factor in maintaining the benchmark rate at 0.0% and preventing normalization of monetary policy.

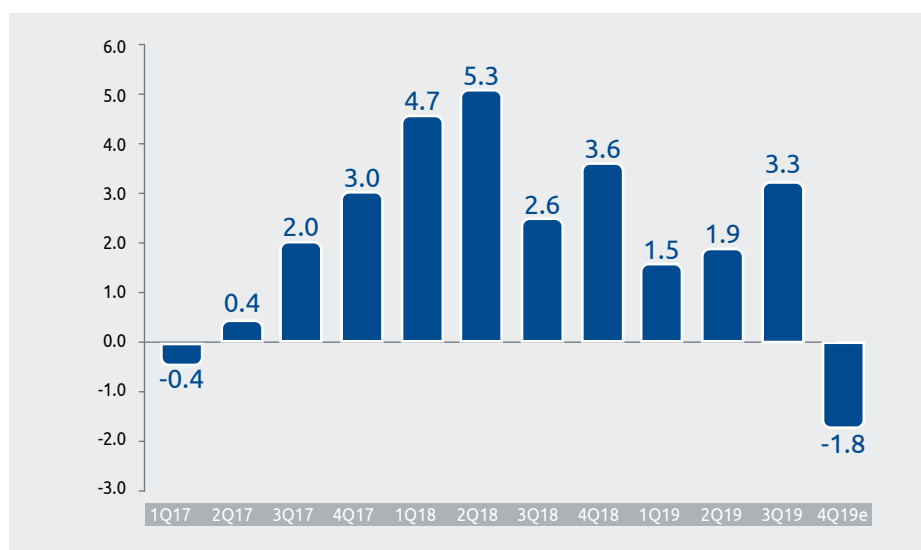
Emerging countries expanded around 3.7% in 2019, led once again by Asia, where China reported a hike of 6.1%. Latin America's GDP reported no variation, clearing lagging behind the rest of the world. To a large extent, the region's low dynamism is due to idiosyncratic factors, some related to local political elements. According to market consensus, the region will continue to grow below the global average in the foreseeable future.

Chile has experienced a major shift in conditions due mainly to the civil unrest that began in October. Damage to infrastructure, disruptions that prevented companies from doing business as usual and deteriorating expectations, among others, led to a 1.8% contraction in GDP during the fourth quarter. As a result, there was a sharp decline in several leading indicators, such as imports of capital assets and private expectations (both consumer and business). Due to this, growth for the year was 1.2%, far below the figures expected prior to the beginning of the social crisis.

This change in conditions generated strong volatility and depreciation of the Chilean peso. After the exchange rate hit an all-time record high of Ch\$829, the Chilean Central Bank announced intervention equivalent to US\$20,000 million, which resulted in reduced exchange rate volatility and appreciation of the peso. Our weakening currency boosted inflation of tradable goods, resulting in year-end inflation of 3.0%, in line with central bank targets. In this context, the Chilean Central Bank held the MPR at 1.75% until year-end.

Fiscal policy also experienced important adjustments. As a result of damage to public infrastructure and reduced growth, the government announced a 9.8% real rise in fiscal spending for 2020, which would expand the deficit and gross debt for the next few years. However, since part of this increase would be directed towards financing reconstruction, the larger deficit is expected to be transitory.

Quarterly Growth Chile
(percentage)



According to diverse expectation surveys, the Chilean economy will grow around 1.0% in 2020, to very gradually converge towards figures of close to 2.5% in 2021. As for the composition of spending, consensus holds that private investment will shrink during the year, as will the most volatile components of private consumption (such as durable goods). In contrast, export prospects have improved as a result of the potential recovery of global growth, copper prices and the depreciated exchange rate. Should this scenario come true, the current account deficit could even be completely eliminated.

Chilean Banking Industry Performance

The Chilean banking industry had a positive year with growth in asset volumes, driven by commercial and mortgage loans. This favorable performance in loan activity was achieved despite reduced growth in investment in comparison to 2018 and general economic uncertainty. In terms of results, without a doubt the increase in credit risk expense had the greatest impact and partially offset strong operating revenues.

The industry's loan portfolio, excluding loans from foreign subsidiaries of local banks, expanded by 9.7% (nominal) for the year, just below the 10.2% reported in 2018. In percentage terms, the rise was led by mortgage loans, which were up 11.2% for the year, driven by favorable, record-low financing conditions. The second driver was commercial loans, with a 9.7% rise, in line with the increase in investment and also favored by the rising exchange rate. Finally, consumer loans grew 5.2% in twelve months with an important deceleration towards the end of the year.

The bank's demand deposits expanded 16.7% in 2019 in a context of lower nominal interest rates, while time deposits increased 5.8% in comparison to 7.1% in 2018. Senior bonds were up 16.4%, outgrowing mortgage loans. Regarding solvency, 18% growth in assets drove the Basel index downward to 12.5% as of November, compared to 13.3% last year.

The industry reported net income of Ch\$2,639,390 million, equivalent to a return on average capital and reserves of 12.8%, slightly below the figure of 13.0% in 2018. This performance can be attributed to higher operating revenue, up 16.5% for the year, mainly due to greater net interest income (+15.6%), even when the variation in the UF was less than the prior year (2.70% in 2019 vs. 2.86% in 2018), and higher net fees and commissions (+13.8%), especially from transactional products such as credit cards and insurance, and fund management and securities brokerage services. There was also an increase in net gains from trading and brokerage activities

and foreign exchange transactions (28.2%) in a setting of greater volatility in market factors, especially during the final quarter of the year. As a result, the ratio of operating revenue to average interest-earning assets was 5.4%, surpassing the 5.0% recorded as of December 2018.

Net provision expenses rose 41.1% during the year, explained mainly by the effects of the social crisis, the impact of implementing the standard matrix for group commercial loans, the indirect effects of two local banks consolidating retail consumer portfolios in December 2018 and the depreciation of the Chilean peso. Thus, the ratio of loan loss allowances to average loans was 29 basis points above the 2018 figure, reaching 1.40%, while the 90-day past due loan ratio increased from 1.9% to 2.1% since December 2018.



Operating expenses were up 10.8% from 2018, in large part due to the effect of inflation on payroll and personnel expenses. There were also increased impairment and administrative expenses related to asset damage and repairs resulting from the civil unrest. The main industry players have announced that they are making important efforts in technology matters related to customers, cybersecurity, automation and productivity. Those efforts have led to higher expenses for depreciation, amortization, service agreements and payroll and personnel. This drop in expenditures together with higher operating revenue improved the efficiency ratio from 51.3% as of year-end 2018 to 48.8% in 2019.

Banking System Results

(In millions of Chilean pesos, excluding foreign subsidiaries)

| Balance Sheet | 2017 | 2018 | 2019 | Change % |
|-----------------------------|--------------------|--------------------|--------------------|-------------|
| Total Loans | 156,476,425 | 177,028,608 | 194,899,837 | 10.1 |
| Commercial loans | 90,010,000 | 101,084,837 | 111,576,835 | 10.4 |
| Mortgage loans | 45,010,664 | 50,151,246 | 55,792,844 | 11.2 |
| Consumer loans | 21,455,761 | 25,792,525 | 27,530,158 | 6.7 |
| Allowances | -3,933,287 | -4,349,184 | -5,027,579 | 15.6 |
| Financial investments | 29,995,869 | 29,610,113 | 35,218,273 | 18.9 |
| Total assets | 220,400,046 | 246,278,780 | 290,500,257 | 18.0 |
| Demand deposits | 45,351,971 | 51,300,733 | 59,760,330 | 16.5 |
| Time deposits | 81,787,986 | 87,624,918 | 92,460,453 | 5.5 |
| Debt instruments issued | 41,278,101 | 46,464,727 | 53,035,633 | 14.1 |
| Total liabilities | 201,794,117 | 225,543,261 | 268,666,432 | 19.1 |
| Shareholders' equity | 18,605,930 | 20,735,523 | 21,833,823 | 5.3 |

Banking System Results⁽¹⁾

(In millions of Chilean pesos)

| Income Statement | 2017 | 2018 | 2019 | Change % |
|---|-------------------|-------------------|-------------------|-------------|
| Operating revenue | 9,486,374 | 10,210,645 | 11,897,807 | 16.5 |
| Net interest income | 6,625,990 | 7,192,567 | 8,317,977 | 15.6 |
| Net fees and commissions | 1,720,617 | 1,858,772 | 2,115,454 | 13.8 |
| Net gains from trading and brokerage activities and foreign exchange transactions | 836,655 | 927,317 | 1,188,562 | 28.2 |
| Other operating income | 303,112 | 231,989 | 275,814 | 18.9 |
| Loan loss provisions | -1,697,277 | -1,829,558 | -2,580,854 | 41.1 |
| Operating expenses | -5,047,393 | -5,241,524 | -5,807,981 | 10.8 |
| Investments in other companies | 127,399 | 81,677 | 29,556 | -63.8 |
| Income before taxes | 2,869,103 | 3,221,240 | 3,538,528 | 9.8 |
| Taxes | -632,215 | -825,881 | -900,837 | 9.1 |
| Net income from continuing operations | 2,236,888 | 2,395,359 | 2,637,691 | 10.1 |
| Net income from discontinued operations | 0 | 0 | 1,699 | - |
| Net income | 2,236,888 | 2,395,359 | 2,639,390 | 10.2 |

⁽¹⁾ It is important to bear in mind the effect of the merger of two banks during 2018 in the YoY comparison of industry results.

| Main Ratios | 2017 | 2018 | 2019 |
|--|--------|--------|--------|
| Return on Average Capital and Reserves | 12.81% | 13.00% | 12.78% |
| Operating Revenue / Avg. Interest Earning Assets | 5.06% | 5.04% | 5.35% |
| Efficiency | 53.21% | 51.33% | 48.82% |
| Loan Loss Allowances / Avg. Loans | 1.11% | 1.11% | 1.40% |
| Basel Index ^(*) | 13.8% | 13.3% | 12.5% |

^(*) As of November 2019.

Banco de Chile Results

Income Statement

(In millions of nominal Chilean pesos, except percentages)

| | 2018 | 2019 | Change % |
|---|------------------|------------------|-------------|
| Net financial income | 1,462,468 | 1,516,670 | 3.7 |
| Net interest income | 1,319,911 | 1,369,375 | 3.7 |
| Net gains from trading and brokerage activities and foreign exchange transactions | 142,557 | 147,295 | 3.3 |
| Net fees and commissions | 359,955 | 457,302 | 27.0 |
| Other operating income | 50,860 | 40,548 | -20.3 |
| Operating revenue | 1,873,283 | 2,014,520 | 7.5 |
| Loan loss provisions | -281,410 | -347,274 | 23.4 |
| Net operating revenue | 1,591,873 | 1,667,246 | 4.7 |
| Operating expenses | -847,724 | -911,004 | 7.5 |
| Income attributable to affiliates | 7,255 | 6,450 | -11.1 |
| Net income before taxes | 751,404 | 762,692 | 1.5 |
| Taxes | -156,531 | -169,683 | 8.4 |
| Consolidated net income for the year | 594,873 | 593,009 | -0.3 |
| Net income attributable to equity holders | 594,872 | 593,008 | -0.3 |

Net Income

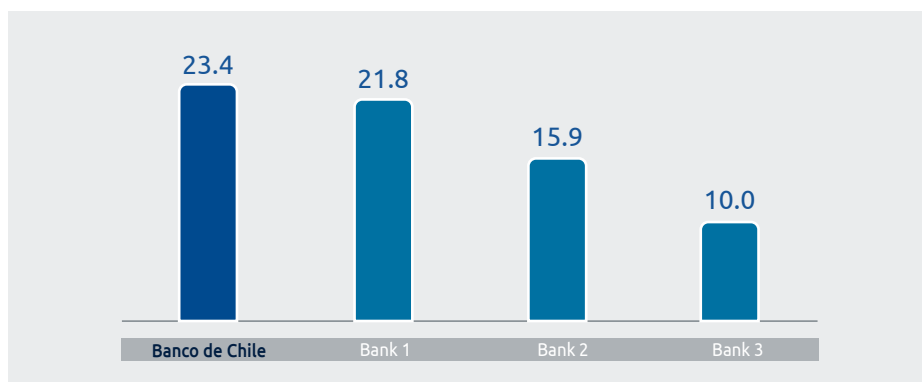
The bank reported net income attributable to the equity holders of Ch\$593,008 million in 2019, equivalent to a decrease of 0.3% over 2018.

Nevertheless, Banco de Chile led the industry in results for the eighth straight year, accounting for 23.4% of industry earnings, and boasted a return on average capital and reserves of 18.0%, which is well above the 12.8% reported by industry.

This performance was achieved in a setting of complex economic conditions and high uncertainty, and is the product of a consistent strategy of profitable and sustainable growth, conservative risk management, proactive management of the risk-return ratio, a highly competitive funding structure and progress on diverse strategic initiatives that project the corporation as a corporate model in all business dimensions.

Net Income Attributable to Equity Holders

Market Share as of December 2019 (percentage)



Operating Revenue

Operating revenue totaled Ch\$2,014,520 million, reflecting an increase of 7.5% for the year, equivalent to Ch\$141,237 million. This improvement is explained mainly by increased net fees and commissions and greater net interest income, primarily related to greater volumes of loans and demand deposits.

a. Net Financial Income

Net financial income reached Ch\$1,516,670 million as of year-end 2019, marking a rise of 3.7% for the year, or Ch\$54,202 million, which is primarily explained by:

- A rise of Ch\$42,684 million in the loan margin, as a result of 9% growth in average volumes, driven particularly by the retail segments.
- Higher net financial income from subsidiaries of Ch\$22,123 as a result of lower interest rates.
- A rise of Ch\$20,706 million in the margin of demand deposits, mainly attributable to the 10.2% increase in average volumes.
- Greater income from trading and market value adjustments of financial instruments of Ch\$9,363 million.
- Increased income from managing the bank's UF/Ch\$ mismatch of Ch\$6,158 million, despite the lower UF variation in 2019. This is due to a larger average position during the year and a lower cost of funds of a fraction of the active position in UF.

These effects were partially offset by:

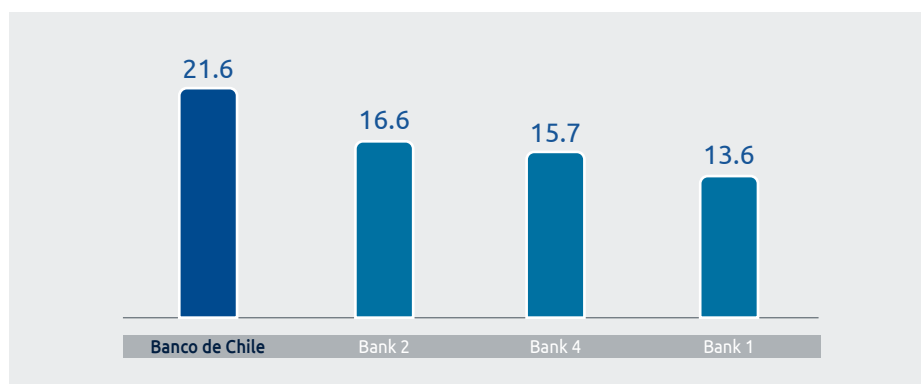
- Decreased income from valuation of counterparty risk in derivatives (CVA and DVA) of Ch\$35,275 million, of which close to Ch\$23,000 million are explained by the fact that the bank began to recognize DVA in 2018.
- Reduced income from mismatches and other effects of Ch\$5,535 million, mainly due to the impact of the drop in UF-denominated interest rates on asset repricing.
- The effect of variations in the Chilean peso/dollar exchange rate on a net asset position in foreign currency for hedging purposes of Ch\$5,364 million.

b. Net Fees and Commissions

Net fees and commissions totaled Ch\$457,302 million, which meant an annual increase of 27.0%, equivalent to Ch\$97,347 million. Banco de Chile continued to position itself as a leader in this area, with market share of 21.6%, broadening the gap with the second place figure of 16.6% (19.4% and 16.5%, respectively as of year-end 2018).

Net Fees and Commissions

Market Share December 2019 (percentage)



This increase in net fees and commissions is explained mainly by:

- Greater revenue from insurance brokerage of Ch\$49,940 million, of which Ch\$29,913 million stem from a strategic partnership with an important international insurance company. There was also a 14.3% rise in sales of insurance policies.
- An increase of Ch\$35,729 million in income from transactional services, mainly debit cards, credit cards and ATM fees (related to the expansion of the number of ATMs), and from 3.2% growth in our active customer base.
- Greater fees and commissions from fund management of Ch\$9,311 million, mainly resulting from a 10.0% rise in average capital managed in mutual and investment funds.

C. Other Operating Income

Other operating income amounted to Ch\$40,548 million, reflecting a drop of Ch\$10,312 million. This decrease is explained by a higher basis of comparison since the bank received insurance payments in 2018 following the cybersecurity incident that occurred in May of that year.

In 2019, Banco de Chile once again led the market in operating income, with a market share of 16.9%. Furthermore, it reported a ratio of operating revenue to average interest-earning assets of 6.0%, outperforming both the industry average and its main competitors.

Loan Loss Provisions

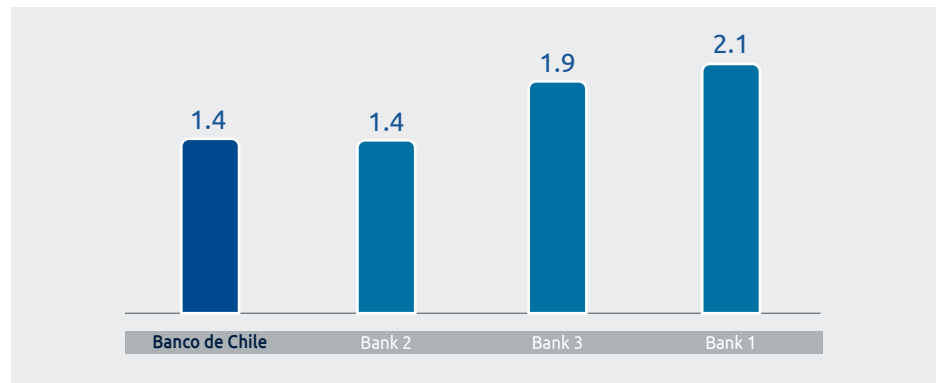
The bank recorded net provision expenses of Ch\$347,274 million, representing an annual increase of 23.4% or Ch\$65,864 million. A large part of this increase is due to non-recurring events such as implementation of the standard SME group risk model, the impact of civil unrest and the incorporation of debt information that was formerly outside the banking industry.

Another important component of this increase is the growth in loan volumes, with a focus on the retail segment. These effects were slightly offset by the smaller upward variation in the exchange rate and its impact on provisions in dollars. In this context, the ratio of loan loss allowances to average loans rose from 1.06% in December 2018 to 1.20% in 2019.

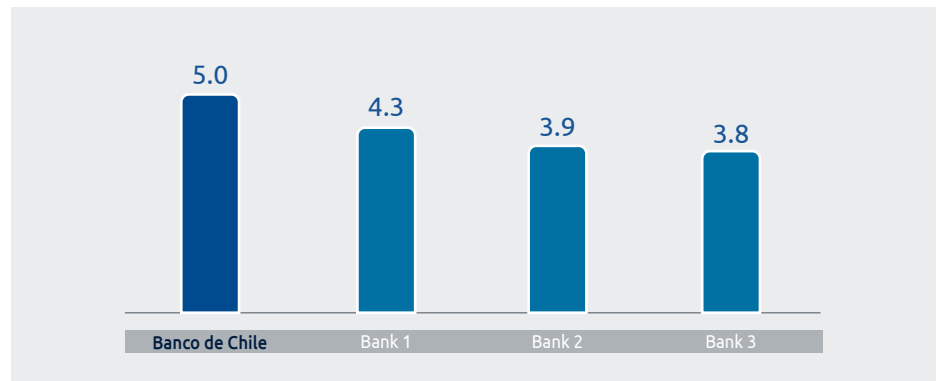
The 90-day past due ratio represented 1.39% of total loans, reflecting a deterioration of 1.09% from the 2018 figure. The coverage ratio, in turn, fell from 199% in 2018 to 164% in 2019, partly explained by an increase in the past due portfolio. The rise in these indicators occurred during the last quarter of the year as a result of the civil unrest currently being experienced in

Chile. Similar effects have also been observed in the main industry players. In this context, Banco de Chile remains a model for credit risk matters since its indicators compare favorably to industry averages. This is evidenced by our ratio of operating revenue (net of loan loss provisions) to interest-earning assets, which reached 5.0% and positions us as the banking industry leader.

Over 90 Days Past Due
(percentage)



Operating Revenue / Avg. Interest Earning Assets
(percentage)



Operating Expenses

Operating expenses were up 7.5% for the year, equivalent to Ch\$63,280 million. The increase is due mainly to non-recurring events related to the social contingency, progress on implementing IT and cybersecurity projects, changes to customer service models and the effect of indexation on personnel compensation and contracts indexed to the UF and exchange rate.

These increased expenses are explained mainly by:

- Increased depreciation and amortization of Ch\$32,860 million, of which Ch\$28,472 million is explained by the accounting effect of applying IFRS 16, which requires lease expenses to be accounted for as an asset in use, subject to amortization and depreciation, rather than as administrative expenses.
- Increased payroll and personnel expenses of Ch\$33,022 million, related mainly to employee termination benefits, cost-of-living adjustments for wages and one-time bonuses given to employees because of the social uprising.
- A rise of Ch\$2,221 million in impairment, mainly related to damage to branches and ATMs during the protests that began on October 18th.

These effects were offset by reduced administrative expenses of Ch\$1,772 million mainly as a result of the increase in depreciation from implementing IFRS 16.

With this, and the 7.5% increase in operating revenue, the efficiency ratio reached 45.2% as of December 2019, which is practically the same as last year.

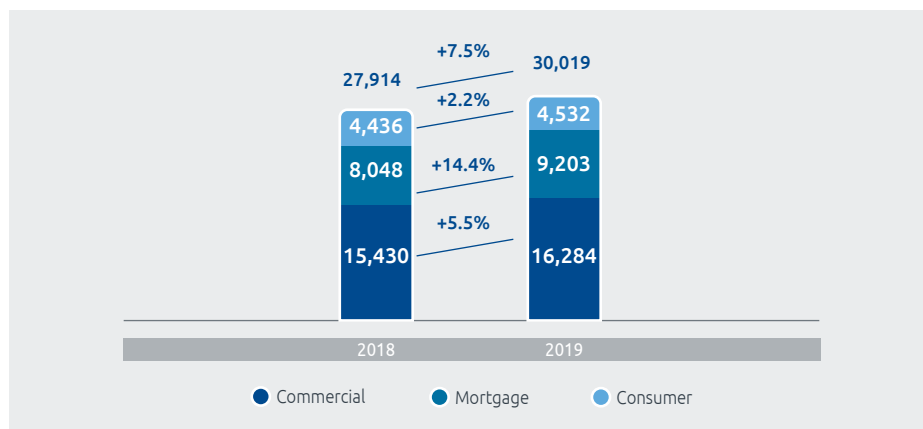
Loans

Banco de Chile's total loans reached Ch\$30,019 billion in 2019, up 7.5% for the year. Consistent with a commercial strategy focused on the retail segment, the Commercial Banking Division (Individuals and SME) led this expansion with 10.8% growth, mainly in mortgage products, thanks to record-low interest rates driving demand for property purchases for residential or investment purposes. The Large Companies segment made a strong contribution to growth, equivalent to 8.5% for the year.

In contrast, the Corporate Banking Division experienced a drop of 0.6% in loan volumes, where deteriorating economic expectations, especially during the last quarter of the year, impacted corporate loan activity. By product family, the bank reported increases of 14.4% in mortgage loans, 5.5% in commercial loans and 2.2% in consumer loans.

As of year-end December, and excluding foreign subsidiaries of local banks, Banco de Chile boasted market share of 16.5% in total loans, 16.0% in commercial loans, 17.2% in mortgage loans and 17.0% in consumer loans. The bank's market share in the main product families should be seen as a result of its growth strategy, which calls for selective expansion of segments where the risk-return ratio is consistent with its objective of profitable growth.

Total Loans (Billions)



Funding and Equity

As of year-end 2019, the bank had total liabilities of Ch\$37,745 million, up 15.7% for the year.

One major contributing factor to this growth was the 10.2% increase in average demand deposits (net of clearing), which is largely a reflection of the 5.8% rise in current accounts. Banco de Chile maintains its leadership in this type of funding with a market share of 22.5% (excluding foreign subsidiaries of local banks).

Time deposits were up 1.9% for the year in a context of low nominal interest rates and negative real interest rates, while debt increased 17.9%, representing just above 23% of total liabilities. Banco de Chile stayed active in both the domestic and international bond markets, taking advantage of opportunities for low-cost funding. It issued UF 40 million in senior bonds and UF 7.6 million in subordinated bonds on the local market and close to US\$430 million in different international markets including Australia, Japan and Hong Kong, among others.

The bank's sound funding base, which boasts considerable retail deposits and access to attractive interest rate conditions, helps position it as one of the institutions with the lowest cost of funds in the industry in Chilean pesos.

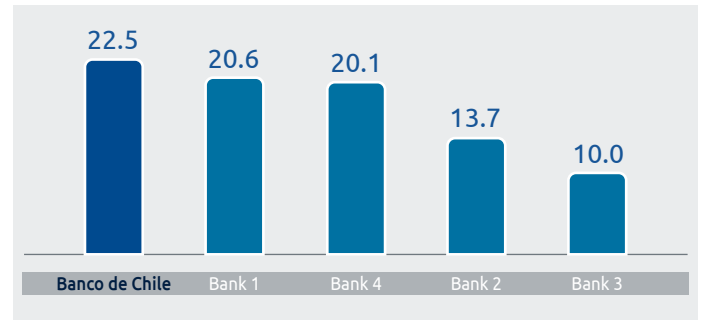
Equity, in turn, increased 6.8% for the year to Ch\$3,528 billion. This rise of Ch\$224 billion, is explained by:

- Capitalization of Ch\$153 billion, or 30% of distributable net income from 2018.
- Greater retained reserves (Ch\$86 billion) related to the inflation adjustment to capital.

These effects were offset by a reduction of Ch\$17 billion in valuation accounts, mainly the decreased fair value of cash flow hedging derivatives and instruments available for sale.

Demand Deposits

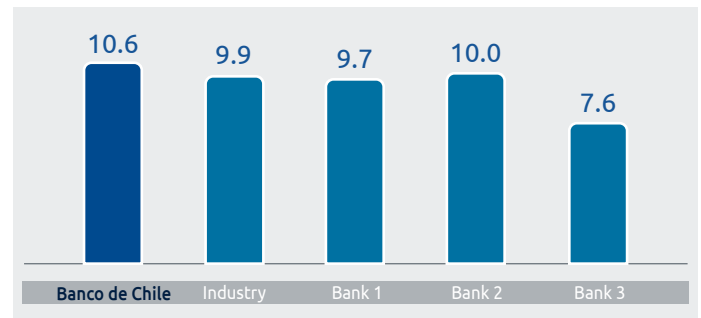
Market Share in (Average for 2019, percentage)



Lastly, in terms of solvency indicators, the Basel index increased 23 basis points to 14.1% as of year-end 2019, where steps to strengthen the capital base by capitalizing earnings and issuing subordinated bonds more than offset the expansion of the base of risk-weighted assets. This was contrasted by the ratio of basic capital to risk-weighted assets, which ended the year at 10.9%, falling 21 basis points from year-end 2018.

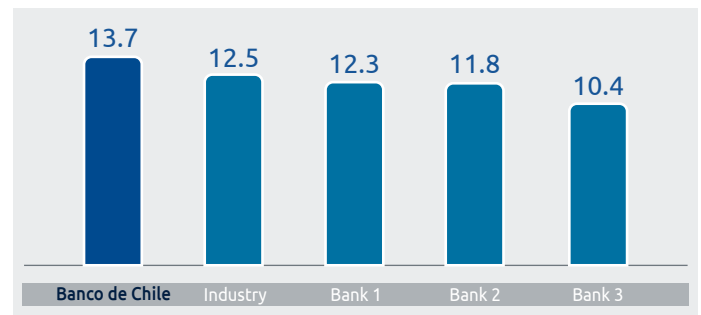
Basic Capital / Risk-Weighted Assets

(November 2019, percentage)



Regulatory Capital / Risk-Weighted Assets

(November 2019, percentage)



Key Financial Indicators

| KPI | 2017 | 2018 | 2019 |
|--|------------|------------|------------|
| Earnings per Share ⁽¹⁾ | | | |
| Net Income per Share (Ch\$) | 5.79 | 5.89 | 5.87 |
| CHILE Shares Outstanding (millions) | 99,444 | 101,017 | 101,017 |
| Profitability Ratios ⁽²⁾ | | | |
| Net Interest Margin | 4.24% | 4.29% | 4.11% |
| Net Financial Margin | 4.58% | 4.76% | 4.53% |
| Fees / Avg. Interest-Earning Assets | 1.20% | 1.17% | 1.37% |
| Operating Revenue / Avg. Interest-Earning Assets | 5.90% | 6.09% | 6.04% |
| Return on Average Total Assets | 1.80% | 1.73% | 1.55% |
| Return on Average Capital and Reserves | 19.97% | 19.34% | 18.02% |
| Capital Ratios | | | |
| Basic Capital / Total Assets | 8.39% | 8.26% | 7.94% |
| Basic Capital / Risk-Weighted Assets | 11.47% | 11.13% | 10.92% |
| Total Capital / Risk-Weighted Assets | 14.54% | 13.91% | 14.14% |
| Credit Quality Ratios | | | |
| Past-Due Loans / Total Loans | 1.19% | 1.09% | 1.39% |
| Loan Loss Allowances / Past-Due Loans | 184.49% | 198.71% | 163.70% |
| Loan Loss Allowances / Total Loans | 2.19% | 2.17% | 2.28% |
| Loan Loss Allowances / Avg. Total Loans ⁽²⁾ | 0.92% | 1.06% | 1.20% |
| Efficiency Ratios | | | |
| Operating Expenses / Operating Revenue | 46.18% | 45.25% | 45.22% |
| Balance Sheet Averages ⁽²⁾ | | | |
| Average Interest-Earning Assets (Ch\$ millions) | 28,971,706 | 30,741,332 | 33,351,649 |
| Average Assets (Ch\$ millions) | 32,005,718 | 34,296,429 | 38,077,137 |
| Average Capital and Reserves (Ch\$ millions) | 2,884,930 | 3,076,590 | 3,293,103 |
| Average Loans (Ch\$ millions) | 25,446,789 | 26,476,702 | 28,860,305 |
| Risk-Weighted Assets (Ch\$ millions) | 27,068,339 | 29,695,298 | 32,307,336 |

⁽¹⁾ Values calculated using nominal net income, outstanding shares and exchange rates as of each year end.

⁽²⁾ Ratios calculated as an average of monthly balances to facilitate comparison with the industry and competitors.

Economic Value Generated and Distributed

In 2019, Banco de Chile generated economic value of Ch\$2,547,836 million. As shown below, most of that figure was used to pay capital providers (48.3%), employee wages and benefits (18.7%), operating expenses (16.4%), taxes to the State (6.9%), contributions to the Financial Market Commission (0.4%) and community contributions (0.1%).

Economic Value Generated (MCh\$)

| | 2017 | 2018 | 2019 |
|---------------------------------------|------------------|------------------|------------------|
| Operating revenue | 2,250,321 | 2,416,672 | 2,541,386 |
| Income attributable to affiliates | 6,057 | 7,255 | 6,450 |
| Total economic value generated | 2,256,378 | 2,423,927 | 2,547,836 |

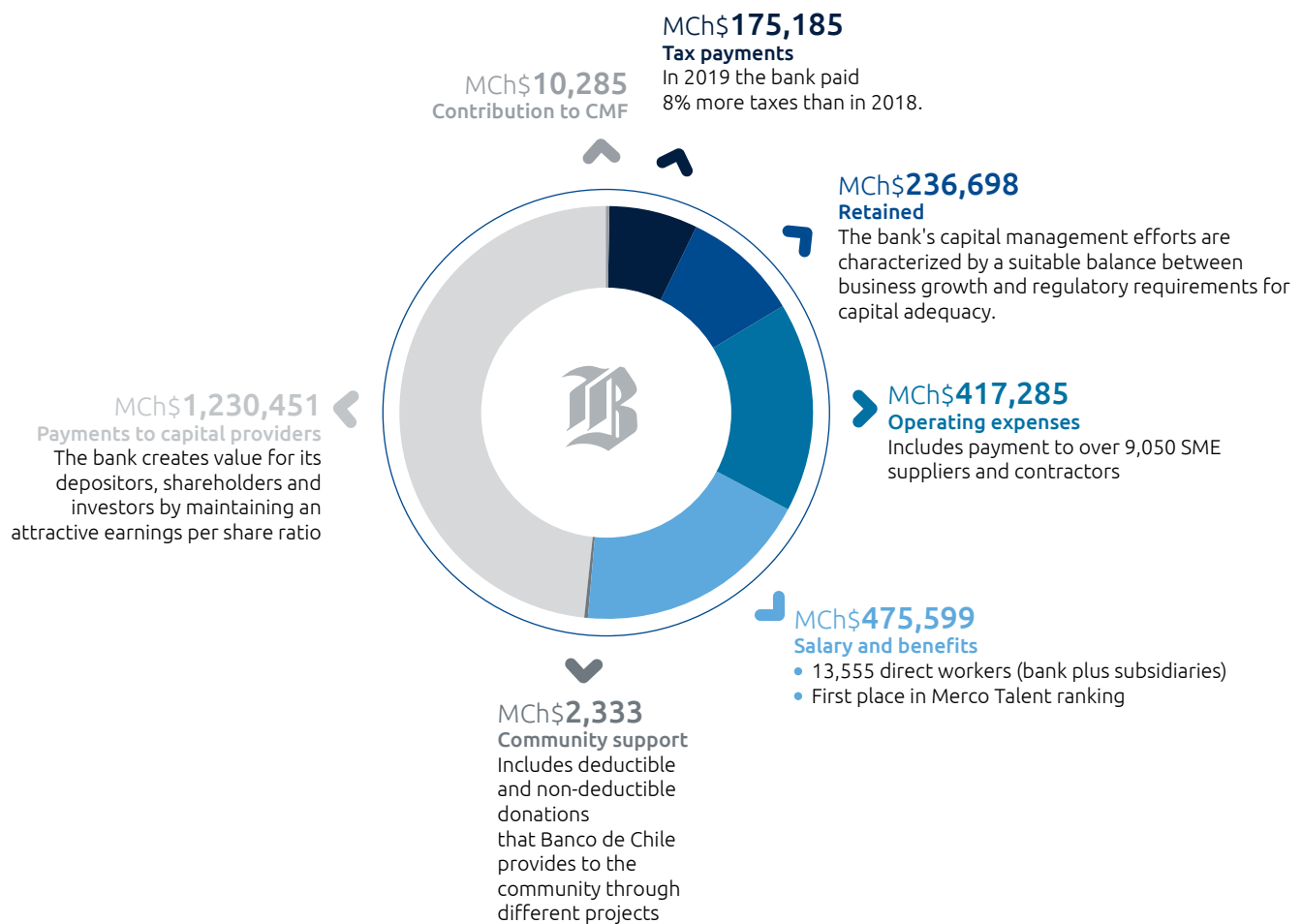
Economic Value Distributed (MCh\$)

| | 2017 | 2018 | 2019 |
|---|------------------|------------------|------------------|
| Operating expenses | 363,087 | 388,128 | 417,285 |
| Administrative and other expenses | 327,836 | 350,447 | 346,744 |
| Depreciation and amortization | 35,251 | 37,681 | 70,541 |
| Employee wages and benefits | 409,331 | 442,577 | 475,599 |
| Payments to capital providers | 1,118,067 | 1,198,878 | 1,230,451 |
| Shareholders (dividends) | 342,034 | 374,079 | 356,311 |
| Suppliers of financial resources | 776,033 | 824,799 | 874,140 |
| Payments to the State (income tax) | 120,100 | 161,920 | 175,185 |
| Financial Market Commission | 9,176 | 9,548 | 10,285 |
| Community contributions | 2,638 | 2,082 | 2,333 |
| Total economic value distributed | 2,022,399 | 2,203,133 | 2,311,138 |
| Economic value retained | 233,979 | 220,794 | 236,698 |



Economic Value Distributed in 2019

Banco de Chile's Direct Contribution to Chile's Economy



Financial Contribution by the State

In 2019, economic resources contributed by government entities to Banco de Chile consisted of Ch\$1,900 million in tax credits for training expenses, Ch\$100 million in tax credits for donations and Ch\$25 million in tax credits for fixed asset purchases.

Economic contributions granted by government entities (MCh\$)

| | 2017 | 2018 | 2019 |
|----------------------------------|--------------|--------------|--------------|
| Tax credit for training expenses | 1,700 | 1,700 | 1,900 |
| Tax credit for donations | 526 | 98 | 100 |
| Tax credit for additions to PP&E | 23 | 24 | 25 |
| Total | 2,249 | 1,822 | 2,025 |

Contribution to Chile's Economic Development

Contributing to Chile's economic development is a cornerstone of Banco de Chile's long-term sustainability. We work every day to be the best bank for our customers, the best place to work, and the best investment for our shareholders.

A relevant component of our sustainability strategy is the capacity to adapt successfully to changes in the environment.

In addition to the direct economic impact generated by Banco de Chile through the payment of taxes and generation of direct and indirect jobs, the institution carried out a series of activities within the framework of its sustainability strategy that resulted in a social investment of Ch\$6,447⁽¹⁾ million and a positive impact on 337,542 people throughout Chile.

In 2020 Banco de Chile will continue to deepen its commitment to Chile, looking for new ways to contribute to the community and the progress of Chile and its people.

⁽¹⁾ Social investment includes deductible and non-deductible donations, sponsorships, SENCE training tax credits and other activities included in the budget for the Corporate Affairs and Sustainable Development Department.



CUSTOMERS



Customer-Centricity

Retail Market

Wholesale Market

Treasury

Subsidiaries

Quality Service

Cybersecurity and Protecting Information

Transparent Customer Communications
and Information

Sustainable Finance

Banco de Chile



Customer-Centricity



A key component of the bank's management and decision making are its customers. Satisfying their needs with excellent service and timely, effective solutions is what defines its actions across all dimensions of the business. With this vocation for service, Banco de Chile offers its customers an increasingly digital value proposition tailored to the needs of each customer segment, with high standards of security and availability as well as timely, flexible and proactive service, thus building long-term, trust-based relationships and giving the bank a position of privilege in the local industry.

In order to comprehensively strengthen the objectives of the digital transformation and our understanding of customer needs, during 2019 the Market Division merged with the Digital Banking Division. The newly formed Marketing and Digital Banking Division reports directly to the CEO. In collaboration with the business divisions, it is the main area responsible for supervising that customer-relations objectives are met.

The year 2019 was intense and challenging, with the bank making considerable progress towards the objective of providing the best value proposition for each group of customers. At branches, it continued to modernize the service model by progressively implementing self-service platforms and optimizing customer service flows.

Additionally, it enhanced the customer loyalty program, which aims to provide customers the best experience. Lollapalooza and other related events helped position Banco de Chile as the music and entertainment bank. Likewise,

partnerships with airlines and travel programs have been strengthened to provide different experiences.

In the SME segment, in the search for engagement beyond traditional business and a differentiating value proposition, the Banco de Chile SME Program (Programa Pymes para Chile) was developed to collaborate in generating opportunities, boosting sales and improving customer management.

In recognition of the quality service provided and ongoing innovation of web products, Banco de Chile was honored for the second straight year by ProCalidad⁽²⁾, earning first place in the large banks category. The magazine Global Finance named the bank the Best Digital Bank in Chile in the category Consumer and Corporate, and the Best Online Portal Service in Latin America in the Corporate Banking Segment. Worth highlighting in this area is the bank's contribution to cybersecurity through communication campaigns that encouraged responsible and safe use of digital channels. These campaigns met with great success among customers and non-customers alike.

As a result of its efforts in 2019, the bank managed to expand its base of active customers by 3.2% and its base of current accounts by 5.8%, including a 9.4% rise in the Youth segment.

As of December 2019, the bank had 2.2 million active accounts.

As of year-end 2019, Banco de Chile boasted market share of 17.0% in consumer loans, 16.0% in commercial loans and 17.2% in mortgage loans.

⁽²⁾ ProCalidad honors major brands best evaluated by their customers. www.procalidad.cl

Retail Market

Retail and SME Segment

Offers products and services for:

- Middle to high-income individuals
- Small and medium-sized companies with annual sales of up to Ch\$2,000 million

Performance in 2019 Retail Segment

The Retail Banking Division includes all middle and high-income account holders and is subdivided into the following segments: Youth, Traditional, Preferential and Private Banking.

The bank's focus on this segment is to develop services and financial advising that contributes to the growth of customers and their families and improves their quality of life, with solutions for consumer needs, access to housing, security and savings, easily accessible through digital channels and the broad network of Banco de Chile and Banco Edwards branches. For this, it has a complete value proposition that includes transactional products such as current accounts, credit cards, debit cards and lines of credit; lending products such as consumer and mortgage loans; and savings and investment products like deposits and fund management through Banchile Inversiones. It also offers insurance products through the brokerage subsidiary, Banchile Corredores de Seguros. This value proposition is offered through the brands Banco de Chile and Banco Edwards.

In 2019, the Telephone Banking area continued to play a key role by providing 24-hour customer service with a team highly committed to service, which was particularly demonstrated during the time of civil unrest.



During the year, more than 4.8 million calls were received, with 90% being resolved during times of greatest demand, which helped strengthen the collaborative work between the customer service team and the bank's internal areas, transmitting "the customer's voice." Thanks to these efforts, the bank saw a rise of 35% in sales of pre-approved products with respect to the prior year.

Additionally, in the ongoing search to maximize time for advising customers, the E360 platform was implemented. This tool helps standardize and better orient commercial management by teams and administration of commercial campaigns, visits and compliance with commitments made to customers.



For the Customer Loyalty Program, new benefits were added for all segments during 2019. Starting in January, over 16 thousand customers enjoyed a 40% discount at the best restaurants in and outside Santiago. In addition to this culinary offering, new alliances were added with two of the country's most important movie theater chains: Cine Planet and Cine Hoyts. More than 26 thousand bank customers enjoyed the movies by either exchanging Award-Dollars or accessing discounts using their credit cards.

Thanks to its partnership with Lotus, Banco de Chile was the official sponsor of the Lollapalooza festival and Cirque du Soleil. More than 20 thousand tickets were purchased by customers to attend the country's most important music festival and over 33 thousand to experience one of the world's leading circuses.

In addition, during 2019 the bank broadened the plan to include new brands, benefits that were complemented with a successful Christmas campaign where 7 thousand customers took advantage of discounts of up to 40% during the month of December.

Overall, the Loyalty Program had a record year with 165 thousand customers exchanging Award-Dollars and total coverage of more than 293 thousand customers that were able to enjoy the bank's offering of benefits.

2020 Challenges

- Make progress on the goal to be a model digital bank by 2021.
- Increase market share in consumer businesses (installment loans, cards, lines of credit).
- Continue pace of growth for current accounts, where the Youth segment represents a strong focus, while maintaining account balances above national average.
- Improve recommendation indices.
- Consolidate customer preference in savings and investment products and services in conjunction with Banchile Inversiones.

SME Segment Performance in 2019

Based on figures from the Ministry of Economics, Development and Tourism⁽³⁾, small and medium enterprises represent 52.5% of all companies in Chile and employ 38.7% of workers. Banco de Chile has a large market share among SMEs and is committed to supporting the country's development and entrepreneurship by providing the best tools, backing and advice to its customers.

During the year, 92% of customers migrated to the new Banconexión 2.0 web platform, which improves the customer experience with solutions tailored to each segment and the best standards of usability and security.

In September, the bank launched the new Banco de Chile SME Program (Programa Pymes para Chile) as an integral part of the new value proposition for the segment. The objective was to augment the potential of SMEs and entrepreneurs, working collaboratively with the bank's allies, the fintech industry and tech start-ups.

In this framework, during 2019 new partnerships were formed with the start-up accelerator UDD Ventures⁽⁴⁾; Amazon Web Services; Kolau and its digitalization plan to create websites for small businesses; and the foundation País Digital, which joined the existing alliance with Compite (affiliated with Universidad Adolfo Ibáñez).

All these new partnerships are intended to complement the bank's traditional value proposition of financial products and services, connecting customers with partners that can help them improve their businesses and provide attractive benefits.

Additionally, to support economic reactivation of customers in this segment that were affected by the civil unrest, a national support plan was developed in alignment with the bank's value proposition that contemplates the following areas of action:

1. A commercial plan executed on October 21st focused on customers affected by

⁽³⁾ https://www.economia.gob.cl/wp-content/uploads/2019/03/ELE-5-Principales_resultados.pdf

⁽⁴⁾ <https://uddventures.udd.cl/>

infrastructure damages and reduced sales. Through this plan the bank supported 5 thousand SME and Microenterprise Banking customers by postponing payments and providing emergency loans for a total of Ch\$23,000 million at preferential rates between October 23rd and December 30th.

2. The initiative SME Showcase (Vitrina Pymes), whereby the bank provided advertising space to more than 100 customers in order to help boost their sales.
3. Sponsorship of seven public-private fairs and the Great Banco de Chile Christmas Fair for SMEs and Entrepreneurs, giving more than 250 entrepreneurs a space to sell their products.
4. Internal Grant Competition initiative (part of the bank's volunteer program⁽⁵⁾), which provided funds for projects currently underway that benefit 43 microentrepreneurs throughout Chile.
5. Donations and volunteering at Regional Supply Center (CREA) in Talca.
6. Financial advising for SMEs through the Compite program (affiliated with Universidad Adolfo Ibáñez), through two primary activities:
 - **Tactical Compite:** Invitation to 100 customers to participate in a free program financed 100% by the bank that is designed to develop a short-term action plan to face and overcome the new challenges.

- **Collaboration Events:** Facilitated event bringing together 100 customers to share and learn from practices and experiences.

Regarding the bank's efforts to improve SME access to government-backed loans (FOGAPE⁽⁶⁾) and CORFO funding (FOGAIN⁽⁷⁾), in 2019 it worked together with these institutions and processed a total of Ch\$277 billion in these loans for over 8 thousand customers.

2020 Challenges

- Strengthen the value proposition within the framework of the projects that are currently underway, which will be the foundation for increasing the bank's customer base in the SME segment.
- Improve communication with customers through e-mail management and a new telephone model that the bank hopes will boost the recommendation index.
- Implement the customer pricing model, which will improve segmentation and management of fees related to each customer based on risk and expected returns.
- Strengthen sales of state-backed products in order to contain potential increases in risk expenses.
- Fortify the Banco de Chile SME Program as a differentiating element of our value proposition, cultivating ties with customers and generating new business opportunities through an ecosystem strategy.
- Identify, transform and improve critical processes for the customer experience and commercial productivity.

Consumer Finance Segment

Offers products and services for:

- Employees and retirees in the C3 and D socioeconomic segments
- Micro-entrepreneurs

Banco CrediChile offers a wide range of financial products and services, including consumer loans, credit cards, mortgage loans, micro-entrepreneurial loans, debit accounts, life and general insurance, direct deposit and savings accounts. Synergies between consumer banking and other business segments, mainly through agreements with companies, give Banco CrediChile access to new customers with broad opportunities for cross-sales in transactional and consumer products.

Performance in 2019

CrediChile has helped raise the country's bank usage rates and extended its reach to people with monthly income below Ch\$ 500,000 and micro-enterprises. In addition to gaining access to bank products, they benefit from financial training and education programs.

The products made available to this segment include "Cuenta Chile", a debit account that gives its users access to products and benefits and a broad network of branches and 766 Cajas Chile locations around the country.

In 2019 the bank initiated a plan to extend the value proposition towards customers in the CrediChile segment, broadening and integrating the offering of products and services such as

⁽⁵⁾ See chapter on Community.

⁽⁶⁾ www.bancochile.cl/Pyme/Financiamiento/Financiamiento con Garantías Estatales

⁽⁷⁾ www.bancochile.cl/Pyme/Financiamiento/Financiamiento con Garantías Estatales/FOGAIN

international credit cards, checking accounts, investment services, among others. Furthermore, it made strides in strengthening access to digital and mobile banking.

As part of its commitment to financial education, the bank launched the Count on Banco de Chile ("Cuentas con el Chile") program, a platform that encourages wellbeing and financial literacy. In 2019, 7 thousand people were trained at financial education activities throughout Chile and the Banco de Chile Financial Education Mentoring Program (Programa Mentores de Educación Financiera del Chile) was launched. The goal of this initiative is to equip employees and, in turn, the community, with financial skills to acquire responsible financial commitments in the banking industry.

2020 Challenges

- Consolidate integration of products and services in the segment.
- Expand the digital transformation plan to CrediChile customers, in line with the bank's digitalization strategy, thereby improving the customer experience with more efficient processes.
- Strengthen the value proposition for customers, from a perspective of use and their relationship with banking, based on each customer's needs and stage in the life cycle.

Wholesale Market



Corporate Banking Segment

Offers products and services for:

- Chilean companies with annual billing over Ch\$10 billion, with a specialized customer service model segmented by industry, and multinational companies with a global relationship with Citibank NA.
- The main subsegments are Corporate, Wholesale, *Family Office*, Real Estate, Concessions and Multinational.

The Corporate Banking Division offers offer lending products (commercial loans, leasing, factoring, foreign trade); transactional banking services such as current account management, payments, collections, representation and asset custody; investment banking products, capital markets products, exchange operations and financial risk hedging (derivatives) as well as advisory services for initial public offerings, capital increases, sales and purchases of blocks of shares, private capital placements, public share tenders, mergers and acquisitions, company valuations, bond issuances, and syndicated loans. This segment also manages business relationships with correspondent banks, giving the bank access to international bank funding sources and allowing it to participate in international guarantee deals.

Performance in 2019

In 2019, the Corporate Banking Division continued to deepen and boost returns on its customer relations thanks to sustained increases in the cash

management business, transactional volumes, demand deposits and treasury, investment banking and capital markets revenue. Regarding the latter revenue sources, the bank participated in several of the largest deals during the year, thus maintaining its leading position in this segment.

Another milestone was the migration of most corporate customers to the Banconexión 2.0 platform.

2020 Challenges

- Continue working on a service model that gives the bank a closer relationship with customers.
- Continue to lead in market presence and customer preference and offer the best structured solutions to meet customer needs.
- Strive for high levels of efficiency and quality with low distribution costs for transactional products.
- Broaden and strengthen the functionalities of digital channels.
- Migrate the entire customer portfolio to new Banconexión 2.0 platform.

Large Companies Segment

Offers products and services for:

- Chilean companies with annual billing of between Ch\$2 and Ch\$10 billion and an integrated customer service model with account executives and product specialists.

The value proposition for the Large Companies Segment is provided using an integrated customer service model with account executives and specialists in the same work team. It offers multiple products and services from traditional lending products to specific products such as leasing, factoring, foreign trade, and cash management services like current account management, payments and collections. It complements its value proposition with treasury products, investment products, syndicated loans, M&A and equities/bonds (the latter are offered through its subsidiaries Banchile Inversiones and Banchile Asesoría Financiera).

Performance in 2019

In 2019, the Large Companies Banking Division continued to consolidate its leadership in the

segment, both in terms of market share and customer preference, with growth in commercial loans above industry averages and sustained growth in demand balances. The latter is the result of management efforts to develop transactional preferences in current accounts. This enabled the division to increase product cross-sales per commercial relationship, strengthening bonds with customers and resulting in excellent recommendation levels and customer service satisfaction. Additionally, during the year the division made substantial progress migrating customers to the new Banconexión 2.0 platform, thus improving the customer's banking experience.

2020 Challenges

- Consolidate leadership in market share and customer preference within the segment.
- Make progress on strategy of low distribution costs for transactional products.
- Offer the best structured solutions for the market.
- Incorporate more functionalities into digital channels (Internet and mobile).



Treasury



The Treasury offers a wide variety of products and services for customers, including foreign currency trading, derivatives, repo agreements and investment products all focused on:

- institutional customers, multinational entities, corporations, wholesale customers and large companies.
- Individuals that are private banking and preferential customers.

In addition, the Treasury is responsible for managing pricing risk and liquidity for the bank using an optimal funding structure in terms of cost, maturities and diversification, while managing the bank's investment portfolio.

Performance in 2019

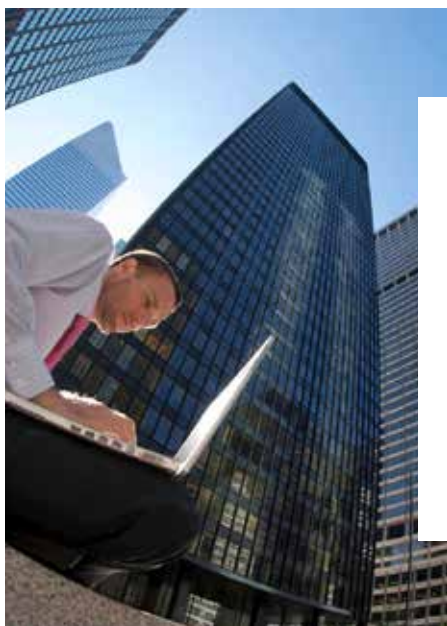
In aggregate terms, the year 2019 was very positive for the Treasury. On one hand, the Sales and Structured Products Area enjoyed record revenue of Ch\$46 billion, which represented an annual increase of 16%, sustained by a rise of 14% for the year in the customer base that operates with the Treasury in products like foreign currency, forwards and structured products as well as one-time transactions in the local market that added value to the area.

Similarly, the Trading Area had its best performance since 2015, with revenue from managing fixed-income, currency and derivative instruments of Ch\$16 billion in 2019, surpassing by Ch\$6 billion the figure from 2018. High proactivity and a market vision in response to major changes in certain external variables, such as interest and exchange rates during the last quarter of the year, contributed to this excellent outcome.

From an asset and liability management perspective, 2019 was without a doubt a very challenging year. In effect, flat interest rate curves during a large part of the year led to a contraction in margins for maturity mismatches, which was accentuated by a sharp fall in real and nominal domestic interest rates, especially during the second half of the year. This translated into an important incentive for retail and institutional customers to renegotiate long-term loans originally financed at higher rates. Nevertheless, this was partly mitigated by the benefits obtained in the investment portfolio as a result of the aforementioned interest rate trends.

In relation to the funding strategy, in 2019, in order to take advantage of interest rates and the bank's excellent risk rating, the Treasury issued senior bonds on the local market for approximately UF 40 million with average maturities of seven years and very low spreads in relation to the benchmark, which helped optimally finance growth in mortgage and commercial loans. Additionally, the bank placed close to UF 7.6 million in subordinated bonds on the Chilean market with a very marginal spread over the senior bonds, allowing it to strengthen its capital adequacy in preparation for implementing Basel III.

Likewise, the Treasury continued its plan to geographically diversify funding, issuing bonds for around US\$430 million in several markets that had already been explored, such as Japan, Hong Kong and Peru, and new markets such as Australia and Norway, which now join a long list of countries like Taiwan, Switzerland, Germany and Mexico where the bank has already raised funding. The bank also continued its commercial paper program in the United States.



Subsidiaries

Banco de Chile’s subsidiaries complement its value propositions for customers with a broad range of products and services for fund management, securities brokerage, life and casualty insurance, financial advising, securitization and payment solutions.

The bank’s subsidiaries are:

- Banchile Administradora General de Fondos
- Banchile Corredores de Bolsa
- Banchile Corredores de Seguros
- Banchile Asesoría Financiera
- Banchile Securitizadora
- Socofin

From an operational point of view, continuous improvement in processes related to treasury products was fortified by implementing automatic trading platforms for customers and the professional market to buy and sell foreign currency. This was in addition to the adoption of a new Murex model for collateral management.

2020 Challenges

- Implement fixed-income trading platform for the offshore market.
- Second phase of valuation project and transfer to production of Collateral Module.

Banchile Administradora General de Fondos: is the leading mutual fund manager in the country with a market share of 22% of the industry’s assets under management. It offers more than 80 alternatives of mutual and investment funds, with an investor base of over 600 thousand. In 2019, Banchile AGF subscribed to the Principles for Responsible Investment (PRI), an international network of investors supported by the United Nations. Additionally, it was named the “Best Chilean Equity Fund” at the Morningstar Fund Awards 2019.

Banchile Corredores de Bolsa: provides equities and fixed-income brokerage and currency exchange services to individuals and companies through the bank’s network of branches and remote channels. In 2019, the company participated in the most important equities deals in the market, including the largest IPO in

Chile's history. For the second straight year, it ranked first in market share in the fixed-income market and second by value of shares traded.

Both subsidiaries have established the following lines of action for the short and medium term to consolidate their leadership position:

- Increase the number of customers and operating revenue, strengthening ties with customers and the product mix.
- Improve service and the digital experience for the customer, attaining 100% self-service through mobile apps and improvements in web content.

Banchile Corredores de Seguros: offers insurance brokerage services through a broad distribution network, featuring a competitive offering of individual and group policies, both linked to and separate from bank products, advising customers based on their needs.



In 2019, Banco de Chile and its subsidiary Banchile Corredores de Seguros signed a Strategic Partnership Framework Agreement with Compañías de Seguros Chubb Seguros Chile S.A. and Chubb Seguros de Vida Chile S.A. to distribute insurance through the bank's in-person and digital channels. With this agreement, Banco de Chile looks to strengthen its insurance business, making use of its distribution capacities and making a competitive, high-quality value offering in continuous innovation available to its extensive, prestigious customer base in order to satisfy the growing and sophisticated insurance coverage needs of individuals and companies.

In 2019, Banchile Corredores de Seguros remained in first place among bank insurance brokers, with market share above 21% measured by total premiums brokered.

The medium-term efforts of Banchile Corredores de Seguros aim to:

- Finalize implementation of the new insurance core system, a world-class system that will enhance administration of online sales and post-sales processes.
- Provide excellent service quality.
- Continue with the digital transformation at the subsidiary, with a focus on sales and an omni-channel approach.

Banchile|Citi Global Markets (Financial Advising): provides investment banking services to corporate customers and includes advising on mergers, acquisitions, liability restructuring, debt and equity issuances, project financing and strategic partnerships.

The subsidiary's medium-term objectives are to:

- Fortify integration with the bank's areas.
- Achieve active coverage of the Corporate Banking Division's target customers.
- Strengthen coordination and integration with Citi teams to attract and execute deals.
- Participate in high-visibility transactions.

Banchile Securitizadora: offers securitized bond issuances as a financing alternative in the corporate and wholesale segments that require diversified conditions and funding sources (private and institutional investors). The customer proposal includes mortgage-backed bond structuring, credit cards, auto lending, invoice receivables, consumer loans, financial assets and future cash flows, among others.

Socofin: is in charge of accompanying the bank's customers during the process of normalizing their financial obligations and offering them payment solutions. In 2019, Socofin's management focused on designing a robust business model consistent with current times and creating conditions to maintain its leadership in the industry. To accomplish this, it implemented diverse projects to improve the customer experience, including incorporating a web pay button, which gives customers a payment channel available 24/7, registering more than 10,000 transactions in December. In 2019 it recovered Ch\$48,000 million on loans and pay agreements were negotiated with customers in written-off portfolios for a similar figure.

Quality Services

Banco de Chile made the commitment to be the best bank for its customers. This involves new challenges to continue being number one in service quality, aiming to understand and anticipate the changing needs of its customers, and incorporating them into products and services at pace with current demands.

The bank set demanding and challenging goals in service quality for the year, together with rigorously monitoring different critical services for both the commercial and support areas. That monitoring is analyzed periodically in the Quality Committee, which is chaired by the CEO and has several other members from senior management.

In this effort to enhance customer service processes, identifying and responding in a timely manner to customer needs, the bank made important strides.

At the end of 2019, it reported a decrease in both requests and complaints in relation to 2018. The Attrition Rate remained low and the Net Promoter Score reached 72.5%, although below last year's figure, allowing the bank to retain its status as the best bank in service quality. The country's current context following the civil unrest that began in October has impacted customer perception indicators for the financial services sector and banking in particular.

The entire corporation is committed to providing its customers excellent service, which was



recognized for the second consecutive year with the National Customer Service Award in the Large Banks Sector, awarded by Procalidad, in conjunction with Universidad Adolfo Ibáñez and Praxis. This honor is the result and reflection of ongoing effort that places the customer at the core of each activity designed and executed in all customer service processes in branches, Telephone Banking and digital channels alike.

| | 2017 | 2018 | 2019 |
|------------------------|------|------|------|
| Net Promoter Score (%) | 76.7 | 75.5 | 72.5 |

72.5%
Net Promoter Score

70.5%
Satisfaction Index



ProCalidad Customer Satisfaction Award
for the second straight year

Customer Service Channel Satisfaction
Annual indicator 2019

83.5%
Counter

80.2%
Account Managers

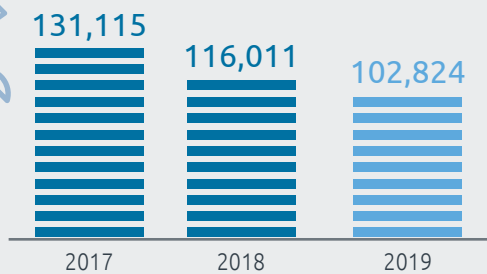
84.7%
Mi_Banco (mobile banking)

80.9%
Tellers

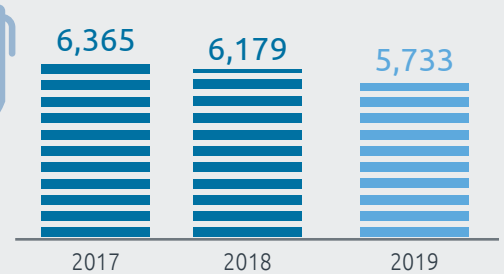
73.9%
Website

74.1%
Telephone banking

Requirements



Number of complaints



Cybersecurity and Protecting Information

Banco de Chile has always prioritized customer privacy and the security of all applications and back and front office systems. In recent years it has made substantial progress on innovations, applications and systems to react in the event of cybercrime threats.

The Cybersecurity Division reports directly to the CEO. In collaboration with the bank's different business areas, it is responsible for overseeing that the area's objectives are met.

In 2019 the bank's cybersecurity strategy consisted of implementing different technological solutions (networks, work stations, servers, applications, etc.), defining cybersecurity processes to maintain a secure organization-wide ecosystem at the bank (weakness management, secure development, cybersecurity guidelines for suppliers, access control, among others) and attracting talent as a key element to strengthening both technological solutions and processes.

The main milestones during the year focused on: carrying out awareness campaigns, responding to cybersecurity incidents, preventing information leaks, managing privileged accounts and implementing new authentication factors to reduce electronic fraud on all electronic channels.



Transparent Customer Communications and Information

The Transparency Principle is established under the Transparency Policy of Banco de Chile and its subsidiaries, as well as their Code of Conduct. This principle is manifested in a set of standards and protocols created to facilitate public access to all information related to the conditions of products and services offered by the Bank.

For 2020 it hopes to increase the usability of technology solutions, attract new talent and strengthen intelligence against threats and protection of information assets.

During the period no substantiated complaints concerning breaches of customer privacy and/or losses of customer data or incidents related to cybersecurity were received.

The bank has made a public commitment to ensure the veracity of the information provided in each mass advertising campaign, taking care to include both relevant conditions and existing restrictions.

Sustainable Finance



A commitment to transparent customer communication and information continues to be a key component of the bank's strategy that involves every employee in the organization. Banco de Chile, through its Marketing and Digital Banking Division, ensures that customers receive information that is clear, complete,

relevant, reliable, comparable, timely and easily accessible. Support is also provided by the Customer Defense Division, which strives constantly to meet customer needs, and the bank's Legal Division, which helps identify the legal framework for communications.

Although Banco de Chile does not presently have any explicit financing rules that promote the integration of Environmental, Social and Governance (ESG) variables, among the fundamental components of its financing decisions, it incorporates ESG elements in order to ensure compliance with current legislation and sustainability over time. Thus, projects seeking financing are required to go through the Environmental Impact Assessment System (SEIA) and obtain approval through the respective Environmental Qualification Resolution (RCA).

The objective of the initiative was to define an agenda for dialogue and joint work among the government, regulators and financial market institutions to incorporate risks and opportunities related to climate change into decision making.

In mid-December, the members of this working group signed and published the "Green Agreement", a voluntary commitment from the signing entities (financial sector, government and regulators) that defines the general principles regarding the management of risks and opportunities related to climate change in decision making and binds them to take concrete actions in this area. This agreement aims to contribute to financial stability and the achievement of Chile's commitments in climate matters.

In 2019, Banco de Chile participated through the Association of Banks and Financial Institutions (ABIF) in a public-private working group on green finance led by the Ministry of Finance, with support from the Inter-American Development Bank (IADB), with representatives from the Financial Market Commission (CMF), the Chilean Central Bank (BCCh), the Superintendence of Pensions (SP), BancoEstado (BE), the Ministry of the Environment (MMA), Santiago Exchange (BS), the Association of Pension Fund Managers (AAFP), the Association of Banks and Financial Institutions (ABIF), the Insurers' Association (AACH), the Chilean Association of Investment Fund Managers (ACAFI) and the Association of Mutual Fund Managers (AAFM).

In August the bank issued the first green bond in its history for US\$48 million for a term of 12 years. The placement issued in Hong Kong was intended to refinance a series of renewable energy projects located in different regions around the country⁽⁸⁾.

⁽⁸⁾ For further details, see the Environment chapter.



EMPLOYEES



Management Strategy

Employee Health and Safety

Labor Relations

Banco de Chile



90

103-2

103-3



The People and Organization Division is responsible for providing employees with healthy environments, and the required tools and skills to develop professionally and personally, and to strengthen their commitment to the bank's values and culture. While the division's policies and internal regulations promote a working environment free of harassment, mobbing or discrimination, they safeguard competitive remuneration and segmented benefits, and they guarantee the right to form unions and respect for human rights. Each program has evaluation metrics and mechanisms to respond promptly and effectively to employee needs and current national regulations.

This year's milestones included developing two applications and an IT platform to improve processes and effectively manage the available information covering the workforce and current incentives. Accordingly, the division introduced the "Mi Sitio" application, which creates and

stores the bank's contractual documents in a virtual folder that uses a digital signature. This reduced the operational risks associated with the manual and physical processes involved in producing and storing documentation, improved control and reporting systems, and reduced the costs associated with printing and dispatching 35,000 documents on average every year.

The second application is called "Mis Incentivos" and provides employees with secure, individualized and profiled information on all the incentive models available to them. Furthermore, it provides a virtual library with historical information regarding job positions, which can be consulted by managers, employees and specialists.

The People Management Panel was also introduced, which is an IT platform containing indicators focusing on efficiency and productivity. It can be used to monitor productive capacity, absenteeism by employee type, training coverage,

and other indicators. It was developed by identifying the variables that add value to the business and staff, in order to define indicators that measure critical variables associated with managing people and support safe decision making, while complying with the safeguards of the Cybersecurity Area.

Emphasis was also placed during the period on implementing the new 2020 Customer Service Model, which involves transforming branches into consulting centers with alternatives that use more efficient and simple processes and profitably integrates customers from all segments. It has had a positive impact on operational productivity and efficiency. This new model has involved creating jobs with greater integrated focus, then creating mechanisms that develop people and enable them to apply for these new positions, while developing and/or amending the total compensation model for these positions.

Employee Support

Measures were introduced during the social unrest to support employees by providing them with help and care. A survey was carried out that involved branch visits, telephone calls and other formal channels, in order to identify the numerous difficulties facing staff. This information was used to form a diagnosis and determine measures aimed at providing containment and psychological support for employees at severely affected branches. Complementary measures were taken, such as:

- November's remuneration was paid in full, despite staff arriving late or having to leave early and thereby reducing their working hours on account of the civil unrest.
- Monthly compensation was provided for staff with variable remuneration, whose performance was affected by the current social unrest.
- Payment of a special bonus of Ch\$50,000 for commuting to work in November, to compensate for the increased expense incurred by employees faced with severe transport difficulties.
- The minimum monthly salary was increased to Ch\$500,000, including the base salary and legal bonuses.
- A "Committed to Chile" bonus of Ch\$500,000 gross was paid in December to all employees with salaries of up to Ch\$3 million gross.
- Buses to take over 300 employees home from work every day, mainly in the communities most affected by the lack of public transport.





The 2020 Customer Service Model will focus on two central themes next year: People and Digital Transformation. People Transformation will be achieved by prioritizing support for employees through existing mechanisms, evaluating options that improve their scope, and helping develop people in positions associated with the new 2020 Customer Service Model.

Digital Transformation will be achieved by optimizing the use or scope of tools currently available or under development, and accelerating the digitalization of processes related to an employee's life cycle. These initiatives are expected to improve the coverage of documentary processes, as they address employee requests and requirements of management that are currently performed manually. They include inter-departmental processes and encourage leaders to use the available team management tools, such as rewards, competency and performance evaluation systems, etc. Therefore, such tools will be improved and widely distributed.

Organizational Changes

Digital momentum in recent years was strengthened by two organizational changes in 2019. The first was the creation of the Digital Business Department, within the Marketing and Digital Banking Division, whose function is to manage this niche for both individuals and companies and maximize the potential of digital channels. The second was the creation of the Technological Architecture and Agility Center, which brings together various departments, and whose purpose is to support the digital transformation process, ensure that these solutions share an integral vision and evolve sustainably, and ensure that they are technically feasible.

The People and Organization Division introduced changes at lower levels within the division. The Development and Training Department adjusted its objectives in order to align them with the bank's strategic focus, by creating the Change Management and Digital Transformation section. The Legal Employment Management section was also created within the People and Labor Relations Department, whose objective is to strengthen this area as a result of its constant reforms and to support business units with related issues. The Prevention and Intervention in Employment Relations section was also created to identify and address potential threats that interfere with the normal relationship between employees and the organization, by appropriately intervening in employment and sexual harassment issues and improving the working environment.

After redefining the 2020 Customer Service Model, the Commercial Division created three new departments: The Commercial Development and Management Department, whose objective is to reinforce business in the Retail and SME segments; the Retail and SME Channels Department, which is responsible for commercial discipline, goals, incentives and improvement processes across the branch network; and the Retail and Agreements Business Department, which focuses on managing new businesses, mortgage products, corporate agreements and telemarketing.

Awards

Banco de Chile ranked first among banks and financial institutions in the "Monitor Empresarial de Reputación Corporativa" (Merco⁽⁹⁾) (Corporate Reputation Business Monitor) in 2019 for the sixth consecutive year. It ranked second in the overall company ranking.

⁽⁹⁾ The Merco Talent study measures and highlights the country's leading companies in terms of attracting and managing talented people.

It also ranked first among banks and financial institutions in the “Mercado Talento Universitario 2019” (2019 Mercado University Talent), in which 9,133 university students took part. This makes it the most attractive company

to work for according to these university students. It ranked second in the overall company ranking, out of the 100 companies assessed by the respondents.

Total Number of Employees by Gender (number of people)

| Contract | 2017 | | | 2018 | | | 2019 | | |
|---------------------|---------------|-------|-------|---------------|-------|-------|---------------|-------|-------|
| | Total | Women | Men | Total | Women | Men | Total | Women | Men |
| Open-term | 11,180 | 5,769 | 5,411 | 11,012 | 5,715 | 5,297 | 10,911 | 5,665 | 5,246 |
| Fixed-term | 188 | 104 | 84 | 338 | 204 | 134 | 229 | 123 | 106 |
| Total bank | 11,368 | | | 11,350 | | | 11,140 | | |
| Subsidiaries | 2,655 | | | 2,481 | | | 2,415 | | |
| Total | 14,023 | | | 13,831 | | | 13,555 | | |

Employees by Geographic Area (%)

| | 2017 | 2018 | 2019 |
|-------------------------------|------|------|------|
| Arica and Parinacota | 0.4 | 0.5 | 0.7 |
| Tarapacá | 0.9 | 0.8 | 0.4 |
| Antofagasta | 1.8 | 1.9 | 1.7 |
| Atacama | 0.7 | 0.7 | 1.6 |
| Coquimbo | 1.7 | 1.7 | 2.0 |
| Valparaíso | 6.5 | 6.5 | 0.6 |
| Metropolitan Region | 72.2 | 72.1 | 72.9 |
| Libertador Bernardo O'Higgins | 2.1 | 2.0 | 4.2 |
| Maule | 2.5 | 2.4 | 0.7 |
| Ñuble ^(*) | - | - | 0.8 |
| Bío Bío | 4.9 | 5.0 | 6.4 |
| La Araucanía | 2.1 | 2.2 | 2.4 |
| Los Ríos | 0.8 | 0.9 | 2.3 |
| Los Lagos | 2.3 | 2.2 | 2.1 |
| Aysen | 0.3 | 0.3 | 0.8 |
| Magallanes | 0.8 | 0.7 | 0.3 |

^(*) The Ñuble Region was formed in September 2018. Therefore, this information could only be provided from 2019 onwards.



Diversity in Directors and Employees by Gender (number of people)

| Category | 2017 | | | | | 2018 | | | | |
|----------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | Men | Women | Under 30 | 30 - 50 | Over 50 | Men | Women | Under 30 | 30 - 50 | Over 50 |
| Senior executives | 119 | 21 | 0 | 80 | 60 | 144 | 30 | 0 | 105 | 69 |
| Supervisors | 918 | 629 | 28 | 1,067 | 452 | 813 | 612 | 24 | 969 | 432 |
| Professionals | 1,331 | 1,187 | 389 | 1,811 | 318 | 1,398 | 1,232 | 375 | 1,882 | 373 |
| Technicians | 1,214 | 1,945 | 651 | 2,016 | 492 | 1,277 | 2,023 | 752 | 2,035 | 513 |
| Administrative staff | 1,913 | 2,091 | 877 | 2,511 | 616 | 1,799 | 2,022 | 804 | 2,387 | 630 |
| Total | 5,495 | 5,873 | 1,945 | 7,485 | 1,938 | 5,431 | 5,919 | 1,955 | 7,378 | 2,017 |

| Category | 2019 | | | | | | | |
|----------------------|--------------|--------------|--------------|--------------|--------------|--------------|------------|-----------|
| | Men | Women | Under 30 | 30 - 40 | 41 - 50 | 51 - 60 | 61 - 70 | Over 71 |
| Senior executives | 450 | 212 | 2 | 126 | 328 | 172 | 34 | - |
| Supervisors | 475 | 401 | 10 | 254 | 367 | 208 | 37 | - |
| Professionals | 1,459 | 1,272 | 386 | 1,235 | 751 | 299 | 59 | 1 |
| Technicians | 1,290 | 1,994 | 683 | 1,265 | 871 | 400 | 62 | 3 |
| Administrative staff | 1,678 | 1,909 | 748 | 1,412 | 860 | 430 | 130 | 7 |
| Total | 5,352 | 5,788 | 1,829 | 4,292 | 3,177 | 1,509 | 322 | 11 |



Awards
1st place
 in the Banks and
 Financial Institutions Category
 Merco Talent and
 Merco University Talent **2019**



Diversity in Directors (number of people)

| 2017 | | | | | 2018 | | | | |
|------|-------|----------|---------|---------|---------|---------|----------|---------|---------|
| Men | Women | Under 30 | 30 - 50 | Over 50 | Men | Women | Under 30 | 30 - 50 | Over 50 |
| 12 | 1 | 0 | 0 | 13 | 13 | 0 | 0 | 0 | 13 |
| 2019 | | | | | | | | | |
| Men | Women | Under 30 | 30 - 41 | 41 - 50 | 51 - 60 | 61 - 70 | Over 71 | | |
| 12 | 1 | 0 | 0 | 1 | 7 | 4 | 1 | | |

Diversity in Directors and Employees by Nationality (number of people)

| Category | 2019 | |
|-----------------------------------|---------------|------------|
| | Chilean | Foreign |
| Board of directors ^(*) | 9 | 4 |
| Senior executives | 640 | 22 |
| Supervisors | 867 | 9 |
| Professionals | 2,662 | 69 |
| Technicians | 3,228 | 56 |
| Administrative staff | 3,519 | 68 |
| Total bank | 10,916 | 224 |



^(*) Banco de Chile's directors are not included as bank's employees.

Length of Service of Directors and Employees (number of people)

| Category | 2019 | | | | |
|-----------------------------------|---------------|--------------|--------------|---------------|---------------|
| | Under 3 years | 3 to 6 years | 6 to 9 years | 9 to 12 years | Over 12 years |
| Board of directors ^(*) | 4 | 4 | 1 | 0 | 4 |
| Senior executives | 66 | 53 | 58 | 71 | 414 |
| Supervisors | 81 | 65 | 84 | 73 | 573 |
| Professionals | 779 | 500 | 403 | 242 | 807 |
| Technicians | 917 | 459 | 422 | 299 | 1,187 |
| Administrative staff | 1,007 | 654 | 583 | 321 | 1,022 |
| Total | 2,850 | 1,731 | 1,550 | 1,006 | 4,003 |

^(*) Banco de Chile's directors are not included as bank's employees.

Staff Turnover by Gender (%)

| Age Group | 2017 | | | Age Group | 2018 | | | Age Group | 2019 | | |
|-----------------------|-------------|-------------|-------------|-----------------------|-------------|-------------|-------------|-----------------------|-------------|-------------|-------------|
| | % Total | Men | Women | | % Total | Men | Women | | % Total | Men | Women |
| Under 20 years | - | - | - | Under 20 years | - | - | - | Under 20 years | - | - | - |
| 20 - 29 years | 23.1 | 25.8 | 20.4 | 20 - 29 years | 28.7 | 30.4 | 27.2 | 20 - 29 years | 30.3 | 32.4 | 28.3 |
| 30 - 39 years | 10.7 | 11.7 | 9.8 | 30 - 39 years | 12.7 | 12.9 | 12.5 | 30 - 39 years | 13.3 | 13.3 | 13.3 |
| 40 - 49 years | 6.6 | 6.5 | 6.7 | 40 - 49 years | 7.4 | 6.2 | 8.3 | 40 - 49 years | 8.0 | 8.6 | 7.5 |
| 50 - 59 years | 6.0 | 4.9 | 7.6 | 50 - 59 years | 5.0 | 4.8 | 5.4 | 50 - 59 years | 4.8 | 3.5 | 6.6 |
| 60 - 69 years | 6.1 | 6.5 | 4.9 | 60 - 69 years | 6.6 | 5.4 | 9.4 | 60 - 69 years | 7.1 | 6.6 | 8.5 |
| Total turnover | 10.8 | 11.4 | 10.2 | Total turnover | 12.6 | 12.3 | 12.8 | Total turnover | 13.1 | 13.2 | 13.1 |

Staff Turnover by Region (%)

| | 2017 | 2018 | 2019 |
|-------------------------------|-------------|-------------|-------------|
| Total turnover | 10.8 | 12.6 | 13.1 |
| Arica and Parinacota | 11.9 | 14.8 | 10.8 |
| Tarapacá | 16.7 | 18.8 | 2.3 |
| Antofagasta | 20.0 | 22.3 | 14.0 |
| Atacama | 11.3 | 13.2 | 17.4 |
| Coquimbo | 12.3 | 11.3 | 7.5 |
| Valparaíso | 10.0 | 10.4 | 10.6 |
| Metropolitan Region | 10.6 | 12.8 | 14.2 |
| Libertador Bernardo O'Higgins | 9.1 | 11.0 | 8.4 |
| Maule | 8.7 | 8.6 | 21.0 |
| Ñuble | - | - | 19.8 |
| Bío Bío | 7.4 | 6.6 | 11.8 |
| La Araucanía | 11.4 | 12.3 | 9.5 |
| Los Ríos | 16.9 | 17.5 | 14.7 |
| Los Lagos | 10.6 | 14.6 | 12.8 |
| Aysen | 30.6 | 25.7 | 24.5 |
| Magallanes | 16.7 | 16.9 | 19.4 |



New Recruits by Age Group and Gender (number of people)

| | 2017 | | | |
|---------------|--------------|------|------------|------------|
| | Total | % | Men | Women |
| Under 20 | 5 | 0.4 | 2 | 3 |
| 20 - 29 years | 560 | 47.3 | 304 | 256 |
| 30 - 39 years | 411 | 34.7 | 192 | 219 |
| 40 - 49 years | 159 | 13.4 | 59 | 100 |
| 50 - 59 years | 44 | 3.7 | 16 | 28 |
| 60 - 69 years | 4 | 0.3 | 3 | 1 |
| Total | 1,183 | | 576 | 607 |

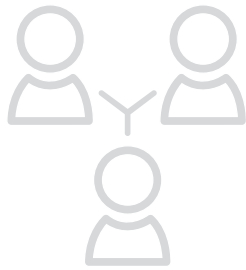
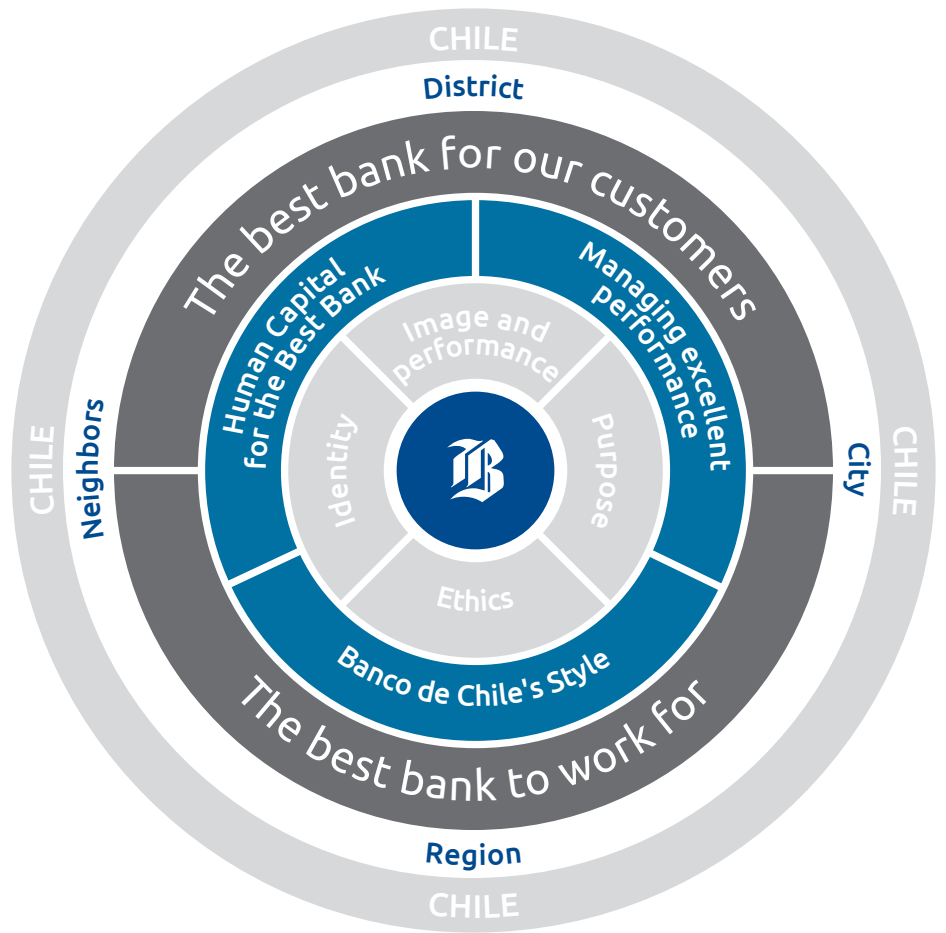
| | 2018 | | | |
|---------------|--------------|------|------------|------------|
| | Total | % | Men | Women |
| Under 20 | 5 | 0.4 | 4 | 1 |
| 20 - 29 years | 757 | 53.5 | 348 | 409 |
| 30 - 39 years | 468 | 33.1 | 210 | 258 |
| 40 - 49 years | 150 | 10.6 | 51 | 99 |
| 50 - 59 years | 32 | 2.3 | 19 | 13 |
| 60 - 69 years | 4 | 0.3 | 2 | 2 |
| Total | 1,416 | | 634 | 782 |

| | 2019 | | | |
|---------------|--------------|------|------------|------------|
| | Total | % | Men | Women |
| Under 20 | 1 | 0.1 | 0 | 1 |
| 20 - 29 years | 423 | 25.6 | 220 | 203 |
| 30 - 39 years | 620 | 37.5 | 288 | 332 |
| 40 - 49 years | 388 | 23.5 | 175 | 213 |
| 50 - 59 years | 151 | 9.1 | 66 | 85 |
| 60 - 69 years | 69 | 4.2 | 43 | 26 |
| Total | 1,652 | | 792 | 860 |



Management Strategy

Over the past few years, Banco de Chile has developed its People, Culture and Strategy Alignment Program to meet its goal of becoming the best place to work and the best bank for customers. The objective was to continually influence how employees behave and help them to positively respond to organizational challenges.



Human Capital for the Best Bank

Managing employees throughout their working lives is the first pillar of our People, Culture and Strategy Alignment Program. This requires identifying tools that recognize a job well done and strengthen the bank's culture. This cornerstone is known as Human Capital for the Best Bank and it focuses on attracting talented people, designing a suitable range of benefits for them, and providing them with tools that increase their employability, including outside the bank.

A. Attracting Talented People

Banco de Chile has a program to position its brand as a recruiter and employer of talented people that attracts excellent students and professionals. Its strategy uses a variety of ways to illustrate the strategic pillars and values that distinguish the corporation through digital media, professional initiatives and leisure activities, in order to keep employees, interns and new recruits loyal. It also offers the latter rewards and opportunities to participate, to help them feel part of an attractive organization from the very beginning.

The Employment Assessment Center ("Centro de Evaluación Laboral" or CEL) was implemented in 2018, and was formed from a team of exclusive recruiters. The Center internalized psycho-recruitment assessment using psychologists who specialize in competency-based interviews and business consultancy. The recruiting process uses the gamification method and the Measure Yourself at Banco de Chile ("Mídete en el Chile") test, which evaluates general mental ability, responsible behavior at work, pro-social behavior and collaboration. During 2019, the Employment Assessment Center established a distinctive approach which begins at the first contact with candidates. It provides information about the

corresponding vacancy, and the stages, associated deadlines and the official platform where they can track their progress. Job applications were received from 93,932 people in Chile during 2019, 4,645 of them were interviewed and 951 were recruited.

Furthermore, in 2018 the selection platform www.quieroserdelchile.cl continued to be the main channel used by both internal and external candidates to apply for vacancies. It was continually updated to keep the user experience aligned with current digital requirements.

Another important initiative that helps boost the employability of young people and fulfills Pacific Alliance commitments is internships, attracting over 1,000 applications every year. Selection includes a recruitment process with group interviews using a gamification methodology. Around 700 students are selected to fill vacancies around the country. Moreover, a welcome event was organized for 300 interns in Santiago and the rest of the country for the second consecutive year, where they were given a welcome kit to ensure that the first day of their professional journey was an enriching experience. Trainee positions were created in the Retail, Micro-enterprise and Banco Edwards divisions in 2019. Subsequently 4,577 people applied for them with 64 people selected.





Positioning as the Best Employer Brand

The objective of the Work at Banco de Chile ("Trabaja en el Chile") digital project is to promote the bank as a friendly and innovative organization that encourages professional development among its employees. The application can be used by people with visual and hearing disabilities. The site www.trabajaelchile.cl provides direct access to the www.quieroserdelchile.cl portal, where applicants can register their employment information in a database and apply for vacancies.

Furthermore, the corporation is positioning the brand as an attractive company for professional development opportunities. Therefore, all events are focused on providing a positive experience for those who attend and those who follow the bank on social networks. During 2019, the number of people following the Banco de Chile Facebook site increased from 10,885 in 2018 to 11,561, the number of LinkedIn followers was

up 31.3%, from 132,943 to 174,610, and www.quieroserdelchile.cl registered 150,582 visits.

The challenge for 2020 will be to continue incorporating new digital transformation methods into processes that impact the user experience for candidates and people interested in joining the corporation. An Instagram site is being designed for the employer brand. It will be separate from the Marketing brand, which is focused on customers. The objective of this new network will be to reach all those interested in discovering more about Banco de Chile's culture.

B. Benefits Program

Banco de Chile strives to help its employees find a suitable balance between their work and their personal lives. Therefore, a range of benefits have been introduced that range from physical activity to professional assistance in areas such as psychological, social, legal, medical and nutritional counseling. Functionality within the

www.beneficiosbch.cl portal provides access to benefits, forms and an online schedule for requesting appointments.

The following important initiatives were carried out during 2019:

General preventative medical screenings

This medical examination is performed every two years to detect cardiovascular risks early in people over 30. It was undertaken in 2019 and 5,787 people benefited.

Comprehensive insurance

This insurance reimburses 100% of the cost of medicines purchased at communal pharmacies or the Doctor Simi pharmacy. During 2019 626,322 claims were submitted under the comprehensive insurance policy and 99% of employees used this benefit.

Special activities

Executives from the Civil Registry attended the bank's offices for the second consecutive year, and 250 employees carried out procedures such as receiving their unique password and renewing their identity card or passport. Other new employee benefits were introduced in 2019:

- **Health insurance advice:** The Counseling Program ("Programa Orienta") began offering health insurance advice. This new professional service provided personalized information for 114 employees that optimized their health coverage in 2019.
- **Benefits web site:** A new benefits web site was launched in October and its name was changed from www.esparami.cl to www.beneficiosbch.cl. This platform has a revised image, updated content and new benefit categories. It has received 3,734 visits.
- **Web tools:** New forms have been introduced that enable employees to apply for benefits online. In 2019 2,603 requests were received and processed using this channel, which streamlines access and can send information to employees in an efficient, faster and safer manner, while reducing the impact on the environment.

Quality of Life Programs

Several initiatives are provided through these programs, which aim to maintain or improve employee health and promote self-help and a healthy lifestyle.

Counseling Program ("Programa Orienta")

This is a fundamental cornerstone of employee support. It provides individual support from social workers, psychologists, lawyers and pension and health coverage advisors. In 2019 advice



The Counseling Program provided **6,312** appointments that benefited **1,571** employees.

Benefits provided by the **My Health Program** were used by **8,361** employees in 2019.




The Inclusion Program benefited **136** employees with a disability or a disability pension.

The Graduate Scholarship Program awarded **44** scholarships totaling **Ch\$106.9** million.



was provided at 6,312 appointments, which benefited 1,571 employees.

My Health Program ("Programa Mi Salud")

The bank provides the My Health Program, which includes initiatives that maintain or improve employee health and promote self-help and a healthy lifestyle. These include a general preventive medical screening and a women's screening, which are conducted annually and involved 2,614 people in 2019. Overall, 8,401 people were supported. The program also includes a flu vaccination campaign, a stop-

smoking program, medical loans, and medical and nutritional care, which covered 13,954 people in all during the year. These benefits were used by 8,361 employees in 2019.

Employees with disabilities program

The Persons with Disabilities Inclusion Program currently benefits 136 employees who are registered on the National Disability Registry or receive a disability pension. This initiative provides the continual support of a social worker for each person, who manages the help and support required to care for the health problems of persons with disabilities. The bank also provides support to employees who have children with disabilities through the Double Charge ("Cargo Duplo") benefit, which reimburses health expenses that are not covered elsewhere. Currently 91 employees use this benefit.

Employee scholarship program for undergraduate and graduate degrees

The undergraduate scholarship program supports employees with an open-term employment contract who meet the academic, seniority and performance requirements defined in the policies. The scholarship partially or totally finances tuition and fees for technical or professional degree programs. The scholarship covers a half-year term, so the student must reapply every six months. Applications were received twice during 2019, and 126 undergraduate scholarships were awarded totaling Ch\$61 million. The graduate scholarship program encourages people who demonstrate outstanding performance to progress by awarding graduate scholarships. The scholarship partially finances tuition for annual graduate programs that support the bank's business. Scholarships were awarded to 44 people in 2019 totaling Ch\$106.9 million.

Telecommuting and Flextime

Procedures to implement telecommuting and flextime were reviewed and updated, through a flextime pilot in the Compliance Department during the first quarter of 2019. Three schedules were evaluated for executive and managerial positions in the Large Companies Division, where 117 people were eligible for this modality.

Telecommuting information surveys and market studies were conducted to draft a procedure and proposal to implement this modality in the Taxation, Operations and Technology, and People and Organization divisions. This process is expected to benefit 160 people. The bank is analyzing the possibility of extending this modality to other departments.

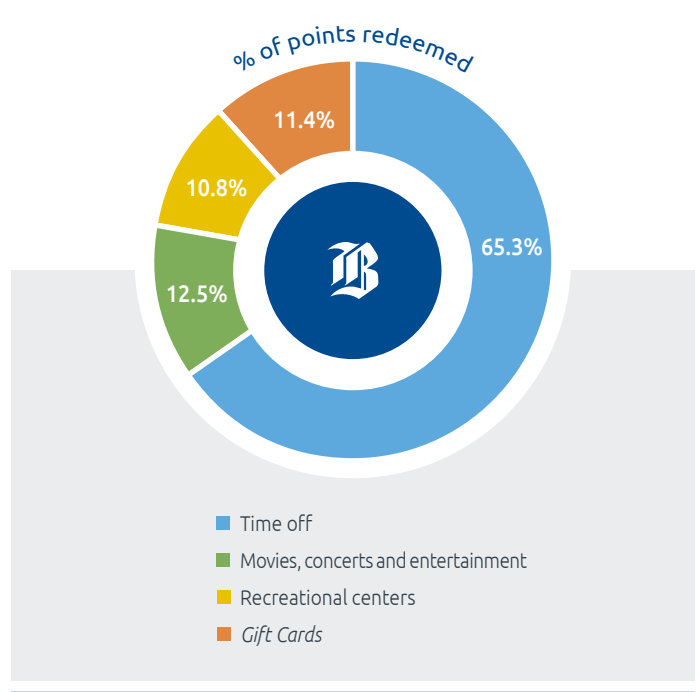
Point Bank

In 2018 Banco de Chile created the Point Bank, a platform offering employees flexible benefits aimed at satisfying their particular preferences and interests. In 2019 it was improved as a flexible working tool, allowing employees to exchange points for time off. The challenge was to promote this tool during its first year, so special exchange options were launched and afternoons and hours off were promoted.

65% of points have been exchanged for free time, which is equivalent to over 8,500 days not worked in a year. Furthermore, points can be exchanged for lodging at recreational centers, and for gift cards, movie tickets, concerts and family entertainment.

Mechanisms were created in 2019 to leverage the strategic contribution required of employees, in order to expand the use of this platform. Points

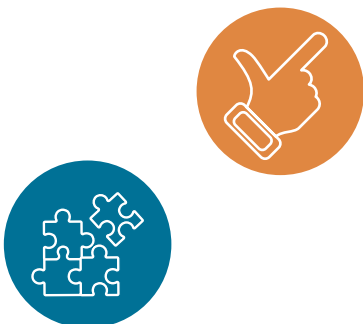
Number of Exchanges by Category



were used to support the introduction of cybersecurity, financial education, internal systems and environmental care campaigns. The Point Bank was also used to reward those who made outstanding contributions to the bank's strategic priorities. For this program, known as The Banco de Chile Selection ("La Selección del Chile"), each manager selected a person from their team and rewarded them with points. Similarly, managers can reward a person from another team for their outstanding collaboration, by giving them additional points.

Initiatives were identified to improve coverage outside Santiago, such as including cinema tickets as Point Bank benefits, and 734 double tickets were exchanged in 2019. Another campaign during the year exchanged points for two tickets to Cirque du Soleil's "Ovo" show, which benefited 413 employees.

Continuing to leverage the corporation's various initiatives and strategic priorities and to develop emphasized transversal initiatives both form part of the challenges for 2020.



Other Benefits

This group includes educational benefits, such as scholarships for children of employees, rewards for children of employees with good grades and those with the best university entrance exam scores (PSU). It includes a full scholarship covering the entire undergraduate degree program for the student obtaining the highest score on the language and math sections of the PSU. Fifty percent of employees received at least one of these benefits during 2019. Furthermore, a scholarship was granted to support the children of employees with difficulties in mathematics and language during the period, to help them to learn these subjects, improve their secondary education scores and improve their university entrance exam scores. Ninth and tenth grade children of 63 employees received this benefit.

The bank also provides benefits for working mothers with children up to the age of four, such as financing daycare and preschool, as well as providing a nursing room. The objective for 2020 is to publicize the nursing room and encourage mothers to use this benefit. 489 breastfeeding kits were provided nationwide during 2019.

C. Outplacement Program

The Outplacement Program provides support to employees whose employment with the bank has been terminated. It is a guided process that helps them find other employment, through a training platform that supports their job search. There were 381 people who voluntarily enrolled in the program during 2019.

D. Sports, Culture and Recreation Active Chile Program (“Programa ChileActivo”)

The Active Chile Program run by the Sports, Culture and Recreation Department encourages integration activities among employees and their families throughout the country, and aims to improve the quality of life of everyone, through activities related to sports, culture and recreation.

Active Chile currently has 6,033 members nationwide. There are sports groups, cultural workshops, and sports schools for the youngest children in the Metropolitan Region. During holiday periods the program provides activities for employees and their children at winter and summer schools, and through the A Day with My Children (“Un Día con Mis Hijos”) program. New activities were launched during the second half of 2019, such as: mountain biking, drama, Zumba II, Photography II, a rugby school for children, and agreements with two professional dance academies.

Active Chile encourages integral activities between branches outside of Santiago through competitions, championships, themed parties and other activities. The Championship Kit format was created in 2019, which enabled branches to organize their activities using a standard model, thus kindling opportunities for integration and healthy competition among employees. These activities included table soccer, table tennis, bowling and go-carting. The ReciclArte contest, arranged by the environmental care campaign, invited children to meet at branches during the winter holidays and build works of art using recycled materials. The works were exhibited



at a cultural exhibition held at the headquarters building arranged by Active Chile. The program outside Santiago also included visits to other branches and special cinema performances attended by over 2,500 people, including employees and their families.

The cabins at the Las Brisas Recreational Center in Algarrobo continued to be remodeled, and four became available during the first half of the year. A total of 20 cabins have been remodeled at this center. The kitchen and rooms at the bank’s recreational center have been remodeled to create space for training and other activities with the latest technology equipment.

The challenge for 2020 is to continue creating integration and recreational activities for employees and their families through the Active Chile program nationwide, by promoting existing activities and identifying activities that might be interesting to target audiences within the corporation. Work to remodel the restaurant area and other facilities within the bank’s recreational center will also continue in 2020.

Active Chile Program in Figures

| Occupancy 2019 | | | |
|------------------|-----------|------------------|-----------|
| Algarrobo | | Graneros | |
| No. of employees | Days used | No. of employees | Days used |
| 1,962 | 6,874 | 688 | 3,097 |

Recreational center use
Algarrobo and Graneros

2,650

employees together
with their families

104
401-2

Physical activity centers

+ 700
registered in the fitness centers

Summer schools

535 children
registered

Winter schools

109 children
registered

A Day with My Kids program

200 children
registered

Users Active Chile (Santiago)

| Cultural workshops | Sports groups | Preschools |
|--------------------|---------------|------------|
| 84 | 667 | 164 |

BiciChile

This benefit is restricted to a fixed number of men and women, and these are assigned for six month periods. The total capacity depends on the available physical space, which is 61 spots for women and 110 for men. These figures were calculated on the basis of an initial study and an internal survey of interest in this benefit.

The men's changing room was repaired in 2019, which modified the total number of available spots. However, applications always exceed the available spots, so there are always applicants left on a waiting list.



| 2019 | Women | | |
|--------------------------|------------|----------|--------------|
| | Applicants | Assigned | Waiting list |
| 1 st semester | 53 | 53 | 0 |
| 2 nd semester | 46 | 61 | 0 |

* There is no waiting list for women as there are fewer applicants than spots.

| 2019 | Men | | |
|--------------------------|------------|----------|--------------|
| | Applicants | Assigned | Waiting list |
| 1 st semester | 155 | 97 | 58 |
| 2 nd semester | 119 | 109 | 10 |

Managing Excellent Performance

Managing Excellent Performance is the second pillar of our People, Culture and Strategy Alignment Program, which includes instruments for assessing and measuring employee competence, compensation, training and organizational climate.

A. Compensation

Banco de Chile has a Compensation Policy that ensure compliance with both current regulations and internally defined salary guidelines. This policy also helps it maintain a competitive position in its reference market that creates value for the business while promoting consistent performance over time and practices that differentiate the bank from other employers. Banco de Chile updates its wage scales annually and classifies employees and conducts segmented wage analyses that ensure compliance with its policy. It also monitors the impact that implementation may have on people, teams, workplace climate and results in general.

Emphasis was placed in 2019 on strengthening the compensation model by analyzing total compensation rather than fixed and variable compensation in a segmented manner, according to the compensation for each position. This approach produced a more competitive position for all the company's jobs. It was used to refine wages for some positions, by strengthening the fixed salary component and designing more attractive incentive models that achieved commercial objectives. A complementary measure entails continual analyses and controls segmented by seniority for each position, in order to corroborate that there are no significant dispersions and to address any such dispersions as they arise.

Banco de Chile has clear and transparent policies and processes for recruitment, selection, internal mobility and remuneration, which guarantee free and balanced access to the organization's opportunities, regardless of gender. Accordingly, the bank currently has similar gender equality indexes in its workforce distribution, which supports its participation in the Gender Parity Initiative (GPI), a public-private partnership backed by the Inter-American Development Bank and World Economic Forum. The purpose of the initiative is to narrow the gender gap while boosting the economic participation and progress of women in the Chilean labor market.

Moreover, salary review processes result in internal mobility opportunities and are built on policy aspects and gender equality criteria. These criteria have been established based on definitions developed by a working group that defined the elements and criteria to ensure that they are appropriately analyzed.

Another significant event during 2019 involved redefining the ethical minimum monthly salary. The basic definition until last year was based on a differentiated ethical minimum monthly salary with fixed and variable elements that included concepts such as base salary, legal bonuses, commuting allowances and lunch allowances. However, the salaries of those employees located at the lower end of the salary band was improved this year, by excluding the above-mentioned allowances from the definition of minimum monthly salary. The beneficiaries were employees with fixed-term and open-term contracts and it was applied to all employees with salaries lower than this minimum in proportion to a 40-

hour working week. It anticipates the approval of changes associated with the law currently under evaluation in congress. This definition increased the monthly salary of 480 employees and changed the definition of salary bands for nine positions, so it will change the monthly salary for future employees.

Support processes that ensure compliance with current legislation and Banco de Chile's compensation policy found that the average minimum salary at Banco de Chile was 2.16 times the legal minimum salary in 2019. Cost of living adjustments were applied to the salaries of all employees with open-term contracts in May and November, which affected 11,802 employees.



Thus, the bank has maintained its competitive position with respect to minimum monthly salaries. The following table shows the legal minimum salary increase and its relation to the employee's minimum salary.

| | 2017 | 2018 | 2019 |
|----------------------------------|-------------|-------------|-------------|
| Legal minimum salary | Ch\$270,000 | Ch\$288,000 | Ch\$301,000 |
| Minimum salary at Banco de Chile | Ch\$560,000 | Ch\$600,000 | Ch\$650,000 |
| | 1: 2.07 | 1: 2.08 | 1: 2.16 |

Note: The minimum salary at Banco de Chile is expressed in gross terms and includes the monthly base salary, legal bonuses, commuting and lunch allowances.

Banco de Chile continually monitors salary equality to ensure that it prevails under equal conditions, and proposes measures to ensure compliance. It has established salary policies that ensure these principles apply at recruitment and subsequently during the regular monitoring process, as the business and the person's individual career evolves. Although gender gaps can be observed in some segments, these have been identified and explained on the basis of segmentation by seniority, as the men in that position have worked longer than the women, which causes this dispersion.

The average gross salary of female managers is equivalent to 85.7% of men in the same position. The average gross salary of female supervisors is narrower at 97.1% of men in that category. The salary gaps are lower for professional staff (95.9%), technical staff (98.4%) and administrative staff (93.2%).

The biggest gap is in the management category as the executive category was introduced in 2018, and a large number of women joined this category from other categories such as professionals and supervisors with lower gross salaries.

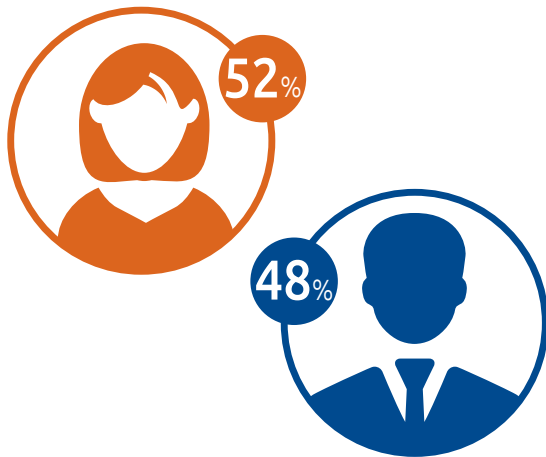
Ratio of Basic Salary for Women Compared to Men by Employee Category^(*)

| | 2019 |
|----------------------|-------|
| Managers | 85.7% |
| Supervisors | 97.1% |
| Professional staff | 95.9% |
| Technical staff | 98.4% |
| Administrative staff | 93.2% |

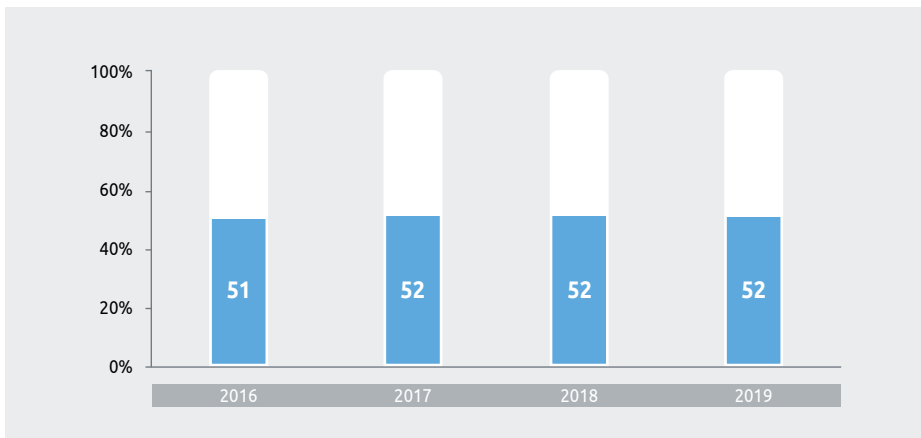
^(*) Average gross salary for women / Average gross salary for men.

The number of women in leadership roles within the bank's organizational structure has grown each successive year. Following the introduction of the deputy manager as part of the executive category in 2019, the position of women in leadership roles has been sustained.

Workforce Distribution by Gender 2019



Female Workforce

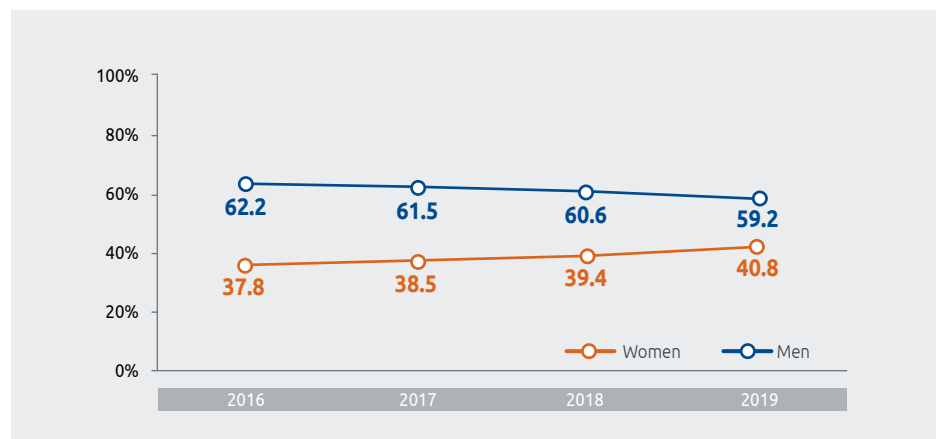


B. Training and Development

The objective of the Training and Development Department is to improve employee skills using tools, evaluations and programs aimed at teaching and expanding the skills required for their position, and to improve the performance and commitment of internal teams.



Female Participation at Executive Level



Strategic Priorities of Training Sessions

Training is divided into six strategic priorities that encompass the development issues and challenges defined by Banco de Chile:

- Orientation
- Efficiency and productivity
- Regulatory courses
- Leadership
- Training
- Commitment to Chile



One strategy to improve the design and implementation of high-impact programs was to strengthen digital strategies, which enable each employee to progress on their training with greater autonomy, while overcoming the barriers caused by geographical distances, thus reaching all of Chile with the same resources. This has had a positive impact on employees outside Santiago, as they were provided with easy-to-use tools required to address their challenges.

Training

The focus of training continues to be strengthening the leadership skills of supervisors and providing them with the tools to reinforce employee commitment to Banco de Chile; developing skills that leverage organizational efficiency and productivity; and providing knowledge that ensures compliance with industry regulations. Emphasis was placed in 2019 on strengthening awareness and knowledge of cybersecurity, with a focus on protecting individuals, their families, the bank and its customers.

In 2019 9,287 people participated in programs, which generated 76,009 enrollments, totaling 247,591 training hours, distributed across 976 activities. Of these, 816 were classroom-based courses and represented 24% of total registrations for the period. Furthermore, 95% of people outside Santiago participated in training sessions in 2019, which is equivalent to 20,572 enrollments.

Managing training program effectiveness

The corporation evaluates learning processes in order to measure the effect of training programs and to encourage employees to benefit from them. Furthermore, a new training management model was implemented in 2019 that separated the functions of work teams, in order to maintain training quality and improve its efficiency, as defined as a goal for 2019.

95% of people
outside Santiago
participated
in training **2019**

Accordingly, a group was formed exclusively to provide courses and engage with participants, and another group specifically dedicated to designing these programs and consulting with the business areas.

A content digitalization plan will be developed in 2020 to secure access and efficiency in training processes, to ensure that the user experience is increasingly positive and to deliver appropriate knowledge that supports user performance. Thus, the bank expects to continue improving its platforms by providing dynamic, attractive content, and adapting the content, format and accessibility to the needs of each employee, which includes using a range of devices, such as a PC, tablet, smartphone, etc.

The Knowledge Evaluation Test (“Prueba de Evaluación de Conocimientos” or PEC) was introduced in 2018, with the aim of optimizing training processes across the Branch Network. This test measures the extent of an executive’s knowledge and skills in areas that may affect their performance. This year 25% of executives from the Retail and SME segments throughout Chile were evaluated, which was used to generate a map describing their strengths and gaps in order to focus their training requirements and redirect programs. The remaining 75% of executives from both segments were invited to participate in the evaluation during 2019, and 97% finally participated. The project involves conducting semi-annual tests that cover all new executives who have completed six months at the bank, and also re-evaluate those who achieved a basic score in previous tests. These three annual processes evaluated 1,076 executives from the Retail segment, 349 from the Corporate segment and 34 commercial assistants. The latter participated in the evaluation on a voluntary

basis. The challenge for 2020 is to continue these semi-annual tests in order to include new executives, while improving support for internal mobility processes.

Another training program is internships for support area supervisors, which includes all the supervisors of non-commercial divisions. The purpose is to help new leaders become aware of the importance of customers, to learn how key business processes and departments operate on the ground, and to generate contact networks within the organization. The program consists of visits to branches, telephone banking facilities and some departments within the Operations Division. During 2019, 62 internships were registered.



Ensuring High Quality Training

The bank uses a four-level evaluation methodology to control and manage training program effectiveness.

Reactive evaluation: Assesses the participant's general impression of the training session, its contents and method, together with their recommendations. 85% of classroom based training sessions this year were subject to this evaluation, with an average score of 6.7 out of 7.0.

Learning evaluation: Assesses the knowledge that the participant acquired during the training session. 88% of training sessions this year were subject to learning evaluations.

Job transfer and training impact evaluation: These two evaluations assess how much of the newly acquired knowledge people apply in their jobs and the impact this new knowledge has on their business indicators. Therefore, the bank prepared a method that cross-checks information about participants with business and performance indicators. This provides an overall evaluation of the programs, contrasting this information with focus groups where participants identify opportunities to transfer what they have learned to their positions.

Impact evaluation: Assesses the impact of training on the business indicators associated with the training requirement. 721 people were evaluated in 2019.



Annual Training by Gender and Employee Category (hours worked)

| Employee Category | 2017 | | | 2018 | | | 2019 | | |
|----------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | Men | Women | Total | Men | Women | Total | Men | Women | Total |
| Total | 159,477 | 160,207 | 319,684 | 143,805 | 132,742 | 276,547 | 125,028 | 122,563 | 247,591 |
| Managers | 4,518 | 671 | 5,189 | 2,646 | 815 | 3,461 | 6,162 | 2,740 | 8,902 |
| Supervisors | 23,394 | 17,748 | 41,142 | 17,810 | 16,413 | 34,223 | 15,711 | 12,406 | 28,117 |
| Professional staff | 50,264 | 49,389 | 99,653 | 42,894 | 40,103 | 82,997 | 27,209 | 22,774 | 49,983 |
| Technical staff | 37,214 | 56,224 | 93,438 | 37,561 | 48,718 | 86,279 | 33,316 | 46,581 | 79,897 |
| Administrative staff | 44,087 | 36,175 | 80,262 | 42,894 | 26,693 | 69,587 | 42,630 | 38,062 | 80,692 |

External Financial Inclusion Programs

The Training and Education team, together with the Corporate Affairs and Sustainable Development Department, arranged two workshops as part of Banco de Chile’s Financial Education Mentors (“Mentores de la Educación Financiera del Chile”) program, which were attended by 50 employees from all over the country. Participants developed skills to become financial ambassadors for the bank and encourage financial education within their teams and their respective local communities. These workshops form part of the Count on Banco de Chile (“Cuentas con el Chile”) program. Furthermore, Wenceslao Unanue, a professor and researcher at the Adolfo Ibáñez University Business School, gave a presentation on happiness and financial well-being. This presentation was attended by 187 employees of the bank.

Pacific Alliance and Co-op Project

In 2017 Banco de Chile committed to implementing programs that provide opportunities to young people in Chile, as part of an initiative proposed by the Pacific Alliance to promote economic and social development among its member countries. Internships and *trainee* programs form part of this initiative. The bank continued to implement the BCH Co-op Project for the third consecutive year. It aims to offer initial job experience to young people from technical high schools, in order to positively impact domestic youth unemployment and dropout rates. Ten students from Santa Juliana Polyvalent School in Recoleta participated in this initiative: five eleventh grade students began the program and five twelfth grade returned to the bank for the second year. They worked at the bank two days a week throughout the year doing tasks related to their technical studies. They were mentored by an employee that guided their learning and development within the organization. The five twelfth grade students have also been offered internships at the bank, which will allow them to complete their secondary education. The co-op project will continue in 2020, with double the number of eleventh grade students.



50 employees
were trained as Banco de Chile Financial
Education **Mentors**

C. Career Development and Performance Evaluations

The Comprehensive Skill Assessment process was repeated in 2019 and covered all the corporation's employees. This process required an upward evaluation (the team evaluates their leader) and a downward evaluation (the leader evaluates their team) together with the corresponding calibration and feedback processes. 99.7% of eligible people were evaluated and the final score was 4.21, which is 0.04 points higher than the previous year.

A self-evaluation module was included this year where each employee could evaluate themselves, and these results were subsequently used to enrich the feedback conversation with their line manager. The skill of "leadership for transformation" was added to positions that lead teams, to help meet the organization's challenges.

A corporate skills dictionary will be compiled during 2020 and adapted to future industry requirements, with a focus on digital transformation.



Performance evaluations
we conducted on **99.7%**

The segment with the highest evaluation percentage
was the administrative segment with **99.9%**
followed by management and
technical segments, both with **99.6%**

Number of Employees whose Performance was Evaluated

| | 2017 | | | 2018 | | | 2019 | | |
|----------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | Men | Women | Total | Men | Women | Total | Men | Women | Total |
| Managers | 99.6 | 99.6 | 99.6 | 100.0 | 99.9 | 99.9 | 99.4 | 99.8 | 99.6 |
| Supervisors | 100 | 100 | 100 | 99.3 | 100.0 | 99.4 | 95.1 | 99.3 | 96.5 |
| Professional staff | 99.9 | 99.6 | 99.8 | 100.0 | 100.0 | 100.0 | 99.5 | 99.2 | 99.4 |
| Technical staff | 99.8 | 99.6 | 99.7 | 100.0 | 99.9 | 100.0 | 99.6 | 99.6 | 99.6 |
| Administrative staff | 99.9 | 99.4 | 99.6 | 100.0 | 99.9 | 99.9 | 99.9 | 99.9 | 99.9 |
| Total | 99.9 | 99.9 | 99.9 | 99.9 | 99.9 | 99.9 | 99.5 | 99.9 | 99.7 |

Internal Mobility

The challenge with respect to internal mobility in 2019 was to maintain the 2018 percentage by developing candidates, and this was successfully achieved, as it increased by 65.9% compared to 2018. The percentage of employee profiles updated in the internal portal increased as well, which helped supervisors gain a clearer understanding of candidates applying for internal vacancies. This resulted in improved internal mobility during 2019, and the internal portal became a powerful tool for leaders filling vacancies and for initiating succession planning.

A mobility publication plan was implemented, which focused on two areas. First, it encouraged employees to use the internal platform to seek promotion within the organization and, second, it reached out to non-employees interested in applying by publicizing the bank's development opportunities through social networks.

Internal Mobility

| | 2017 | 2018 | 2019 |
|-------------|------|-------|-------|
| Development | 616 | 1,059 | 2,124 |
| Promotions | 782 | 895 | 1,117 |

High Performers and Succession Plans

In 2019 the bank worked to identify people that may continue growing within the corporation and could add value when the new challenges facing the bank need to be addressed, with the aim of managing, developing and retaining talented employees. A survey of those employees who

could potentially be promoted into strategic positions began in 2019, to guarantee the stability of teams, prepare for an orderly transition and ensure that appropriate people become available to replace key managers.

C. Organizational Climate

An organizational climate survey was carried out in 2019 using a new instrument that improves the separate analysis of dimensions associated with this indicator. This instrument provided information regarding the Climate, Satisfaction, Recommendation, Continuity and Engagement, the latter being the main innovation since it evaluates the commitment of evaluated employees to their work at the bank. Innovation was also introduced into the implementation method, and instead of a single mass evaluation, the survey used a segmented evaluation by a group of divisions. This enabled evaluated teams to promptly receive their results and guidance. Finally, innovation was introduced into the reporting, where Power BI was used. This tool gave each supervisor a dynamic report that generated analysis in accordance with the dimensions and units that required further investigation. 89% of the organization participated in this process. The results for Climate were 80.7%, for Satisfaction were 90.2%, for Recommendation were 90.7%, for Continuity were 93%, and for Engagement were 91.3%.

Subsequently, those teams that needed to work on a variable associated with poor results used support measures known as Round Tables.



55% of employees promoted in 2019 were women. This figure was **47%** in 2018

62% of promoted employees worked in the Metropolitan Region and **38%** worked outside that region

Most promotions took place in the Commercial Division, accounting for **82%** of the total

Banco de Chile's Style

This is reflected in the Ethics Program, which aims to ensure that employee behavior is aligned with current regulations and the highest ethical standards. It is also reflected in the Leadership Program, which trains the bank's leaders to develop the skills and attitudes required to face the bank's future challenges. The third aspect is Internal Communications, which contributes to strengthening the internal culture.

A. Ethics

The Code of Ethics was updated in 2019, changing its name to the Code of Conduct and adding new updated practices in line with current needs and requirements. Some topics were modified and others were added, expanding from five to eight sections: Bank Secrecy, Acting on Behalf of Banco de Chile, Conflicts of Interest, Use of Bank Resources, Handling Confidential Information, and new sections on Risk and Cybersecurity, Respectful Treatment and Conduct and Internal and External Fraud.

Although the new Ethical Challenge online platform was established as the preferred training tool for these subjects, annual training was not completed this year, as the course lasts three months and started in September. Only 21% of supervisors managed to complete this training together with their teams during the period that the platform was active. Protests broke out in Chile during October and this training had to be postponed.

However, training using the e-learning platform continued during the period, which consisted of two-hour sessions on ethics, and 1,273 people successfully completed this course in 2019. Similarly, 895 employees took part in classroom-based orientation sessions. Each orientation session lasted six hours, one of which is dedicated specifically to addressing the Code of Conduct in depth.

Furthermore, videos were shown that illustrated examples of ethical behavior that put the protagonists in a difficult situation. This revealed how the bank expects its employees to behave when facing ethical conflicts.



Ethical E-learning Training

1,273 people in **2019**

B. Leadership Programs

These programs promote Banco de Chile's style by strengthening the skills of current and future managers. They are used to teach supervisors how the bank expects them to lead their teams and to reinforce corporate values and strategic priorities.

- **Building personal leadership**

This program is directed towards non-supervisory employees who would like to develop leadership skills from the perspective of personal responsibility. The bank organized six classroom-based courses in 2019 lasting 16 hours each and 126 people attended them. The course earned a recommendation index of 100% and an overall score of 6.9 out of 7.

- **Beginning to lead teams**

This program is for people who are taking on supervisory positions for the first time at Banco de Chile, either through external recruitment or internal promotion. It is designed to convey the leadership style that the bank wishes to develop in the individuals taking on this challenge. In 2019, 127 people participated in the course, which was distributed over 16 hours of classroom instruction and was evaluated with the same standards used last year. It earned a recommendation index of 99% and an overall score of 6.8 out of 7.

- **Leading with purpose**

This program is focused on individuals with less than one year experience as supervisors within the bank. Its objective is to provide situation-specific leadership tools and create opportunities for reflection and learning. This year the bank organized nine workshops for 147 supervisors.

- **Leadership in action**

This program aims to help selected supervisors to strengthen their leadership skills. The methodology was implemented individually based on the employee's specific role and provided strategies that positively impact their work. Given the program's success in 2018, the bank also runs group classes to broaden its coverage. A total of 18 supervisors have participated in these development programs during 2019.

- **Today's leaders**

A series of talks for supervisors that address topics relevant to today's leaders. This year digital transformation issues were discussed, and the challenges these bring to Banco de Chile's leaders. A total of 228 supervisors attended them. Presentations were given on two topics: All Possible Futures by Gabriel Gurovic, and New Times, New Leadership by Ignacio Martin. These Santiago-based talks were made available to the entire organization in video format on the bank's digital platform.

- **Managing others' performance**

This workshop is directed towards supervisors and aims to support the performance management of their teams, provide tools for supporting and monitoring people with skill gaps, and manage those employees the bank wants to grow, while creating the opportunity to talk about development. There were 62 supervisors who signed up for this workshop in 2019 and gave it a score of 6.7 out of 7.



C. Recognition Program

The recognition program has three aspects:

- **Gratitude**

Where any person in the bank is encouraged to thank someone else for how they approach their work. The attributes of harmony are used in this process, in order to thank people for their work. About 200 people are thanked through this program every month.

- **The Banco de Chile Selection**

This program enables managers to reward people in their team or other teams who keep strategic priorities at the center of their work in a collaborative manner. It is given every six months. During 2019, 2,055 of these awards were granted.

- **Collaboration**

All the bank's teams are eligible for this recognition program. This consists of choosing a person from another team who stands out for their collaborative approach to their work and contributes to meeting team objectives. During 2019, 1,062 of these awards were granted.





D. Internal Communications

The objectives of internal communications continue to be to garner employee commitment, integration and alignment with the bank's challenges and objectives. Internal communications was focused on strategic initiatives in 2019, with a focus on change management during the implementation of projects that year. For example, the initiatives launched to publicize the 2020 Customer Service Model, where the team raised awareness and a sense of urgency regarding this change among employees, along with communicating the benefits of the model to both employees and customers.

Another focus was cybersecurity and three campaigns were conducted to reinforce it. Tools were provided to identify frauds such as phishing, promote the "Golden Rules" and raise awareness. These included talks, videos of case studies, an online game, communicational activities and other activities. The phishing campaign scored an overall evaluation of 87% and 91% in recall, while the Seven Golden Rules of Cybersecurity campaign scored an overall evaluation of 99% and 94% in recall.

We also communicated the "Compromiso con Chile" (Commitment to Chile) strategic priority, and emphasized the environment and volunteer work using publications in internal media.

An application was launched in 2019 called I Belong to Banco de Chile ("Soy del Chile"), which provides quick, brief and dynamic information about the bank's events. It also allows employees to upload images, leave comments, and to share and tag activities. This application is used voluntarily. It was downloaded 6,476 times during 2019, which equates to 58% of the workforce.

Additionally, the bank offers communication channels where employees can submit questions and complaints. The main channel for both sending and receiving information is the Intranet, which was visited 652,080 times in 2019 and had over 7,000 interactions. A Service Center is also used, which is a platform that provides exclusive on-site, telephone and e-mail support for the corporation's employees.

The challenge for 2020 is to continue communicating the bank's purpose and strategy to employees, and to strengthen the "Soy del Chile" application.



The new application "Soy del Chile" was downloaded **6,476** times, equivalent to **58%** of all employees.

Employee Health and Safety

The Occupational Risk Prevention Department is responsible for overseeing compliance with occupational health and safety guidelines specified in the Internal Order, Hygiene and Safety Regulations. It aims to minimize the possibility of workplace accidents, professional illness and loss or material damage to the corporation's assets. Doing so requires risks to be strategically managed for the entire organization.

In keeping with current regulations, internal standards and guidelines from the bank's workplace insurance provider ("Mutual de Seguridad"), statistics are kept on the following indices to measure management effectiveness: accident, claim, frequency and severity rates. In addition, because the bank's guidelines apply to employees of subcontractors, its risk prevention protocols apply to them as well.

"Banco de Chile believes that preventing accidents and professional illness should be part of every activity, which requires collaboration from all employees. They are invited to share their opinions, ideas and suggestions in order to control and eliminate causes of accidents and professional illness."

Internal Regulations on Order, Hygiene and Safety



Again this year, Banco de Chile received recognition from the Mutual de Seguridad and the National Safety Council for its accident rate. A pilot plan was launched and by the end of 2019 four branches in Santiago were certified as complying with the new ISO 45,001 Standard. A commitment was made to participate in the Road Safety Center run by the Mutual de Seguridad, whose objective is to promote civic responsibility in order to reduce road accidents among the bank's employees.

Furthermore, a Work Break Program was introduced in the Internal Control Division to support processes developed within the Agile methodology. The subsidiary Banchile Corredores de Seguros certified that its Joint Health and Safety Committee reached the Gold Category for the second consecutive year. Protocols for emergencies were developed in coordination with the Corporate Affairs and Sustainable Development Department for over 200 Corporate Volunteer initiatives, such as Competitive Bids, Meaningful Christmas, and other initiatives.

Training encompassed 427 evacuation exercises at branches and head office buildings, as required by the Emergency Plans. The bank participated in 16 earthquake and tsunami drills organized by Onemi across the country. Members of the

Joint Health and Safety Committees attended 24 special training sessions covering emergency plans, risk prevention guidelines, accident identification, first aid, hazard identification, and fire extinguisher use.

We have been working toward the 2020 National Safety Policy safety goals since they came into place in 2016. In 2019, the following goals set for the year were achieved:

- a. An accident rate of 0.64%
- b. A mortality rate of 0%

Furthermore, the entire branch network and CrediChile have a Security Plan covering criminal activities, which includes Emergency Response Protocols. The bank also established the Internal Security Agency ("Organismo de Seguridad Interno" or OSI). This group meets periodically to address matters related to preventing criminal activity, as well as protocols and procedures in the event of an incident, such as an assault, robbery, unauthorized trespassing, vandalism, etc. Any criminal incident involving threat, aggression or personal injury activates Mutual de Seguridad's Critical Incident Rescue Team Program, which

includes professional psychologists who begin by treating people in a state of *shock*. The Risk Prevention Department collaborated with the Business Continuity Department and the People and Organization Division to develop an action plan as a result of the social unrest that began in 2019.

Furthermore, the credentials for private security guards needed renewing in 2019, which required 40 hours of retraining. The guards are instructed on legal matters pertaining to private security, use of firearms, first aid and other aspects required for them to perform well.

Safety and Occupational Health Indicators

2020 Goals



Achieve Competitive Company Program certification run by the Mutual de Seguridad for the head office and branches at Ahumada 40, Vitacura and Libertad, Viña del Mar.



- a. Decrease the accident rate from 0.64% in 2019 due to occupational accidents and diseases.
- b. Maintain the target proposed by the government in its National Policy on Occupational Health and Safety, and achieve a road traffic accident rate of 0.8% in 2020.

| | | | |
|--|-------|-------|-------|
| Accident rate (%) | 0.59 | 0.50 | 0.64 |
| Claims rate (%) | 16.9 | 19.92 | 13.82 |
| Severity index | 48.94 | 40.87 | 46.32 |
| Frequency index | 2.36 | 1.8 | 2.53 |
| Total days lost to work-related accidents (N°) | 1,432 | 2,284 | 1,225 |
| Days lost to illness (N°) | 530 | 1,103 | 225 |
| Fatalities (N°) | - | - | - |

Occupational Health and Safety Indicators by Region

| Indicators by region | Accident rate (%) | Claims rate (%) | Incidence of occupational diseases (%) | Total days lost (No.) | Fatalities (No.) |
|-------------------------|-------------------|-----------------|--|-----------------------|------------------|
| Arica and Parinacota | - | - | - | - | - |
| Tarapacá | - | - | - | - | - |
| Antofagasta | - | - | - | - | - |
| Atacama | - | - | - | - | - |
| Coquimbo | - | - | - | - | - |
| Valparaíso | 0.95 | 5.2 | - | 39 | - |
| Metropolitan Region | 0.7 | 10.85 | 0.06 | 899 | - |
| Lib. Bernardo O'Higgins | 1.29 | 2.58 | - | 6 | - |
| Maule | - | - | - | - | - |
| Ñuble | - | - | - | - | - |
| Biobío | 0.42 | 2.77 | - | 13 | - |
| La Araucanía | 0.847 | 94.06 | - | 222 | - |
| Los Ríos | 1.9 | 7.61 | - | 8 | - |
| Los Lagos | 0.48 | 12.24 | - | 30 | - |
| Aysén | 2.777 | 13.8 | - | 5 | - |
| Magallanes | 1.21 | 1.21 | - | 1 | - |

Joint Committees

The main milestone was certifying that the Joint Health and Safety Committee reached the Gold Category for the



2020 Goals

- Achieve Bronze Category certification by eight Joint Health and Safety Committees.
- Achieve Silver Category certification by four Joint Health and Safety Committees.

Although the goals for 2019 regarding the certification of Joint Committees were not met, Bronze Category certification was achieved by four Joint Health and Safety Committees, and Gold Category certification was achieved by one Joint Health and Safety Committee.



second consecutive year at the subsidiary Banchile Corredores de Seguros. This is the first time that a bank committee has remained in this category.

The Joint Health and Safety Committees increased to 55 during 2019, while the percentage of employees represented also increased to 63%.

The regulations governing the Joint Health and Safety Committees regulate how they operate and what they must do. Therefore, the bank has a corporate standard plan that includes monthly meetings, accident investigation commissions, workplace inspections, training, publications and other activities.

Furthermore, road safety initiatives were carried out in 2019, in accordance with commitments in the 2018 plan. Therefore, a visit was organized to the Road Safety Center of the Mutual de Seguridad, with the aim of discovering more about these facilities and equipment and improving the planning of future visits for the bank's employees.

Joint Committees

| | 2017 | 2018 | 2019 |
|------------------------------------|------|------|------|
| % of employees on Joint Committees | 54 | 55 | 63 |
| Number of Joint Committees | 50 | 51 | 55 |

Occupational Health

The National Protocol Implementation Committee of the Ministry of Health (Minsal) was formed in 2019. It held monthly meetings in accordance



with its plan, and it analyzed and responded to the Sentinel Cases (“Casos Centinelas”), which are classified as occupational mental illnesses, workplace harassment, etc. Additionally, the Committee will restart its psychosocial risk assessments after the 2020 Efficiency and Branch Projects are completed. Implementation of the manual load handling protocol was postponed at all branches whose vaults are located on a different floor than the tellers, until after the branch project is completed.

Another milestone during the year was re-evaluating the Noise Protocol at the Ahumada 48 Telephone Bank, which involved 250 employees, according to the Ministry of Health.

Furthermore, the department has participated in meetings with specialists with the aim of mitigating

with internal regulations and the Labor Relations Policy. These documents establish

the Company’s responsibility for safeguarding a positive work environment, fostering relationships of respect and good team relations, sanctioning any type of conduct that could be perceived as workplace harassment or mobbing. The Policy also guarantees fair compensation based on objective criteria. The only differences allowed are those associated with ability, qualifications, suitability, responsibility and productivity, or other similar characteristics of the employee in the position. In conformity with Law 20,348, differences based on elements associated with employee gender are prohibited.

Likewise, the bank safeguards against the

mental health pathologies and their effects, in order to be prepared for the potential effects on employees as a result of the social unrest.

There were four occupational diseases recognized by the regulatory bodies during the period, mainly referring to psychosocial pathologies, particularly as a result of occupational stress.

Labor Relations

The People and Labor Relations Department manages relationships with the nine unions and is responsible for implementing initiatives that strengthen their leadership skills, in accordance

disclosure of information relevant to the entire organization in terms of decision making or resolution of differences regarding how to address a situation with labor or union ramifications.

The Digital Transformation and Innovation Working Committee was created half-way through the year. It is composed of two leaders from each union and representatives from the People and Organization Division. Its objective is to understand this shift in paradigm, focusing on its effects on internal culture, the management of people and teams, sharing visions on digital transformation and innovation, while receiving mutual feedback on its application within



Banco de Chile. Furthermore, a meeting, an information workshop and a feedback workshop were organized with all the unions.

Although no collective negotiations took place in 2019, the good climate with unions is expected to continue during the negotiations in 2020, especially bearing in mind the socio-economic and political climate towards the end of 2019.

Unions

5th Region North Union

6th and 7th Regions Union

8th Region South Union

Punta Arenas Union

National Union

Banco de Chile Union

BAE Union

Citibank Union

Promarket Union

Percentage unionized

| | 2017 | 2018 | 2019 |
|--|------|------|------|
| % unionized employees | 72 | 78 | 78 |
| % employees covered by collective agreements | 28 | 85 | 94 |





ENVIRONMENT



Corporate Eco-efficiency

Climate Strategy

Banco de Chile



Corporate Eco-efficiency

Caring for the environment is one of the four pillars of Banco de Chile's Sustainability Strategy⁽¹⁰⁾, which reflects its Commitment to Chile and to future generations. Therefore, the corporation has developed programs and initiatives designed to manage the direct impacts of its business on the environment. They focus on efficiently managing energy, solid waste, paper and water, as well as reducing direct greenhouse gas emissions (GHG). Furthermore, it has designed initiatives to mitigate pollution and restore or rehabilitate deteriorated areas, within the corporate volunteer program.

The department responsible for designing and implementing projects and programs to minimize the environmental impacts of bank business are the Administration department, which reports to the Financial Reporting and Control Division, in coordination with the Corporate Affairs and Sustainable Development Department, which reports to the People and Organization Division.

Milestones in 2019 include implementing the integrated waste management plan, launching the "Travel with Banco de Chile" carpooling application, issuing the first corporate green bond, and joining the public-private Green Agreement whose objective is to contribute to financial stability and achieve Chile's climate commitments.

The Environmental Sustainability Policy has been prepared and is ready for board approval, but its approval and publication has been delayed until early 2020 due to the current social unrest.

Electricity consumption measured in kWh/m² is expected to fall by 1.5% in 2020. The proposed emissions goal is to achieve an annual reduction of 2.5% from the base year value⁽¹¹⁾. The consumables and recycling goals are to reduce paper consumption by 8% and increase the recycling rate by 5%, while extending this program to branches located outside Santiago.



⁽¹⁰⁾ Further details regarding the other sustainability strategy pillars can be found in the Community chapter.

⁽¹¹⁾ The base year for this measurement is 2018.

Energy Efficiency

Banco de Chile's energy efficiency programs and measures have focused on automatically controlling air conditioners and heaters, and upgrading less efficient equipment, as they represents 60% of the organization's total energy consumption⁽¹²⁾.

The 2019 goal of migrating fluorescent lamps to LEDs will continue. 25% of all fluorescent lighting in its main buildings have been replaced.

The energy management and efficiency program will continue in 2020 with the aim of reducing the organization's energy use by 1.5% measured in kWh/m².

Energy Consumption Within the Organization 2017-2019

| | Unit | 2017 | 2018 | 2019 |
|--|--------------------------|-------------|-------------|-------------|
| Fossil fuels | GWh | 2.9 | 3.2 | 3.1 |
| Electricity | GWh | 36.2 | 37.2 | 35.8 |
| Total energy required by the organization | GWh | 39.1 | 40.4 | 38.9 |
| Banco de Chile network area (branches + buildings + recreational centers) | m ² | 457,131 | 453,931 | 450,731 |
| Energy use intensity | kWh/m² | 85.6 | 89.1 | 86.2 |

Energy consumption outside the organization, but within its value chain, was identified and quantified in 2019, in order to identify potential reductions in energy use that the organization could implement or influence.

Energy Consumption Outside the Organization (2017-2019) in GWh

| | 2017 | 2018 | 2019 |
|---|-------------|-------------|-------------|
| Transporting valuables | 7.0 | 4.0 | 4.0 |
| Electronic banking by customers | 2.3 | 2.5 | 3.0 |
| ATMs outside Banco de Chile branches | 4.3 | 4.5 | 5.7 |
| External data centerservice | 10.2 | 9.8 | 10.6 |
| Total energy required outside the organization | 23.8 | 20.8 | 23.2 |



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302-1

302-2

302-3



⁽¹²⁾ The remaining energy consumption is lighting and computer equipment with 25%. The remaining 15% of energy is used to operate the communications rooms, call center and other equipment.



Management of Greenhouse Gas (GHG) Emissions

Banco de Chile hired the engineering firm Proyectae⁽¹³⁾ for the third consecutive year to quantify its corporate greenhouse gas (GHG) emissions, in order to take responsibility for its direct impact on the environment and improve its environmental performance,

Carbon footprint measurement was based on the method established in the Greenhouse Gas Protocol⁽¹⁴⁾. Corporate GHG emissions were quantified using the 2004 Corporate Accounting and Reporting Standards (Corporate Standard)⁽¹⁵⁾ and the intensity indicator for products was quantified using the 2011 Product Life Cycle Accounting and Reporting Standard⁽¹⁶⁾ as a reference.

The implementation of a formal GHG measurement and reduction plan was evaluated during this period, as well as the involvement of data center service providers and valuables transporters in providing the information required to calculate and extend the scope of carbon footprint measurements to its value chain.

The bank's total carbon footprint for this period was 71.6 ktCO₂e. This measurement revealed that the main sources of GHG emissions were: transporting customers to branches, electricity consumption and transporting employees to their workplaces every day.

⁽¹³⁾ <https://proyectae.cl/>

⁽¹⁴⁾ <http://www.ghgprotocol.org>

⁽¹⁵⁾ <http://www.ghgprotocol.org/standards/corporate-standard>

⁽¹⁶⁾ <http://www.ghgprotocol.org/standards/product-standard>

Organization’s Total Greenhouse Gas(GHG) Emissions (2017-2019)

| Scope | Category | 2017 | 2018 | 2019 ⁽¹⁾ | |
|-------|--|--------------------|--------------------|---------------------|--------------|
| | | tCO ₂ e | tCO ₂ e | tCO ₂ e | % |
| 1 | Fixed source combustion | 43 | 57 | 63 | 0.1 |
| 1 | Mobile source combustion ⁽²⁾ | 752 | 806 | 770 | 1.1 |
| 1 | Leakage emissions ⁽³⁾ | 898 | 927 | 885 | 1.2 |
| | Subtotal scope 1 | 1,693 | 1,790 | 1,718 | 2.4 |
| 2 | Electricity consumption ⁽⁴⁾ | 15,382 | 15,910 | 14,643 | 20.4 |
| | Subtotal scope 2 | 15,382 | 15,910 | 14,643 | 20.4 |
| 3 | Customer transport ⁽⁵⁾ | 41,858 | 39,460 | 35,284 | 49.3 |
| 3 | Employee transport | 8,258 | 8,013 | 7,996 | 11.2 |
| 3 | External data center service | 3,425 | 4,165 | 4,304 | 6.0 |
| 3 | Electronic banking by customers ⁽⁶⁾ | 2,332 | 2,944 | 3,653 | 5.1 |
| 3 | Business trips | 1,339 | 1,687 | 1,714 | 2.4 |
| 3 | Other sources | 3,513 | 2,394 | 2,330 | 3.2 |
| | Subtotal scope 3 | 60,726 | 58,665 | 55,282 | 77.2 |
| | Total GHG emissions | 77,801 | 76,364 | 71,642 | 100.0 |

(1) Based on information available as of January 10, 2020.
 (2) The organization began reporting its mobile sources this year.
 (3) Conservative estimates of refrigerant gas leakage in air-conditioning systems.
 (4) Calculated using a localization method.
 (5) Emissions from customer trips to branches have been based on a transport survey.
 (6) Energy used by customers remotely using web platforms + energy used by off-branch ATMs + energy used by third-party ATM transactions.

The emissions management goals for 2020 are in line with the proposal made by the Science Based Targets initiative⁽¹⁷⁾, which contributes to the goal of keeping the Earth’s temperature increase below 2°C. Accordingly, the bank expects to achieve an annual emission reduction of 2.5% compared to the base year in 2018, which will result in a reduction from 36 kgCO₂e/m² to 35 kgCO₂e/m².



(17) <https://sciencebasedtargets.org/>



Outstanding Practice: Sustainable Employee Transportation

One of the bank's principal environmental impacts is employee transportation to work. Fuel is burned as they travel to and from their workplaces, which generates GHG emissions.

Therefore, the bank has created and provided initiatives for its employees that promote sustainable transport since 2015.

The pioneering initiative was BiciChile, which created a bicycle parking facility with excellent storage services, dressing rooms, showers and laundry area.

This initiative enabled 170 employees working at branches in downtown Santiago to travel to work by bicycle during 2019. As a result, CO₂ emissions were reduced by 16.8 tons.

This initiative was complemented by launching the Travel with Banco de

Chile ("Viaja con el Chile") carpooling application, which helps employees travel together to and from work.

This program is both a web platform and a mobile application that invites employees to share their journeys.

All the bank's employees throughout Chile can join the program. Everyone can publish their daily routes using this tool, either as drivers or pedestrians, and thus find travel companions.

By the end of 2019⁽¹⁸⁾ the application had 413 users and 92 journeys had been created, which are mostly regular journeys from Monday to Friday. This represents 14,423 kilometers of carpooling and CO₂ emissions were reduced by a total of 2,518 kg, by decreasing the number of cars used to transport employees to their workplaces.

Waste Management and Recycling

Another main environmental impact is solid and liquid waste, which for the most part is produced in facilities such as dining halls, the headquarters building and all other offices throughout the country.

A recycling-based waste management project was designed and implemented during 2019 and involves all the bank's employees, making them protagonists of the program We Decided to Recycle at Banco de Chile! ("¡En el Chile decidimos reciclar!").

The project included installing recycling sites at 186 branches, including the headquarter and central buildings, reaching a total of 540 recycling sites and impacting a total of 8,300 employees.

The recycling sites manage solid waste such as paper, PET plastic bottles, glass, cans and batteries. The waste collected at each site is removed every week by providers who certify its removal and transfer it to recycling plants⁽¹⁹⁾, where it is processed and converted into other products.

This project had succeeded in recycling 15,084 kg of paper, 1,462 kg of PET bottles, 174 kg of bottle caps, 308 kg of cans and 1,206 kg of glass by the end of this period.

The bank's computer equipment becomes obsolete as a result of technological upgrades, accordingly it continues to work with the Chilenter Foundation⁽²⁰⁾ to collect and sustainably transform its electronic waste. 1,855 *notebooks*, CPUs and LCD screens were recovered during the current period through this alliance.



⁽¹⁸⁾ Two months after the application was launched.

⁽¹⁹⁾ Recycling plants such as Recipet, Metalum, Comberplast, Cristalerías Chile and SOREPA.

⁽²⁰⁾ www.chilenter.com

Waste by Type and Disposal Method (2017-2019)

| Waste | Unit | 2017 | 2018 | 2019 |
|----------------------------------|-------------|--------------|----------------------|--------------|
| Central buildings | | | | |
| Total | tons | 1,367 | 1,421 | 1,461 |
| Recycling rate | % | 11% | 11% | 10% |
| Non-hazardous to landfill | tons | 1,222 | 1,265 ⁽¹⁾ | 1,320 |
| Recycling and/or treatment | tons | 145 | 156 | 141 |
| Paper and cardboard | tons | 117 | 154 | 115 |
| Other recyclables | tons | 0 | 0 | 15 |
| E-waste: Batteries | tons | n/a | 0.91 | 0.84 |
| E-waste: CPU, screens and others | tons | 28 | 1 | 11 |
| Branches⁽²⁾ | | | | |
| Total | tons | 575 | 587 | 592 |

⁽¹⁾ Value was corrected from 1,852 tons to 1,265 tons, due to a data handling error.

⁽²⁾ Estimates based on the 2018 sampling campaign.

Chile Without Waste Project: Country Without Waste Challenge by 2040

Banco de Chile joined the Kyklos environmental culture firm (a B corporation), with the aim of promoting an initiative asking everyone to reduce their solid waste that ends up in landfills.

Chile leads waste generation per capita in South America with 1.15 kilos per person per day, which is equivalent to over 7.5 million tons of municipal solid waste that ends up in landfills each year. Only 1.5% of this waste is recycled or composted⁽²¹⁾. This figure places Chile and Turkey as the countries in the Organization for Economic Cooperation and Development (OECD) that send the highest waste percentage to landfills.

Initiatives have emerged in recent years to change this situation, such as the Extended Producer Responsibility Act (REP), which obliges manufacturers to organize and finance the management of waste generated by their

products. Some municipalities have also promoted waste collection systems to encourage recycling. However, an overall, permanent solution requires everyone to participate.

Therefore, Chile without Waste proposes four aspects, in order to contribute to an overall and participatory solution: Education and Culture, Infrastructure and Logistics, Design and Construction, and Public Policy.

Banco de Chile committed the support and participation of its organization and employees to various initiatives within the Chile without Waste campaign.

Purchase and Use of Consumables

Paper is not only the bank's main source of waste but also its primary business consumable. Therefore, efficiently using paper has become one of the focuses of managing internal environmental impacts.

An estimated annual saving in paper consumption of 6% had been achieved by the second half of 2019 compared to 2018. This is equivalent to a 31 ton decrease in consumption⁽²²⁾.

The main achievements of the year include initiatives aimed at reducing the consumption of paper and other consumables. Initiatives that will be implemented during 2020 include:

- a) Eliminating articles that are not indispensable to daily business.
- b) Converting physical correspondence with customers to virtual.
- c) Eliminating paper folders with details on products for customers.
- d) Changing the technology used in digipasses, in order to progress from a physical device to a virtual one
- e) Installing state-of-the-art printers that more efficiently use paper and other printing consumables.

⁽²¹⁾ Data from the Fourth State of the Environment Report published in 2018 by the Ministry of the Environment.

⁽²²⁾ Calculation as of August 2019.

These measures are expected to achieve 8% savings in paper consumption, which is equivalent to a reduction of 40 tons per year.

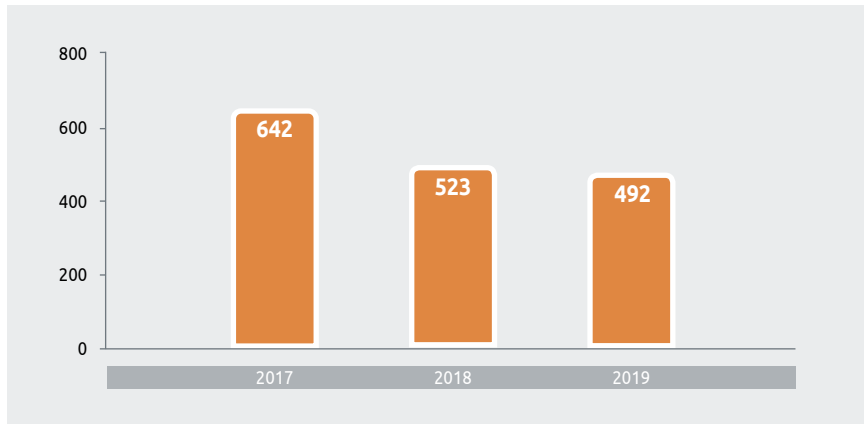
Water Efficiency

Although water management is not a principal environmental issue for the bank, it has become a critical issue for Chile and the world, because one of the principal consequences of climate change affecting every country is water scarcity.

According to a study by the World Resources Institute (WRI) published in August⁽²³⁾, Chile is ranked 18th among countries with the greatest water stress in 2019. Accordingly, the bank recognizes the importance of water management and the commitment of everyone to care and protect this resource. Although water efficiency initiatives were introduced some years ago, this information will only be reported from 2019 onwards.

The Administration Department is responsible for water management, in coordination with the Corporate Affairs and Sustainable Development Department. This responsibility covers ensuring regulatory compliance, meeting objectives, defining metrics and continual monitoring.

Paper Consumption (2017- 2019) (tons)



The bank's principal goal is to establish a consistent measurement system and reduce consumption by 2%.

Water Consumption by Source (2017- 2019) (in millions of cubic meters)

| | 2017 | 2018 | 2019 |
|--------------------------------|-------------|-------------|-------------|
| Supplied by third parties | 0.40 | 0.30 | 0.28 |
| Surface | 0.00 | 0.00 | 0.00 |
| Ground | 0.00 | 0.00 | 0.00 |
| Total water consumption | 0.40 | 0.30 | 0.28 |



⁽²³⁾ <https://bit.ly/38Vu9t9>

Climate Strategy

Banco de Chile recognizes that managing its GHG emissions and developing a climate change strategy is a priority issue, in view of the challenge that climate change poses to all humanity. Initially it has quantified the three scopes of its carbon footprint and its corporate strategy includes incorporating climate change into the organization's risk matrix.

The bank's climate change strategy included issuing its first corporate green bond in 2019, and it became a signatory to the Green Agreement launched in December, which is led by the Ministry of Finance.

Green Bond

For the first time in its history, Banco de Chile issued a 12-year US\$48 million green bond in Hong Kong in August at a rate of HKD + 2.90%, which will be used to finance several sustainable renewable energy projects located in various parts of the country.

It was issued under the MTN program and will mature in 12 years' time in July 2031. The funds will be used to finance projects, which have already been placed, and support renewable energy projects, such as photovoltaic power plants, run-of-river hydroelectric plants, reservoirs and power plants that generate electricity from methane.

Green Agreement

The Green Agreement⁽²⁴⁾ is a voluntary commitment by the financial sector, the government and regulators, which defines the general principles regarding the management of risks and opportunities related to climate change in decision making and binds them to take concrete actions in this area.

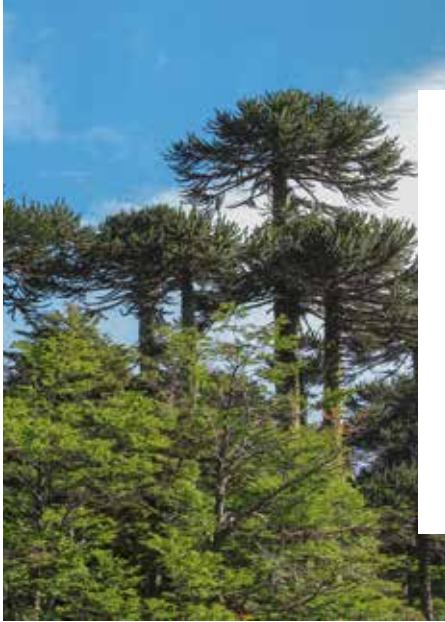
This agreement contributes to financial stability and to achieving the country's climate commitments. The Green Agreement has four foci, which are: Governance, Strategy and Opportunities, Risk Management, and Targets and Metrics.

At the beginning of the year, Banco de Chile joined the working group led by the Association of Banks and Financial Institutions Association (ABIF). An objective was to contribute to the preparation, approval and dissemination of a Green Financial Sector Agreement promoted by the Public-Private Green Finance Committee at the Ministry of Finance.

Financial institutions in general and banks in particular have a key role as economic catalysts as they impact people's quality of life. Their products and services respond to the needs and objectives of society, thus contributing to long-term value generation.

⁽²⁴⁾ <https://mfv.hacienda.cl/>





Accordingly, this banking industry initiative contains the following specific agreements:

1. Promote a sustainability culture, adopting policies, mechanisms and internal processes that increasingly absorb Environmental, Social and Corporate Governance (ESG) principles into management.
2. Promote incorporating ESG variables into asset management and customer and project risk analysis.
3. Promote a strategy that is consistent with the needs and objectives of society, improves people's quality of life, encourages the responsible use of natural resources and protects the environment.
4. Promote cooperation and integration among banking institutions.





COMMUNITY



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Banco de Chile



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The Corporate Affairs and Sustainable Development Department is responsible for defining, managing and measuring the sustainability strategy, whose mission is to fulfill the strategic priority of the “Commitment to Chile”. It is also responsible for reinforcing corporate values and culture using external communication, stakeholder management, and the Corporate Volunteer Program, as well as forming partnerships with specialist foundations and public and private organizations.

It promotes measures that develop a more inclusive society by implementing programs that reinforce

its national commitment. A new Deputy Corporate Communications Manager was appointed in 2019, who is responsible for corporate communications, press and external media relations, and other duties. A Corporate Affairs Project Manager was also appointed to strengthen financial education, support the SME segment, and add value to Banco Edwards' sustainability strategy. Furthermore, it strengthened internal procedures to improve the Corporate Volunteer Program and improve online platform use, in order to promote and facilitate participation in this program. A project management and monitoring platform was also developed.

The bank's social investment during 2019 was Ch\$6,447 million. This is part of the budget committed to Teleton 2019, which was postponed to April 2020. The difference in comparison with 2018 is due to the bank's investment in activities that celebrated the 125th anniversary of the corporation and the 40th anniversary of the Teleton.

Social Investment 2017-2019 (\$)

| | 2017 | 2018 | 2019 |
|--|---------------|---------------|---------------|
| Total social investment ^(*) | 4,334,235,511 | 9,703,422,292 | 6,447,403,796 |

^(*) Social investment includes deductible and non-deductible donations, sponsorships, SENCE tax exemptions and other activities included in the department's budget, and the SENCE tax exemption.

Internal and External Contingency Plan

As a result of the large-scale protests that began on October 18, Banco de Chile implemented a Contingency and Operational Continuity Plan. It aimed to ensure the safety of employees, customers and suppliers, and enabled branches located outside the hazardous areas selected by the authorities to be opened in just 48 hours.

Measures such as flexible arrival and leaving times, transport in minibuses and an extraordinary commuting bonus of Ch\$50,000 were adopted, in order to support employees. Management maintained direct and continual contact with the trade unions to ensure the wellbeing of employees. It also guaranteed a minimum monthly salary of Ch\$500,000 with effect from November 2019 and guaranteed that employees receiving variable salaries would not be affected by the contingency, which mainly benefited those whose salary is based on commission.

A support program was implemented with psychological services and massage sessions to mitigate stress. All available service channels were strengthened to deal with social, psychological and legal queries, in

order to keep direct communication channels open. At the same time, a team of managers conducted a telephone survey to find out the needs of teams. Employees facing family, health or personal problems were invited to participate in the bank's Counseling Program to receive support.

The bank had nine severely damaged branches as of December. All employees affected by the social unrest were relocated to nearby branches that were still operational.

A National Support Plan for SMEs and Entrepreneurs was designed and implemented, which reduced the payment to small companies of suppliers' invoices from an average of 21 to 10 days. Loan restructuring was offered to SME and entrepreneur customers, which consisted of rescheduling them with preferential rates, as well as offering them emergency loans repayable over 37 months.

It made an extraordinary appeal for its internal Competitive Finance program so that employees could also commit to the recovery of infrastructure, machinery and tools for SMEs and

entrepreneurs nationwide. Therefore, it provided Ch\$3 million to each project, totaling Ch\$95 million. It organized and sponsored six Christmas fairs in five communities in the Metropolitan Region with the participation of all entrepreneurs, customers and non-customers alike, whose sales had fallen considerably due to the crisis, in order to help them sell their products and services. It made available all its internal communication channels and mass media advertising channels to SMEs and entrepreneurs, so that they could publicize their businesses and advertise their products thus helping them to re-establish their livelihoods.

The partnership with Desafío Levantemos Chile Foundation also led to a fundraising campaign to help affected micro-entrepreneurs, which provided them with infrastructure without structural damage, merchandise and working tools. Together with Banco de Chile employee volunteers, it provided 16 new refrigerators valued at Ch\$7 million to micro-entrepreneurs at the Regional Supply Center (CREA) in Talca, whose premises and equipment were destroyed by a fire triggered by the social unrest.



Assessments

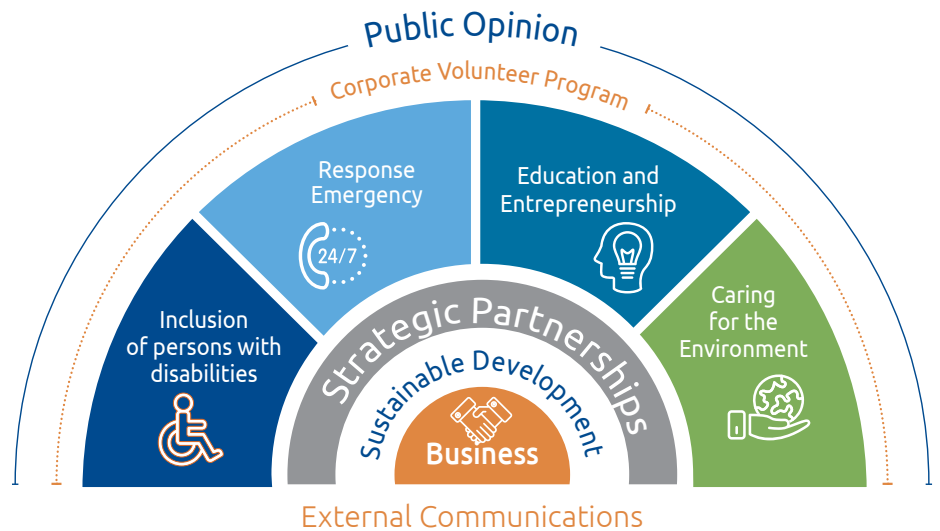
Banco de Chile uses various communication channels to manage its stakeholder relationships, which gather information in order to respond to queries and manage concerns. It uses social networks to manage its external relations, with a Telephone Banking Area dedicated to managing customer and community queries and requirements 24 hours a day, seven days a week.

The corporation designed a new social networking strategy in 2018 to publicize its sustainability achievements. This strategy involved measuring the results of four communication campaigns on Facebook, Instagram and Instagram Stories in 2019.

Furthermore, it has introduced compliance metrics and targets for all its initiatives. It was a member of the Dow Jones Sustainability Index (DJSI) in 2019, for the fourth consecutive year.

Another milestone was adopting the United Nations Principles for Responsible Investment (PRI) through Banchile. These principles promote responsible investment as a strategy and practice for incorporating Environmental, Social and Corporate Governance (ESG) factors into investment decisions. The Financial Education Program and the Entrepreneurial Challenge Award were recognized initiatives in response to United Nations Sustainable Development Goals 4 and 8.

Sustainability Strategy



Corporate Volunteer Program
Strategic Partnerships

| Organization-wide Pillar | Pillar | 2019 Commitments | 2019 Activities | 2020 Commitments |
|--|--------|---|--|---|
| Inclusion of persons with disabilities | | Achieve the Teleton goal, promote employee participation and ensure that collection channels are available all over Chile. | Teleton was postponed to 2020. | Achieve the goal, promote employee participation from the biggest Corporate Volunteer Program in Chile. |
| | | Guarantee the internal Persons with Disabilities Inclusion Program, keep the recruitment percentage at 1% and make new hires. | Consolidate the Inclusion Program, exceed the recruitment percentage of 1% and support these employees throughout their career. | Increase the attraction, retention and promotion of talented people. |
| | | Keep the Inclusion Working Group focused on physical accessibility, digital accessibility and inclusion of persons with disabilities. | Strengthen the work of the Inclusion Working Group. | Continue this work and focus on adopting employment development technologies for persons with disabilities. |
| | | Implement 424 inclusive ATMs as part of External Inclusion Program. | Implement 431 inclusive ATMs. | Continue to replace all its ATMs until they are all inclusive. |
| | | Participate in Sofofa's Inclusive Company Network. | Position the bank as an inclusive employer by participating in Sofofa's Inclusive Companies Network, Public Policy Working Group and participating in the editorial committee for the Good Practices Manual for Inclusive Companies led by the Ministry of Labor and Social Welfare. | Guarantee its role as an inclusive employer. |
| | | Develop and implement an Inclusive Communications Handbook. | First year that the Inclusive Communications Handbook has been internally and externally implemented. | Consolidate the use of the Inclusive Communications Manual. |
| | | Arrange inclusion events outside Santiago to create community awareness. | Official sponsor of Expo Inclusion in Santiago and Antofagasta for the second consecutive year. Inclusive Practices Pilot project for students with disabilities, and partnerships formed with the Universidad Católica, Andrés Bello, UTEM, Santo Tomás, USACH and Instituto AIEP. | Continue to support events that promote inclusive employment of persons with disabilities. Consolidate the Inclusive Practices Pilot project for students with disabilities. |
| | | Support the 22nd Chilean open wheelchair tennis championship and sponsor Paralympic tennis players. | Support the Chilean open wheelchair tennis championship for 22 years. Sponsor paralympic tennis players, Macarena Cabrillana and Alexander Cataldo. | Support the 23rd Chilean open wheelchair tennis championship and continue to sponsor Paralympic tennis players. |

Corporate Volunteer Program
Strategic Partnerships

| Organization-wide Pillar | Pillar | 2019 Commitments | 2019 Activities | 2020 Commitments |
|--------------------------|------------------------|--|---|--|
| | Entrepreneur education | Provide employees with financial and entrepreneurial education. | The Count on Banco de Chile ("Cuentas con el Chile") program was launched, which trained the first generation of 50 Financial Education mentors throughout Chile. | Train the second generation of Financial Education mentors. |
| | | Develop and implement a financial education program for students and employees. | Financial education workshops were held for over 7,000 young people, adults and micro-entrepreneurs. | Launch the Digital Financial Education program for educational centers. Launch the Inclusive Financial Education plan. |
| | | Redesign the final stage of the Desafío Emprendedor contest and launch the fourth contest. Apply, develop and position the Count on Banco de Chile ("Cuentas con el Chile") program as the basis for all sustainability initiatives. | <p>The final stage of the Desafío Emprendedor contest was redesigned, adding a section called "the pitch", where entrepreneurs had two minutes to present their products to a specialized jury.</p> <p>Furthermore, the final stage of the 3rd contest was completed, where 30,140 entrepreneurs applied, and prizes were awarded to the top five ideas.</p> <p>The bank invited applications to the Fourth Entrepreneurial Challenge contest and received 56,532 applications. Training was provided to 23 entrepreneurs per region and three regional fairs were planned.</p> | Complete the final stage of the fourth Desafío Emprendedor contest and launch the fifth contest. |
| | Emergency Response | Continue to support people affected by natural disasters and the current social unrest by strengthening the emergency volunteer team and promoting regional participation. | <p>A third appeal for volunteers was published in the Metropolitan Region. There are 42 active volunteers trained in first aid, crisis and emergency decision-making, and other skills.</p> <p>Participate in the first CERT conference in Chile to celebrate "International Disaster Reduction Day".</p> | Publish the fourth appeal for emergency volunteers in the Metropolitan Region. |

Inclusion of Persons with Disabilities

Banco de Chile's commitment to inclusion for persons with disabilities began 41 years ago through its partnership with the Teleton Foundation, which was reinforced in 2016 when a program was designed and implemented to promote inclusion within the organization, based on a policy, a declaration of principles, and three specific initiatives to support employees, customers and the community, which were the Teleton campaign, the Persons with Disabilities Inclusion Program, and the Inclusion Working Group.

Teletón

For the first time in 41 years, the Teleton decided to postpone the date of the campaign to April 2020, due to the social crisis. Nevertheless, sponsors paid their annual contributions in order to keep the rehabilitation work going at the institutes.



A. Persons with Disabilities Inclusion Program

The bank encourages the recruitment of persons with disabilities from a rights-based approach, and promotes their development and full participation through guidelines expressed in the Inclusion Policy for Persons with Disabilities and the declaration. The program addresses physical and digital accessibility and employment inclusion.



The Persons with Disabilities Inclusion Policy considers the principles of justice, respect, non-discrimination and equal opportunities with equity. This serves to recognize effective inclusion as an asset for the corporation and a hallmark that will contribute to Chile's development.



Physical and Digital Accessibility

Banco de Chile's branch network began to be adapted in 2018, in order to provide full accessibility to the general public. Accordingly, the Vitacura branch was inaugurated as the first office fully equipped to serve persons with disabilities, and 30 inclusive kits were installed nationwide in ATMs for people with visual impairment. All branches had inclusive access to self-service machines by 2019, and 431 ATMs met the Americans with Disabilities Act (ADA) standard for height and inclusiveness

Furthermore, a customer service protocol for persons with disabilities was reinforced every six months at all branches. This protocol establishes how they should be served when tellers are not

easily accessible, for example, when they are located underground, on second floors or are only accessible by stairs.

Employment Inclusion

The Employment Inclusion Program was launched in 2017 with a job analysis initiative to prepare the organization for its new recruits. Two years later, this program has been strengthened and career management for persons with disabilities and the role of their leaders and teams have been improved. This includes an evaluation by a specialist in inclusion, implementing an Integrated Support Plan, and providing a severance package with specific tools to build a new life.

Concurrently, leaders' meetings have been arranged that promote good practices for incorporating new recruits into their teams. Furthermore, the bank arranged presentations raising awareness, ergonomic and physical assessments of workstations for office and home-based employees, a special benefit program for employees registered on the National Disability Registry, covering special leave for health care, financial assistance for medical expenses not covered by insurance, flexible hours, and other benefits. Although no specific training for employees was arranged during the period, it is expected that a talk will be organized in Santiago and another in Antofagasta with 30 people attending each in 2020.

The bank developed a pilot for "Vi-sor" application in 2019, through a partnership with the company Red Apis. It allows people with sensory disabilities to access information in real time through an online

sign language interpreter or audio description. This pilot involved people with auditory and visual disabilities.

Furthermore, another pilot plan was implemented for inclusive practices for students with disabilities through partnerships with universities and institutes, such as Universidad Andrés Bello, Universidad Santo Tomás, Universidad de Santiago, Universidad Tecnológica Metropolitana (UTEM) and Instituto AIEP.

The corporation believes that recruiting persons with disabilities favors more creative, cohesive and productive teams. Therefore, it increased its sources of recruitment in 2019 through partnerships with universities and technical institutes to bring in trainees with disabilities. It also participated in Expo Inclusion for the second time, when over 350 resumes were received in Santiago and 200 in Antofagasta, and its job publication portals were expanded to include special assistance for persons with disabilities.

Furthermore, Banco de Chile participated in the Public Policy Working Group of Sofofa's Inclusive Companies Network and the editorial committee for the Good Practices Manual for Inclusive Companies led by the Ministry of Labor and Social Welfare. It also organized a workshop for persons with disabilities to promote their employability.



Inclusion Initiatives since 2017

The Inclusion Program for Persons with Disabilities currently benefits 136 employees with disabilities accredited in the National Disability Registry and/or with disability pensions. It provides a social worker dedicated to attending each person, continually supporting them and providing daily assistance to deal with health problems faced by persons with disabilities.

The benefits provided by this program include:

- Special help with expenses associated with their diagnosis. During 2019, 62 employees used this benefit and 383 reimbursements were made.
- Elimination of Health Insurance charges (UF0.5). 35 employees benefited from this measure.
- Special permits for medical checks and/or treatments. 62 employees have applied for this benefit.
- Attendance flexibility, adjustments to arrival and leaving times. Currently four employees are using this benefit.

B. Inclusion Working Group

A Working Group was created in 2017 to prepare and implement action plans related to the Inclusion Policy. The group was composed of 10 people with key roles within the organization. The Corporate Affairs and Sustainable Development Department was responsible for updating and improving the processes and entry flow to the Inclusion and Sustainable Development Program in 2019, and for incorporating an integrated occupational therapy evaluation.

C. Inclusion Initiatives

Banco de Chile - Chilean Open Cup

This year the 22nd Banco de Chile wheelchair tennis championship was held on the courts of Banco de Chile's stadium. The event brought together 52 tennis players from Argentina, Peru, Brazil, Guatemala, Colombia, Uruguay, Costa Rica and Chile.

Sponsorship of Wheelchair Tennis Players

The corporation has been the official sponsor of paralympic tennis player Macarena Cabrillana (ranked number 1 in Chile and 22 in the world) for the last eight years. In 2019 the bank began supporting Alexander Cataldo (ranked number 1 in Chile and 32 in the world).

Mutual Summit 2019

Banco de Chile was invited to join the panel of experts who presented the challenges and pending tasks after the Labor Inclusion Law came into effect.

Persons with Disabilities Recruited by the Bank

| Total employees 2019 | % of persons with disabilities | Number of people with accredited disabilities |
|----------------------|--------------------------------|---|
| 11,140 | 1.22 | 136 |





III Intercompany Shared Visions Cup

This tournament brings together 24 brands that play soccer together with students of the Shared Visions Soccer Schools in Santiago, Viña del Mar, Valparaíso, La Calera, Tocopilla and Antofagasta. The bank supported the Foundation's event under its "Commitment to Chile" program, which raises awareness and promotes social and occupational inclusion among young people with intellectual disabilities through sport and art. The event this year also included an entrepreneurial fair under the National Plan to Support SMEs and Entrepreneurs.

Access for Persons with Disabilities Program

The corporation supported adapting access to and the facilities inside the Lollapalooza music festival, to ensure that everyone, including those

with some degree of disability, could enjoy the festival without difficulty. The 2019 event had 750 meters of accessible entrances, preferential access areas, visibility platforms located in front of the main stages, universally accessible bathrooms and sign language interpreters. Furthermore, it supported the fully inclusive experience for persons with disabilities at over 25 massive musical events organized by Lotus Producciones.

Expo Inclusion 2019

The bank sponsored Expo Inclusion for the second consecutive year, which brought together over 200 organizations that improve the well-being of persons with disabilities. The event was held in Santiago and Antofagasta. A third event was to be held in Concepción, but was rescheduled to March 2020 due to the social unrest.

Entrepreneurship and Education



Banco de Chile's Retail Banking Division promotes initiatives that improve the development, quality of life and employability of small and medium-sized entrepreneurs. It promotes development across the country through training, workshops, lectures, e-learning and b-learning courses. Furthermore, it offers financing on special terms, social scholarships, marketing support for products, responsible borrowing tools and financial education.

A. Desafío Emprendedor Competition

The Desafío Emprendedor contest was created together with the Desafío Levantemos Chile Foundation in 2016, which focuses on strengthening and advertising micro and small entrepreneurs throughout the country through providing finance and training that supplies them with technical tools applicable to their businesses, such as responsible borrowing, a business model (Canvas⁽²⁵⁾Sustentable) and sustainability. During 2019, 56,532 applicants were registered nationwide, an increase of 87% over 2018. This means that 125,659 people have participated since this initiative began. Only 418 entrepreneurs were chosen in 2019 from throughout Chile, and 23 finalists were selected by region, which is an increase of 30.6% over 2018.

⁽²⁵⁾ The Canvas Model was developed in 2011 by Alexander Osterwalder and Yves Pigneur in the book Business Model Generation, where they analyze different types of models and determine the best to use in each case. This tool helps define and create innovative business models simplified into four major areas (customers, value proposition, infrastructure and finances) using a nine-part diagram.

Desafío Emprendedor Competition

| | 2016 | 2017 | 2018 | 2019 | Total |
|--------------------|--------|--------|--------|--------|---------|
| Applicants | 15,968 | 23,019 | 30,140 | 56,532 | 125,659 |
| Selected by region | 20 | 20 | 20 | 23 | 83 |
| Regional fairs | 15 | 15 | 15 | 3 | 48 |
| Awarded | 5 | 5 | 5 | 5 | 20 |
| Training workshops | 20 | 20 | 20 | 16 | 76 |

B. Financial Education Program

The Count on Banco de Chile (“Cuentas con el Chile”) program was launched in 2019, which consists of a platform that encourages wellbeing and financial education. This year 7,000 people were trained in financial education presentations throughout Chile, and the Banco de Chile Financial Education Mentors program was launched, with 50 employees graduating from the first course. Its purpose is to train employees and, through them, Banco de Chile’s local community, and provide them with the required financial skills to acquire positive financial commitments from the banking system. A voluntary financial education survey was also carried out and over 4,000 employees responded, in order to assess the perception of financial education knowledge within the institution.

Scholarships

Banco de Chile offers scholarships as an additional training initiative. They are financed by SENCE training tax credits and awarded to various community institutions to enhance the job skills of young people and adults nationwide. Courses include horticulture, bakery, catering and furniture making, and other courses. The skills workshops are complimented by a special financial education module in the bank’s entrepreneur program. During 2019, 51 courses were completed, with a total of 6,724 hours.

C. Promoting Education

Banco de Chile continued to support nationwide education, within its commitment to the country’s development.

Astoreca Foundation:

The bank has been financially supporting the Astoreca Foundation for 16 years. Its mission is to contribute to improving the quality of education in vulnerable sectors of Chile, through its three schools, San Joaquín in Renca, and San José and San Juan in Lampa. These schools provide free, high quality education to children and young people in low socioeconomic segments. The foundation has enabled over 2,400 students to learn the skills required for their professional and technical future. Student outcomes are above average for their district as well as municipal and state-subsidized schools nationwide.

Conducting Business in Chile/China Program:

The year 2019 marks the 12th anniversary of the “Conducting Business in Chile/China” program that promotes cultural exchanges. On this occasion, 24 MBA students from the School of Economics and Management at Tsinghua University in Beijing traveled to our country. In total, 454 students and professors have already participated in the exchange program.





Strategic Partnerships



Many of the initiatives undertaken and promoted by the corporation would not be possible without the support, commitment and help of bank volunteers, and without the coordination and management of several community institutions.

The partnership between “Desafío Levantemos Chile” and Banco de Chile has benefited 903,500 people throughout Chile since 2012 through campaigns and initiatives. There were 79 projects completed in 2019, which benefited 128,553 people, in areas such as construction, education, entrepreneurship, training, social inclusion, and other areas. Six support initiatives stand out and are described below.

A. Araucanía’s Future Challenge (Desafío Araucanía Futuro)

Seed capital was provided to 64 entrepreneurs in 32 communities in the Araucanía Region during 2019, then Ch\$100 million was distributed among all the selected entrepreneurs and prizes were awarded to the outstanding ones. Two entrepreneurs with disabilities were supported by the project:

Héctor Neculhueque: He is an entrepreneur with reduced mobility who paints pictures with one hand of landscapes within his region and Mapuche customs.

Francisca Toro: Se is an entrepreneur with reduced vision who makes natural cosmetic products using essential oils.

B. Maule’s Future Challenge (Desafío Maule Futuro)

Competitive financing was offered in 2018 to support the development of 50 entrepreneurial projects and 10 social innovation projects, in order to collaborate with regional development and diversify the productive matrix of the Maule Region, which was devastated by forest fires in 2017. Ch\$250 million was provided in 2019 to 60 entrepreneurial and social development projects, including disability initiatives. One of these was the “Costa Inclusiva” (Inclusive Coast) initiative in Iloca, which aimed to improve wheelchair access to the beach.

C. Fires in La Araucanía

Following the fires that occurred in La Araucanía during 2019, three houses were rebuilt, with inclusive access, in order to ease the beneficiaries’ daily routines.

D. Santiago-Lo Barnechea

A container was donated in 2019 as a showroom for handicrafts and pastry products made by 20 children with disabilities from the El Tañi Foundation.

E. Santiago-Colina

Banco de Chile provided funds to construct and operate a laundry facility for a residence in Colina that houses 100 young people with severe disabilities.

F. Let's Clothe Chile (Abrigemos Chile)

Banco de Chile participated in the #AbrigemosChile campaign during the winter, whose purpose was to support people living on the streets to survive low winter temperatures. A total of 3,500 kits were provided nationwide, containing a parka, a full set of winter base layers, a hat and gloves. This campaign was replicated in the Ñuble Region, where representatives from the bank, Desafío Levantemos Chile and the Ministry of Social Development gave 50 kits to the 24-hour shelter in Chillán.

Projects financed by Banco de Chile's Board of Directors outside Santiago.

The June board meeting was held in Iquique in northern Chile. Directors and managers participated in the board meeting, and took the opportunity to share with teams from branches in the area and conducted visits to strengthen relationships with customers. A donation was given to the Los Tamarugos Educational Center run by the Coanil Foundation, to build an integral workshop for wooden products, mainly derived from pallets.

During the second half of the year the board met in Osorno in southern Chile. A donation was given to the Kumelén Family Group, which supports the treatment and rehabilitation of people with mental health problems so that they can look after themselves and develop their own businesses.

Both projects will be executed and supervised by the Desafío Levantemos Chile Foundation, as Banco de Chile has a strategic partnership with this foundation.



Corporate Volunteer Program



The Corporate Volunteer Program encourages employees to participate, acting as facilitators of the bank's "Commitment to Chile" and its sustainability pillars. The main volunteer initiatives relate to the inclusion of persons with disabilities, the environment, emergency response, entrepreneurship and financial education. These are possible due to partnerships with community organizations.

238 corporate volunteer activities were organized nationwide in 2019, which were supported by nearly 3,900 employees and benefited 337,542 people. The special appeal for competitive funding grants stands out during this period, whose objective was to help small firms affected by the current social unrest, mainly in terms of infrastructure, machinery and tools. Furthermore, it continued to organize environmental awareness events, encourage volunteers outside Santiago to participate and provide training courses for the emergency response team in order to strengthen its commitment to the environment.

A. Banco de Chile Emergency Volunteers

In 2017 the bank created a stable group of volunteers trained to respond to emergencies. Two years later, three appeals have been made to expand the group, and by the end of 2019 42 employees have been trained and certified in first aid and emergency psychology.

First aid workshops were held in 2019 for first-year volunteers, and crisis and emergency decision-making workshops for second-year volunteers. They also attended the first CERT (Community Emergency Response Team) conference, where

they were able to standardize criteria with their counterparts, and take various courses.

During this period, the team supported emergencies caused by forest fires in Limache and provided cooking utensils to 27 affected families. Furthermore, communities in Toconao and Camar received cleaning and emergency kits and water canisters, as a result of storms in February. Sixteen freezers were also provided to people working in the fishing industry who were affected by the fire at the Regional Supply Center in Talca, as these were essential to conserve marine products and adequately maintain the cold chain.

B. Regional Focus and Family Involvement

Everything organized within the corporate volunteer program has a regional focus. Most of the volunteers participate in the Meaningful Christmas Program, where 97 initiatives were carried out throughout the length of Chile and benefited over 7,860 people. The program was expanded this year to include educational institutions, homes for the elderly and foundations that work with persons with disabilities. These initiatives created opportunities for recreation and stimulation, in addition to celebrating Christmas.

A similar program, the Meaningful Back to School Program, was organized for the second consecutive year. It arranged inclusive education-related initiatives and improved infrastructure for children and adolescents with disabilities. 56 institutions were supported in 2019, benefiting nearly 4,000 students.



C. Competitive Funding Grants

The Competitive Funding Grants Program was initiated in 2018, whose purpose is to promote participation by employees as volunteers, to finance projects that support vulnerable educational institutions and organizations that develop persons with disabilities by creating solidarity projects. Initiatives focused on caring for the environment were incorporated in 2019, in order to encourage recycling projects and the recovery of green areas. Bank volunteers installed four recycling sites at schools in the Metropolitan Region together with Kyklos, and carried out recycling training with over 6,500 children and young people. There were 36 projects completed during the period, which benefited 8,600 people.

Furthermore, a special invitation was issued to bid for Competitive Funding Grants within the Commitment to Chile program. Its purpose was to help micro-entrepreneurs who were affected by the social unrest at the end of the year.

D. Corporate Environmental Volunteer Days

The corporation continued to participate in environmental protection initiatives, in order to strengthen its commitment to the environment, in particular the following:

Rock and Recycle Volunteers:

The bank organized an environmental education program aimed at teaching those attending the



9th Lollapalooza music festival how to recycle, raised their awareness of the importance of waste management and increased the recycling indicators during the festival. Over 300 volunteers aged between 18 and 60 from the Metropolitan Region, Iquique, La Serena, Viña del Mar, Rancagua, Talca and Temuco participated in the event.

Eco-participatory Centers:

An activity was organized in partnership with the Cultiva Foundation and over 100 employees participated. The activity aimed to improve various areas within the Rehue Center, which is a center for welcoming young people and adults with disabilities in the Renca district. The activity included improving access to the central courtyard, harmonizing areas within the center and constructing a greenhouse.

Central Zone Reforestation Cerro Renca - Cerro Condell:

The bank participated in the Let's Reforest Native Chile ("Reforestemos Chile Nativo") program for the second consecutive year. This is an initiative run by the Cultiva Foundation, which reforests areas affected by fires and/or highly degraded areas, stretching from the Metropolitan Region to the Ñuble Region. A reforestation socio-environmental regeneration model was implemented in 2019 involving 300 volunteers and their families, to improve parts of Renca Hill in Santiago and Condell Hill in Curicó. Accordingly, 1,350 native trees were planted.

| Corporate volunteer programs | Participating volunteers | Hours | Direct beneficiaries | Number of activities | Liters of water provided | Emergency kits provided | Material collected (kg) | Trees planted |
|------------------------------|--------------------------|--------|----------------------|----------------------|--------------------------|-------------------------|-------------------------|---------------|
| | 3,929 | 33,351 | 337,542 | 238 | 14,000 | 134 | 2,830.83 | 1,350 |





Programs that Contribute to the Community



“Chilesincancer” Foundation

Banco de Chile has supported the Chilesincancer Foundation for five consecutive years. It aims to provide better opportunities for oncology patients being treated in the public health care system. It collaborated with the construction of the Outpatient Cancer Center at the Sótero del Río Hospital, which treated 35,000 cancer patients in the southeastern area of the Metropolitan Region to receive prompt, high quality treatment from 2015 and 2019. This is the first project in the country that combines public and private funding to increase the number of specialists and generate more cancer research through five areas, developing human capital, improving hospital infrastructure (Sotero del Río Hospital), conducting joint research with Pontificia Universidad Católica, implementing a biobank and creating a cancer registry.

Banco de Chile, through Banco Edwards, has increased oncological care and early cancer diagnosis by 60% for people living in south-eastern part of the Metropolitan Region. Oncologist hours and the number of patients treated for breast cancer tripled, thus increasing the number of patients treated by 70%. The number of chemotherapy treatments also doubled.

Banco Edwards bank launched its "Cancer Prevention" program in October, to raise awareness of cancer prevention. It also encompassed the Estée Lauder Companies Breast Cancer Campaign and employees donated money to the “Chilesincancer” Foundation to provide 600 hours of physical therapy for each woman who undergoes treatment and surgery to fight this disease.



SUPPLIERS

Relationships with Suppliers

Selection and Evaluation Processes



Banco de Chile



Relationships with Suppliers



Banco de Chile aims to build a solid, lasting relationship with its suppliers and contractors, with a long-term vision that promotes mutual benefit, valuing excellence, quality, transparency, timeliness and competitiveness.

The Supplier Management and Selection Policy governs supplier management. The policy ensures that all goods and services required by the bank are contracted and acquired through open, transparent, timely processes under competitive conditions, while avoiding potential conflicts of interest and guaranteeing fair treatment for parties collaborating with the bank.

The relationship between Banco de Chile employees and its suppliers must be strictly independent and in accordance with corporate interests, without any kind of commitment or bias for a given supplier, always prioritizing the parameters of price and quality.

The main entity responsible for safeguarding compliance with this regulatory framework is the Administration Department, which reports to the Financial Management and Control Division Manager.

Significant milestones in 2019 include re-certification for the seventh consecutive year of the ProPyme Seal, and a decrease in the period for paying invoices to suppliers from an annual average of 29 days to 24 days.

The bank undertook a technical and financial evaluation of alternatives in the local market for its Enterprise Resource Planning (ERP) system, in order to provide suppliers with a secure, scalable self-service portal to improve online communication and collaborative efforts between the bank and its suppliers, thus improving its operating processes and the speed, effectiveness and timing of information. The final decision on

migrating to the ERP system will be made in 2020, due to the new regulatory requirements and the required implementation time frame.

As of December 31, 2019, the bank maintained active contracts with a total of 812 suppliers and contractors, of which 31 were classified as critical. Local suppliers⁽²⁶⁾ account for 97% of the purchasing budget. The bank had 10,039 SME suppliers in 2019, an increase of 10.83% over the previous year.

Active Suppliers and Contractors

| Type | 2017 | 2018 | 2019 |
|---|------|------|------|
| Number of suppliers with active contracts | 509 | 529 | 680 |
| Number of contractors with active contracts | 127 | 120 | 132 |
| Number of critical suppliers and/or contractors with active contracts | 29 | 29 | 31 |

Proportion of Purchasing with Local Suppliers

| Type | 2017 | 2018 | 2019 |
|------------------------------------|------|------|------|
| Purchases from local suppliers (%) | 98 | 97 | 97 |
| Purchases from other suppliers (%) | 2 | 3 | 3 |

Supplier Selection and Evaluation Processes



The Supplier Selection and Management Policy⁽²⁷⁾ is the main guide for supplier selection and evaluation processes.

The policy describes the supplier selection process, which begins with company accreditation that considers legal, commercial, financial and employment aspects. When a supplier is accredited, it is qualified to participate in bidding or quoting processes. Prior to awarding the job and/or contract, the criticality of the service to be provided is determined on the basis of business continuity, information security, financial results, legal and reputational risk. The bank considers additional factors when assessing service outsourcing, related to customer impact, service concentration and country risk. The latter only applies when the service provider is foreign.

The process also includes other evaluation criteria related to the Policy on Inter-company Transactions, provided in Chapter XVI of Law 18,046 on Corporations, and the guidelines for transactions with Politically Exposed Persons (PEP)⁽²⁸⁾ contained in the FMC's Updated Standards, which considers reputational and business criteria.

Hiring of services and the relationship with contracting companies is further governed by the "Contractor Company Relationship Protocol", together with the Risk Prevention Regulation for Contractors and Subcontractors. This protocol is based on the provisions of the Subcontracting Law and aims to ensure the quality of the service contracted in consideration and observance of the current labor law. The purpose of this protocol is to help build proper commercial

⁽²⁶⁾ The bank defines local as all purchases made with suppliers located within Chile.

⁽²⁷⁾ This policy applies to all departments in Banco de Chile and its subsidiaries.

⁽²⁸⁾ <https://ww3.bancochile.cl/wps/wcm/connect/a5bd38004f59ff7dbfbfff773e1ca6ff/Politica-sobre-Personas-Expuestas-Politicamente.pdf?MOD=AJPERES&CACHEID=a5bd38004f59ff7dbfbfff773e1ca6ff>



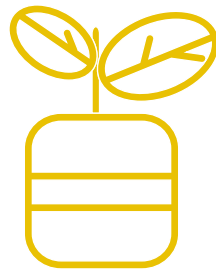
relationships between users and contractors, ensure compliance with labor obligations, avoid fines, sanctions and undesired labor conflicts, and safeguard the quality of the services hired.

The regulation also establishes the risk prevention standards, administrative procedures, requirements and local obligations that must be observed and complied with by employees of contractor and subcontractor companies while performing their jobs. Therefore, it looks to ensure that their work is carried out under the required quality criteria and with controlled risks that help protect the bank's workers, physical assets and the environment.

Although the bank does not have a specific policy at this time on assessing aspects related to human

rights compliance when selecting suppliers and contractors, it does comply with Chilean regulations on the protection of fundamental rights at work, such as non-discrimination, occupational health and safety, working hours, maternal protection rights and others specified in its Internal Health and Safety Regulations and the Framework for Action for the Commitment to Chile⁽²⁹⁾.

Law 21,131 came into effect in 2019, which establishes a maximum supplier payment period of 30 calendar days. The bank had achieved an average annual payment period of 24 days by the end of 2019. The bank has set a 2020 target to reduce the payment of invoices to Banco de Chile's SME suppliers from an average of 21 days to 10 days.



⁽²⁹⁾ <https://ww3.bancochile.cl/wps/wcm/connect/7d6584004622bac2aca3ad1e1960b914/marco-de-accion-para-compromiso-pais.pdf?MOD=AJPERES>



Consolidated **FINANCIAL** Statements



Independent Auditors' Report

Consolidated Statements of Financial Position

Consolidated Statements of Income

Consolidated Statements of Other Comprehensive Income

Consolidated Statements of Changes in Equity

Consolidated Statements of Cash Flows

Notes to the Consolidated Financial Statements

Banco de Chile



Banco de Chile and Subsidiaries

| | | |
|-------------|---|---|
| MCh\$ | = | Millions of Chilean pesos |
| ThUS\$ | = | Thousands of U.S. dollars |
| UF or CLF | = | Unidad de Fomento (The UF is an inflation-indexed, Chilean peso denominated monetary unit set daily in advance on the basis of the previous month's inflation rate). |
| Ch\$ or CLP | = | Chilean pesos |
| US\$ or USD | = | U.S. dollar |
| JPY | = | Japanese yen |
| EUR | = | Euro |
| HKD | = | Hong Kong dollar |
| CHF | = | Swiss Franc |
| PEN | = | Peruvian sol |
| AUD | = | Australian dollar |
| NOK | = | Norwegian krone |
| IFRS | = | International Financial Reporting Standards |
| IAS | = | International Accounting Standards |
| RAN | = | Actualized Standards Compilation of the Chilean Commission for Financial Market ("CMF") |
| IFRIC | = | International Financial Reporting Interpretations Committee |
| SIC | = | Standards Interpretation Committee |

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Independent Auditors' Report



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To the Shareholders and the Board of Directors
Banco de Chile

We have audited the accompanying consolidated financial statements of Banco de Chile and its subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

The Bank's Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting standards and instructions issued by the Chile's Financial Market Commission (ex - Chilean Superintendency of Banks and Financial Institutions). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conduct our audits in accordance with generally accepted auditing standards in Chile. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatements

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the consolidated financial statements of the entity in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the entity. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the aforementioned consolidated financial statements present fairly, in all material respects, the financial position of Banco de Chile and its subsidiaries as of December 31, 2019 and 2018, and the results of their operations and their cash flows for the years then ended, in accordance with accounting standards and instructions issued by the Chile's Financial Market Commission (ex - Chilean Superintendency of Banks and Financial Institutions).

Charles A. Bunce

EY Audit SpA

Santiago, January 30, 2020



Banco de Chile and Subsidiaries

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
For the years ended December 31, 2019 and 2018
(Expressed in million of Chilean pesos)

| | Notes | 2019 MCh\$ | 2018 MCh\$ |
|--|--------|-------------------|-------------------|
| ASSETS | ASSETS | | |
| Cash and due from banks | 7 | 2,392,166 | 880,081 |
| Transactions in the course of collection | 7 | 584,672 | 580,333 |
| Financial assets held-for-trading | 8 | 1,872,355 | 1,745,366 |
| Investment under resale agreements | 9 | 142,329 | 97,289 |
| Derivative instruments | 10 | 2,786,215 | 1,513,947 |
| Loans and advances to banks | 11 | 1,139,433 | 1,494,307 |
| Loans to customers, net | 12 | 29,334,052 | 27,307,223 |
| Financial assets available-for-sale | 13 | 1,357,846 | 1,043,440 |
| Financial assets held-to-maturity | 13 | — | — |
| Investments in other companies | 14 | 50,758 | 44,561 |
| Intangible assets | 15 | 58,307 | 52,061 |
| Property and equipment | 16 | 220,262 | 215,872 |
| Leased assets | 16 | 150,665 | — |
| Current tax assets | 17 | 357 | 677 |
| Deferred tax assets | 17 | 320,948 | 277,922 |
| Other assets | 18 | 862,968 | 673,380 |
| TOTAL ASSETS | | 41,273,333 | 35,926,459 |

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

| | Notes | 2019 MCh\$ | 2018 MCh\$ |
|--|-------|-------------------|-------------------|
| LIABILITIES | | | |
| Current accounts and other demand deposits | 19 | 11,326,133 | 9,584,488 |
| Transactions in the course of payment | 7 | 352,121 | 335,575 |
| Obligations under repurchase agreements | 9 | 308,734 | 303,820 |
| Savings accounts and time deposits | 20 | 10,856,618 | 10,656,174 |
| Derivative instruments | 10 | 2,818,121 | 1,528,357 |
| Borrowings from financial institutions | 21 | 1,563,277 | 1,516,759 |
| Debt issued | 22 | 8,813,414 | 7,475,552 |
| Other financial obligations | 23 | 156,229 | 118,014 |
| Lease liabilities | 16 | 146,013 | — |
| Current tax liabilities | 17 | 76,289 | 20,924 |
| Deferred tax liabilities | 17 | — | — |
| Provisions | 24 | 684,663 | 670,119 |
| Other liabilities | 25 | 643,498 | 412,524 |
| TOTAL LIABILITIES | | 37,745,110 | 32,622,306 |
| EQUITY | | | |
| | 27 | | |
| Attributable to Bank's Owners: | | | |
| Capital | | 2,418,833 | 2,418,833 |
| Reserves | | 703,272 | 617,597 |
| Other comprehensive income | | (56,601) | (39,222) |
| Retained earnings: | | | |
| Retained earnings from previous years | | 170,171 | 17,481 |
| Income for the year | | 593,008 | 594,872 |
| Less: | | | |
| Provision for minimum dividends | | (300,461) | (305,409) |
| Subtotal | | 3,528,222 | 3,304,152 |
| Non-controlling interests | | 1 | 1 |
| TOTAL EQUITY | | 3,528,223 | 3,304,153 |
| TOTAL LIABILITIES AND EQUITY | | 41,273,333 | 35,926,459 |

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



Banco de Chile and Subsidiaries

CONSOLIDATED STATEMENTS OF INCOME
For the years ended December 31, 2019 and 2018
(Expressed in million of Chilean pesos)

| | Notes | 2019 MCh\$ | 2018 MCh\$ |
|--|-------|------------------|------------------|
| Interest revenue | 28 | 2,111,645 | 1,999,551 |
| Interest expense | 28 | (742,270) | (679,640) |
| Net interest income | | 1,369,375 | 1,319,911 |
| Income from fees and commissions | 29 | 589,172 | 505,114 |
| Expenses from fees and commissions | 29 | (131,870) | (145,159) |
| Net fees and commission income | | 457,302 | 359,955 |
| Net financial operating income | 30 | 116,409 | 139,856 |
| Foreign exchange transactions, net | 31 | 30,886 | 2,701 |
| Other operating income | 36 | 40,548 | 50,860 |
| Total operating revenues | | 2,014,520 | 1,873,283 |
| Provisions for loan losses | 32 | (347,274) | (281,410) |
| OPERATING REVENUES, NET OF PROVISIONS FOR LOAN LOSSES | | 1,667,246 | 1,591,873 |
| Personnel expenses | 33 | (475,599) | (442,577) |
| Administrative expenses | 34 | (329,705) | (331,477) |
| Depreciation and amortization | 35 | (70,541) | (37,681) |
| Impairment | 35 | (2,555) | (334) |
| Other operating expenses | 37 | (32,604) | (35,655) |
| TOTAL OPERATING EXPENSES | | (911,004) | (847,724) |
| NET OPERATING INCOME | | 756,242 | 744,149 |
| Income attributable to associates | 14 | 6,450 | 7,255 |
| Income before income tax | | 762,692 | 751,404 |
| Income tax | 17 | (169,683) | (156,531) |
| NET INCOME FOR THE YEAR | | 593,009 | 594,873 |
| Attributable to: | | | |
| Bank's Owners | 27 | 593,008 | 594,872 |
| Non-controlling interests | | 1 | 1 |
| Net income per share attributable to Bank's Owners: | | Ch\$ | Ch\$ |
| Basic net income per share | 27 | 5.87 | 5.89 |
| Diluted net income per share | 27 | 5.87 | 5.89 |

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

CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME
For the years ended December 31, 2019 and 2018
(Expressed in million of Chilean pesos)

| | Notes | 2019 MCh\$ | 2018 MCh\$ |
|--|-------|-----------------|-----------------|
| NET INCOME FOR THE YEAR | | 593,009 | 594,873 |
| OTHER COMPREHENSIVE INCOME THAT WILL BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS | | | |
| Net gains (losses) on available-for-sale instruments valuation | 13 | 13,763 | (11,787) |
| Net gains (losses) on derivatives held as cash flow hedges | 10 | (37,546) | (30,943) |
| Subtotal Other comprehensive income before income taxes | | (23,783) | (42,730) |
| Income tax relating to the components of other comprehensive income that are reclassified in income for the year | | 6,404 | 11,548 |
| Total other comprehensive income items that will be reclassified subsequently to profit or loss | | (17,379) | (31,182) |
| OTHER COMPREHENSIVE INCOME THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS | | | |
| Adjustment for defined benefit plans | 24 | (247) | (127) |
| Subtotal other comprehensive income before income taxes | | (247) | (127) |
| Income tax relating to the components of other comprehensive income that will not be reclassified to income for the year | 17 | 66 | 35 |
| Total other comprehensive income items that will not be reclassified subsequently to profit or loss | | (181) | (92) |
| CONSOLIDATED COMPREHENSIVE INCOME FOR THE YEAR | | 575,449 | 563,599 |
| Attributable to: | | | |
| Bank's Owners | | 575,448 | 563,598 |
| Non-controlling interests | | 1 | 1 |

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



Banco de Chile and Subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the years ended December 31, 2019 and 2018
(Expressed in million of Chilean pesos)

| | Notes | Reserves | | |
|--|-------|--------------------------|-------------------------|------------------------------------|
| | | Paid-in Capital MCh\$ | Other reserves MCh\$ | Reserves from earnings MCh\$ |
| Balances as of December 31, 2017 | | 2,271,401 | 32,053 | 531,135 |
| Capitalization of retained earnings | | 147,432 | — | — |
| Retention (release) of profits according to bylaws | 27 | — | — | 54,501 |
| Dividends distributions and paid | 27 | — | — | — |
| Equity effect change in accounting policy | | — | — | — |
| Other comprehensive income: | 27 | | | |
| Defined benefit plans adjustment, net | | — | (92) | — |
| Derivatives cash flow hedge | | — | — | — |
| Valuation adjustment on available-for-sale instruments | | — | — | — |
| Income for the year 2018 | 27 | — | — | — |
| Provision for minimum dividends | 27 | — | — | — |
| Balances as of December 31, 2018 | | 2,418,833 | 31,961 | 585,636 |
| Retention of profits | 27 | — | — | — |
| Retention (release) of profits according to bylaws | 27 | — | — | 85,856 |
| Dividends distributions and paid | 27 | — | — | — |
| Equity effect change in accounting policy | | — | — | — |
| Other comprehensive income: | 27 | | | |
| Defined benefit plans adjustment, net | | — | (181) | — |
| Derivatives cash flow hedge | | — | — | — |
| Valuation adjustment on available-for-sale instruments | 13 | — | — | — |
| Income for the year 2019 | 27 | — | — | — |
| Provision for minimum dividends | 27 | — | — | — |
| Balances as of December 31, 2019 | | 2,418,833 | 31,780 | 671,492 |

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

| Other comprehensive income | | | Retained earnings | | | | Attributable to equity holders of the parent | Non-controlling interest | Total equity |
|---|-----------------------------|---------------|---------------------------------------|------------------------------|---------------------------------|------------------|--|--------------------------|--------------|
| Unrealized gains (losses) on available-for-sale | Derivatives cash flow hedge | Income Tax | Retained earnings from previous years | Income (losses) for the year | Provision for minimum dividends | | | | |
| MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | | | | |
| 1,851 | (12,551) | 2,660 | 16,060 | 576,012 | (312,907) | 3,105,714 | 1 | 3,105,715 | |
| — | — | — | — | (147,432) | — | — | — | — | |
| — | — | — | — | (54,501) | — | — | — | — | |
| — | — | — | — | (374,079) | 312,907 | (61,172) | (1) | (61,173) | |
| — | — | — | 1,421 | — | — | 1,421 | — | 1,421 | |
| — | — | — | — | — | — | (92) | — | (92) | |
| — | (30,943) | 8,354 | — | — | — | (22,589) | — | (22,589) | |
| (11,787) | — | 3,194 | — | — | — | (8,593) | — | (8,593) | |
| — | — | — | — | 594,872 | — | 594,872 | 1 | 594,873 | |
| — | — | — | — | — | (305,409) | (305,409) | — | (305,409) | |
| (9,936) | (43,494) | 14,208 | 17,481 | 594,872 | (305,409) | 3,304,152 | 1 | 3,304,153 | |
| — | — | — | 152,705 | (152,705) | — | — | — | — | |
| — | — | — | — | (85,856) | — | — | — | — | |
| — | — | — | — | (356,311) | 305,409 | (50,902) | (1) | (50,903) | |
| — | — | — | (15) | — | — | (15) | — | (15) | |
| — | — | — | — | — | — | (181) | — | (181) | |
| — | (37,546) | 10,138 | — | — | — | (27,408) | — | (27,408) | |
| 13,763 | — | (3,734) | — | — | — | 10,029 | — | 10,029 | |
| — | — | — | — | 593,008 | — | 593,008 | 1 | 593,009 | |
| — | — | — | — | — | (300,461) | (300,461) | — | (300,461) | |
| 3,827 | (81,040) | 20,612 | 170,171 | 593,008 | (300,461) | 3,528,222 | 1 | 3,528,223 | |

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



Banco de Chile and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2019 and 2018
(Expressed in million of Chilean pesos)

| | Notes | 2019 MCh\$ | 2018 MCh\$ |
|--|---------|------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Net income for the year | | 593,009 | 594,873 |
| Charges (credits) to income that do not represent cash flows: | | | |
| Depreciation and amortization | 35 | 70,541 | 37,681 |
| Impairment | 35 | 2,555 | 334 |
| Provision for loans and accounts receivable from customers and owed by banks | 32 | 393,737 | 344,490 |
| Provision of contingent loans | 32 | 1,512 | (2,501) |
| Fair value adjustment of financial assets held-for-trading | | 294 | (663) |
| Changes in assets and liabilities by deferred taxes | 17 | (46,694) | (7,819) |
| (Gain) loss attributable to investments in companies with significant influence, net | 14 | (6,039) | (6,811) |
| (Gain) loss from sales of assets received in lieu of payment, net | 36 | (10,793) | (8,779) |
| (Gain) loss on sales of property and equipment, net | 36 - 37 | (90) | (3,632) |
| Charge-offs of assets received in lieu of payment | 37 | 8,778 | 6,638 |
| Other charges (credits) to income that do not represent cash flows | | 8,882 | (3,901) |
| Net changes in exchange rate, interest and fees accrued on assets and liabilities | | 146,774 | 45,048 |
| Changes in assets and liabilities that affect operating cash flows: | | | |
| (Increase) decrease in loans and advances to banks, net | | 354,308 | (734,330) |
| (Increase) decrease in loans to customers | | (2,343,162) | (2,687,964) |
| (Increase) decrease in financial assets held-for-trading, net | | 2,801 | 211,059 |
| (Increase) decrease in other assets and liabilities | | 103,135 | (162,604) |
| Increase (decrease) in current account and other demand deposits | | 1,738,840 | 668,521 |
| Increase (decrease) in transactions from reverse repurchase agreements | | 1,711 | 98,570 |
| Increase (decrease) in savings accounts and time deposits | | 184,946 | 579,827 |
| Sale of assets received in lieu of payment or adjudicated | | 30,795 | 31,403 |
| Total cash flows from operating activities | | 1,235,840 | (1,000,560) |

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

| | Notes | 2019 MCh\$ | 2018 MCh\$ |
|---|-------|------------------|------------------|
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| (Increase) decrease in financial assets available-for-sale, net | | (302,427) | 463,558 |
| Payments for lease agreements | 16 | (29,374) | — |
| Net changes in leased assets | 16 | (1,725) | — |
| Purchases of property and equipment | 16 | (43,512) | (28,065) |
| Sales of property and equipment | | 92 | 3,640 |
| Acquisition of intangible assets | 15 | (20,928) | (23,512) |
| Acquisition of investments in companies | 14 | (671) | (30) |
| Dividends received from investments in companies | | 963 | 855 |
| Total cash flows from investing activities | | (397,582) | 416,446 |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | |
| Redemption of letters of credit | | (3,268) | (4,388) |
| Issuance of bonds | 22 | 2,625,176 | 2,157,587 |
| Redemption of bonds | | (1,546,572) | (1,436,232) |
| Dividends paid | 27 | (356,311) | (374,079) |
| Increase (decrease) in borrowings from foreign financial institutions | | 44,755 | 320,635 |
| Increase (decrease) in other financial obligations | | 42,664 | (8,753) |
| Increase (decrease) in other obligations with Central Bank of Chile | | — | (1) |
| Other long-term borrowings | | — | 15 |
| Payment of other long-term borrowings | | (4,005) | (9,814) |
| Total cash flows from financing activities | | 802,439 | 644,970 |
| TOTAL NET POSITIVE CASH FLOWS FOR THE YEAR | | 1,640,697 | 60,856 |
| Effect of exchange rate changes | | 34,299 | 116,121 |
| Cash and cash equivalents at beginning of year | | 2,256,375 | 2,079,398 |
| Cash and cash equivalents at end of year | 7 | 3,931,371 | 2,256,375 |
| Operational Cash flow interest: | | | |
| Interest received | | 2,010,563 | 1,881,766 |
| Interest paid | | (460,115) | (400,686) |

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



Banco de Chile and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2019 and 2018

1. COMPANY INFORMATION:

Banco de Chile is authorized to operate as a commercial bank since September 17, 1996, being, in conformity with the stipulations of article 25 of Law No. 19,396, the legal continuation of Banco de Chile resulting from the merger of the Banco Nacional de Chile, Banco Agrícola and Banco de Valparaíso, which was constituted by public deed dated October 28, 1893, granted before the Notary Public of Santiago, Mr. Eduardo Reyes Lavalle, authorized by Supreme Decree of November 28, 1893.

Banco de Chile (or the “Bank”) is a Corporation organized under the laws of the Republic of Chile, regulated by the Chilean Commission for the Financial Market (“CMF”), in accordance with the established in the Law 21,130 dated January 12, 2019, which ordered the integration of the Superintendency of Banks and Financial Institutions (“SBIF”) with the Commission for the Financial Market as of June 1, 2019. Since 2001, it is subject to the supervision of the Securities and Exchange Commission of the United States of America (“SEC”), in consideration of the fact that the Bank is registered on the New York Stock Exchange (“NYSE”), through a program of American Depositary Receipt (“ADR”).

Banco de Chile offers a broad range of banking services to its customers, ranging from individuals to large corporations. Additionally, the Bank offers international as well as treasury banking services, in addition to those offered by subsidiaries that include securities brokerage, mutual fund and investment management, insurance brokerage, financial advisory services and securitization.

Banco de Chile’s legal address is Ahumada 251, Santiago, Chile and its website is www.bancochile.cl.

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The Consolidated Financial Statements of Banco de Chile, for the year ended December 31, 2019 were approved by the Directors on January 30, 2020.

2. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES:

(a) Basis of preparation:

Legal dispositions

Decree Law No. 3,538 of 1980, according to the text replaced by the first article of Law No. 21,000 that “Creates the Commission for the Financial Market”, provides in numeral 6 of its article 5 that the Commission for the Market Financial (“CMF”) may “set the standards for the preparation and presentation of reports, balance sheets, statements of situation and other financial statements of the audited entities and determine the principles under which they must keep their accounting”.

In accordance with the current legal framework, banks must use the accounting principles provided by the Commission and in everything that is not dealt with by it or in contravention of its instructions, they must adhere to the generally accepted accounting principles, which correspond to the technical standards issued by the College of Accountants of Chile AG, coinciding with the International Financial Reporting Standards (“IFRS”) agreed by the International Accounting Standards Board (“IASB”). If there are discrepancies between these accounting principles of general acceptance and the accounting criteria issued by the Commission, the latter shall prevail.

(b) Basis of consolidation:

The financial statements of Banco de Chile as of December 31, 2019 and 2018 have been consolidated with its Chilean subsidiaries and foreign subsidiary using the global integration method (line-by-line). They include preparation of individual financial statements of the Bank and companies that participate in the consolidation and it include adjustments and reclassifications necessary to homologue accounting policies and valuation criteria applied by the Bank. The Consolidated Financial Statements have been prepared using the same accounting policies for similar transactions and other events in equivalent circumstances.

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

(i) **Subsidiaries**

Consolidated financial statements as of December 31, 2019 and 2018 incorporate financial statements of the Bank and its subsidiaries. According IFRS 10 – “Consolidated Financial Statements”, control requires exposure or rights to variable returns and the ability to affect those returns through power over an investee. Specifically the Bank have power over the investee when has existing rights that give it the ability to direct the relevant activities of the investee.

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

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

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

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

| Rut | Subsidiaries | Country | Functional Currency | Interest Owned | | | | | |
|--------------|--|---------|---------------------|----------------|--------|----------|--------|--------|--------|
| | | | | Direct | | Indirect | | Total | |
| | | | | 2019 % | 2018 % | 2019 % | 2018 % | 2019 % | 2018 % |
| 96,767,630-6 | Banchile Administradora General de Fondos S.A. | Chile | Ch\$ | 99.98 | 99.98 | 0.02 | 0.02 | 100.00 | 100.00 |
| 96,543,250-7 | Banchile Asesoría Financiera S.A. | Chile | Ch\$ | 99.96 | 99.96 | — | — | 99.96 | 99.96 |
| 77,191,070-K | Banchile Corredores de Seguros Ltda. | Chile | Ch\$ | 99.83 | 99.83 | 0.17 | 0.17 | 100.00 | 100.00 |
| 96,571,220-8 | Banchile Corredores de Bolsa S.A. | Chile | Ch\$ | 99.70 | 99.70 | 0.30 | 0.30 | 100.00 | 100.00 |
| 96,932,010-K | Banchile Securitizadora S.A. | Chile | Ch\$ | 99.01 | 99.01 | 0.99 | 0.99 | 100.00 | 100.00 |
| 96,645,790-2 | Socofin S.A. | Chile | Ch\$ | 99.00 | 99.00 | 1.00 | 1.00 | 100.00 | 100.00 |

(ii) Associates and Joint Ventures

Associates

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

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

Joint Ventures

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

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

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

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

Investments in other companies that, for their characteristics, are defined like "Joint Ventures" are the following:

- Artikos S.A.
- Servipag Ltda.

(iii) Shares or rights in other companies

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

(iv) Special purpose entities

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

As of December 31, 2019 and 2018 the Bank does not control and has not created any SPEs.

(v) Fund management

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

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

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

The Bank and its subsidiaries manage on behalf and for the benefit of investors, acting in that relationship only as Agent. Under this category, and as provided in the aforementioned rule, do not control these funds when they exercise their authority to make decisions. Therefore, as of December 31, 2019 and 2018 act as agent, and therefore do not consolidate any fund, no funds are part of the consolidation.

(c) Non-controlling interest:

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

(d) Use of estimates and judgment:

Preparing Consolidated 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. The estimates made refer to:

1. Provision for loan losses (Note No. 11. No. 12 and No. 32);
2. Useful life of intangible, property and equipment and leased assets and lease liabilities (Notes No.15 and No.16);
3. Income taxes and deferred taxes (Note No. 17);
4. Provisions (Note No. 24);
5. Contingencies and Commitments (Note No. 26);
6. Fair value of financial assets and liabilities (Note No. 39).

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

During the year ended December 31, 2019 there have been no significant changes in the estimates made.

(e) Financial asset and liability valuation criteria:

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

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



Banco de Chile and Subsidiaries

(i) Initial recognition

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

(ii) Classification

Assets, liabilities and income accounts have been classified in conformity with standards issued by the CMF.

(iii) Derecognition of financial assets and financial liabilities

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

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

- (a) If substantially all risks and rewards of ownership of the financial asset have been transferred, it is derecognized, and any rights or obligations created or retained upon transfer are recognized separately as assets or liabilities.
- (b) If substantially all risks and rewards of ownership of the financial asset have been retained, the Bank continues to recognize it.
- (c) If substantially all risks and rewards of ownership of the financial asset are neither transferred nor retained, the Bank will determine if it has retained control of the financial asset. In this case:
 - (i) If the Bank has not retained control, the financial asset will be derecognized, and any rights or obligations created or retained upon transfer will be recognized separately as assets or liabilities.
 - (ii) If the Bank has retained control, it will continue to recognize the financial asset in the Consolidated Financial Statement by an amount equal to its exposure to changes in value that can experience and recognize a financial liability associated to the transferred financial asset.

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

(iv) Offsetting

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

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

(v) Valuation at amortized cost

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

(vi) Fair value measurements

Fair value of a financial instrument is the price that would be received to sell an asset or would be paid to transfer a liability in an orderly transaction between participants in a main market (or more advantageous) at the measurement date under current market conditions, regardless of whether that price is directly observable or estimated using another valuation technique. The most objective and common fair value is the price that you would pay on an active, transparent and deep market (“quoted price” or “market price”).

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

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

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

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

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

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

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

(f) Functional currency:

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



Banco de Chile and Subsidiaries

(g) Transactions in foreign currency:

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

As of December 31, 2019, the Bank applied the exchange rate of accounting representation according to the standards issued by the CMF, where assets expressed in dollars are shown to their equivalent value in Chilean pesos calculated using the following exchange rate of Ch\$751.88 US\$1 (Ch\$693.60 to US\$1 in 2018).

The gain of Ch\$30,886 million for net foreign exchange transactions, net (Ch\$2,701 million in 2018) shown in the Consolidated Statements of Income, includes recognition of the effects of exchange rate variations on assets and liabilities in foreign currency or indexed to exchange rates, and the result of foreign exchange transactions conducted by the Bank and its subsidiaries.

(h) Business Segments:

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

- (i) That it conducts business activities from which income is obtained and expenses are incurred (including income and expenses relating to transactions with other components of the same entity).
- (ii) That its operating results are reviewed regularly by the entity's highest decision-making authority for operating decisions, to decide about resource allocation for the segment and evaluate its performance; and
- (iii) That separate financial information is available.

(i) Cash and cash equivalents:

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

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

- (i) Cash and cash equivalents correspond to "Cash and Bank Deposits", plus (minus) the net balance of transactions in the course of collection that are shown in the Consolidated Statement of Financial Position, plus instruments held-for-trading and available-for-sale that are highly liquid and have an insignificant risk of change in value, maturing in less than three months from the date of acquisition, plus repurchase agreements that are in that situation. Also includes investments in fixed income mutual funds, according to instructions of the CMF, that are presented under "Trading Instruments" in the Consolidated Statement of Financial Position.
- (ii) Operating activities: corresponds to normal activities of the Bank, as well as other activities that cannot classify like investing or financing activities.
- (iii) Investing activities: correspond to the acquisition, sale or disposition other forms, of long-term assets and other investments that not include in cash and cash equivalent.

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

(j) Financial assets held-for-trading:

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

Financial assets held-for-trading are stated at their fair value. Accrued interest, gains or losses from their fair value adjustments, as well as gains or losses from trading activities, are included in "Net financial operating income" in the Consolidated Statement of Income.

(k) Operations under resale and repurchase agreements:

The Bank carries out operations under resale agreements as a form of investment. The securities purchased under these agreements are recognized on the Bank's Consolidated Statement of Financial Position under "Investments under resale agreements", which is valued in accordance with the agreed-upon interest rate, through of method of amortized cost. According to rules, the Bank not register as own portfolio the instruments bought within resale agreements.

The Bank also carries out operations under repurchase agreements as a form of financing. The investments that are sold under repurchase obligation and that serve as collateral for borrowings are classified as "Financial Assets held-for-trading" or "Available-for-sale Instruments". The obligation to repurchase the investment is classified in the liability as "Obligations under repurchase agreements", which is valued in accordance with the agreed-upon interest rate.

As of December 31, 2019 and 2018 it not exist operations corresponding to securities lending.

(l) Derivative instruments:

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

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

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

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

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



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

- (1) A hedge of the fair value of existing assets or liabilities or firm commitments, or;
- (2) A hedge of cash flows related to existing assets or liabilities or forecasted transactions.

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

- (a) at its inception, the hedge relationship has been formally documented;
- (b) it is expected that the hedge will be highly effective;
- (c) the effectiveness of the hedge can be measured in a reasonable manner; and
- (d) the hedge is highly effective with respect to the hedged risk on an ongoing basis and throughout the entire hedge relationship.

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

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

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

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

(m) Loans to customers:

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

(i) Valuation method

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

(ii) Lease contracts

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

(iii) Factoring transactions

They are valued for the amounts disbursed by the Bank in exchange for invoices or other commercial instruments representative of credit, with or without responsibility of the grantor, received in discount. Price differences between the amounts disbursed and the nominal value of the credits are recorded in the result as interest income, through the effective interest method, during the financing period.

In those cases where the transfer of these instruments it was made without responsibility of the grantor, it is the Bank who assumes the insolvency risks of those required to pay.

(iv) Impairment of loans

The impaired loans include the following assets, according to Chapter B-1 of Banking Accounting Standards Compendium of the CMF:

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

(v) Allowance for loan losses

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

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

(v.i) Allowance for individual evaluations:

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

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

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

v.i.1 Normal Loans and Substandard Loans:

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

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

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

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

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

Allowances for Normal and Substandard Loans:

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

The exposure affects to allowances applicable to loans plus contingent loans minus the amounts to be recovered by way of the foreclosure of financial or real guarantees of the operations. Also, in some cases, the credit risk of direct debtor can be replaced by credit quality from guarantor or surety. Loans mean the book value of credit of the respective debtor, while for contingent loans, the value resulting from to apply the indicated in No.3 of Chapter B-3 of Banking Accounting Standards Compendium.

The banks must use the following equation:

$$\text{Provision}_{\text{debtor}} = (\text{ESA}-\text{GE}) \times (\text{PD}_{\text{debtor}}/100) \times (\text{LGD}_{\text{debtor}}/100) + \text{GE} \times (\text{PD}_{\text{guarantor}}/100) \times (\text{LGD}_{\text{guarantor}}/100)$$

Where:

- ESA = Exposure subject to allowances
- GE = Guaranteed exposure
- ESA = (Loans + Contingent Loans) – Financial Guarantees

However, the Bank must maintain a minimum provision level of 0.50% over normal portfolio and contingents loans.

v.i.2 Non-complying Loans

The non-complying portfolio includes the debtors and their credits for which their recovery is considered remote, as they show an impaired or no payment capacity. This category comprises all debtors who have stopped paying their creditors or with visible evidence that they will stop doing so, as well as debtors who are granted a loan to leave as normal debt an operation with more than 60 days overdue in their payment, those in which a forced restructuring of debts is necessary to avoid default and, in addition, any debtor debtors that has 90 days overdue or more in the payment of interest or principal of any credit.

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

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

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

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

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

$$\text{Expected loss} = (TE - R) / TE$$

$$\text{Allowance} = TE \times (AP/100)$$

Where:

TE = total exposure

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

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

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

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

(v.ii) Allowances for group evaluations

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

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

The Bank must discriminate between provisions on the normal portfolio and on the portfolio in default, and those that protect the risks of contingent credits associated with those portfolios.

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

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

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

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

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

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

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

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

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

Where:

PD : Probability of default

LGD : Loss given default

EAD : Exposure at default

CMG : Outstanding loan capital Mortgage Guarantee value

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

(v.iv) Commercial portfolio

To determine the allowances of the commercial portfolio, the Bank must consider the standard methods presented below, as applicable to commercial leasing operations or other types of commercial loans. Then, the applicable provision factor will be assigned considering the parameters defined for each method.

a) Commercial Leasing Operations

The provision factor must be applied to the current value of commercial leasing operations (including the purchase option) and will depend on the default of each operation, the type of leased asset and the relationship between the current value of each operation and the leased asset value (PVB) at each month-end, as indicated in the following tables:

| Probability of default (PD) applicable according to default and type of asset (%) | | |
|---|---------------|-----------------|
| Days of default of the operation at the month-end | Type of asset | |
| | Real estate | Non-real estate |
| 0 | 0.79 | 1.61 |
| 1-29 | 7.94 | 12.02 |
| 30-59 | 28.76 | 40.88 |
| 60-89 | 58.76 | 69.38 |
| Portfolio in default | 100.00 | 100.00 |

| Loss given the default (LGD) applicable according to PVB section and type of asset (%) | | |
|--|-------------|-----------------|
| PVB = Current value of the operation / Value of the leased asset | | |
| PVB section | Real estate | Non-real estate |
| PVB ≤ 40% | 0.05 | 18.2 |
| 40% < PVB ≤ 50% | 0.05 | 57.00 |
| 50% < PVB ≤ 80% | 5.10 | 68.40 |
| 80% < PVB ≤ 90% | 23.20 | 75.10 |
| PVB > 90% | 36.20 | 78.90 |

The determination of the PVB relationship will be made considering the appraisal value expressed in UF for real estate and in Chilean pesos for non-real estate, recorded at the time of the respective loan granting, taking into account possible situations that may be causing temporary increases in the assets prices at that time.

b) Generic commercial placements and factoring

In the case of factoring operations and other commercial placements, other than those indicated above, the provision factor, applicable to the amount of the placement and the exposure of the contingent loan risk (as indicated in paragraph 3 of Chapter B-3), will depend on the default of each operation and the relationship that exists at the end of each month, between the obligations that the debtor has with the bank and the value of the collateral that protect them (PTVG), as indicated in the following tables:

| Probability of default (PD) applicable according to default and PTVG section (%) | | | |
|--|-----------------|-------------|--------------------|
| Days of default at the month-end | With collateral | | Without collateral |
| | PTVG ≤ 100% | PTVG > 100% | |
| 0 | 1.86 | 2.68 | 4.91 |
| 1-29 | 11.60 | 13.45 | 22.93 |
| 30-59 | 25.33 | 26.92 | 45.30 |
| 60-89 | 41.31 | 41.31 | 61.63 |
| Portfolio in default | 100.00 | 100.00 | 100.00 |

| Loss given the default (LGD) applicable according to PTVG section (%) | | | |
|---|------------------|---|---|
| Collateral (with / without) | PTVG section | Generic commercial operations or factoring without the responsibility of the transferor | Factoring with the responsibility of the transferor |
| With collateral | PTVG ≤ 60% | 5.0 | 3.2 |
| | 60% < PTVG ≤ 75% | 20.3 | 12.8 |
| | 75% < PTVG ≤ 90% | 32.2 | 20.3 |
| | 90% < PTVG | 43.0 | 27.1 |
| Without collateral | | 56.9 | 35.9 |

The collaterals used for the purposes of calculating the PTVG relationship of this method may be specific or general, including those that are simultaneously specific and general. Collateral can only be considered if, according to the respective coverage clauses, it was constituted in the first degree of preference in favor of the bank and only guarantees the debtor's credits with respect to which it is imputed (not shared with other debtors).

For the purposes of calculating the PTVG, the assigned invoices in factoring operations nor the collaterals associated with the mortgage loans will not be considered, regardless of the conditions of its coverage clauses.

For the calculation of the PTVG ratio, the following considerations must be taken:

i. Transactions with specific collaterals: when the debtor granted specific collateral for generic commercial loans and factoring, the PTVG ratio is calculated independently for each covered transaction, such as the division between the amount of the loans and the contingent loans exposure and the collateral's value of the covered product.

ii. Transactions with general collaterals: when the debtor granted general or general and specific collaterals, the Bank calculates the respective PTVG, jointly for all generic commercial loans and factoring and not contemplated in the preceding paragraph i), as the division between the sum of the amounts of the loans and exposures of contingent loans and the general, or general and specific collateral that, according to the scope of the remaining coverage clauses, safeguard the loans considered in the numerator aforementioned coverage ratio.

The amounts of the collaterals used in the PTVG ratio of numbers i) and ii) must be determined according to:

- The last valuation of the collateral, be it appraisal or fair value, according to the type of real guarantee in question. For the determination of fair value, the criteria indicated in Chapter 7-12 of the Updated Collection of Standards should be considered.
- Possible situations that could be causing temporary increases in the values of the collaterals.
- Limitations on the amount of coverage established in their respective clauses.

(v.v) Portfolio in default

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

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

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

- No obligation of the debtor with the bank with more than 30 calendar days overdue.
- No new refinances granted to pay its obligations.
- At least one of the payments includes amortization of capital. This condition does not apply in the case of debtors who only have credits for financing higher education in accordance with Law No. 20,027.
- If the debtor has a credit with partial payment periods less than six months, has already made two payments.
- If the debtor must pay monthly fees for one or more credits, has paid four consecutive dues.
- The debtor does not appear with unpaid debts direct according to the information recast by CMF, except for insignificant amounts.

(vi) Charge-offs

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

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

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

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

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

- a) The Bank, based on all available information, concludes that will not obtain any cash flow of the credit recorded as an asset.
- b) When the debt without executive title expires 90 days after it was recorded in asset.
- c) At the time the term set by the statute of limitations runs out and as result legal actions are precluded in order to request payment through executive trial or upon rejection or abandonment of title execution issued by judicial and non-recourse resolution.
- d) When past-due term of a transaction complies with the following:

| Type of Loan | Term |
|--|-----------|
| Consumer loans - secured and unsecured | 6 months |
| Other transactions - unsecured | 24 months |
| Commercial loans - secured | 36 months |
| Residential mortgage loans | 48 months |

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

(vi.ii) Charge-offs of lease operations

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

- a) The bank concludes that there is no possibility of the rent recoveries and the value of the property cannot be considered for purposes of recovery of the contract, either because the lessee have not the asset, for the property’s conditions, for expenses that involve its recovery, transfer and maintenance, due to technological obsolescence or absence of a history of your location and current situation.
- b) When it complies the prescription term of actions to demand the payment through executory or upon rejection or abandonment of executory by court.
- c) When past-due term of a transaction complies with the following:

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

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

(vii) Loan loss recoveries

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

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

(viii) Renegotiations of charge-off transactions

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

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

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

(n) Investment instruments:

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

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



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

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

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

As of December 31, 2019 and 2018, the Bank does not held to maturity instruments.

(o) Intangible:

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

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

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

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

(p) Property and equipment:

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

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

Estimated useful lives for 2019 and 2018 are as follows:

| | |
|----------------------------|----------|
| - Buildings | 50 years |
| - Installations | 10 years |
| - Equipment | 5 years |
| - Supplies and accessories | 5 years |

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

(q) Deferred taxes and income taxes:

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

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

Deferred tax assets are recognized only when it is likely that future tax profits will be sufficient to recover deductions for temporary differences. According to instructions from the CMF, deferred taxes are presented in the Statement of Financial Position according to IAS 12 "Income Tax".

(r) Assets received in lieu of payment:

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

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

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(s) Investment properties:

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

(t) Debt issued:

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

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

(u) Provisions and contingent liabilities:

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

- i) a present obligation has arisen from a past event and,
- ii) as of the date of the financial statements it is probable that the Bank or its subsidiaries have to disburse resources to settle the obligation and the amount can be reliably measured.

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

The following are classified as contingent loans in the complementary information:

- i. Guarantees and sureties: Comprises guarantees, sureties and standby letters of credit. In addition it includes payment guarantees for purchases in factoring transactions.
- ii. Confirmed foreign letters of credit: Corresponds to letters of credit confirmed by the Bank.
- iii. Documentary letters of credit: Includes documentary letters of credit issued by the Bank which have not yet been negotiated.
- iv. Documented guarantee with promissory notes.
- v. Undrawn credit lines: The unused amount of credit lines that allow customers to draw without prior approval by the Bank (for example, using credit cards or overdrafts in checking accounts).
- vi. Other credit commitments: Amounts not yet lent under committed loans, which must be disbursed at an agreed future date when events contractually agreed upon with the customer occur, such as in the case of lines of credit linked to the progress of a construction or similar projects.
- vii. Other contingent loans: Includes any other kind of commitment by the Bank which may exist and give rise to lending when certain future events occur. In general, this includes unusual transactions such as pledges made to secure the payment of loans among third parties or derivative contracts made by third parties that may result in a payment obligation and are not covered by deposits.

Exposure to credit risk on contingent loans:

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

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

Notwithstanding the above, when dealing with transactions performed with customers with overdue loans as indicated in Chapter B-1 of the Accounting Standards Compendium of the CMF, that exposure shall be equivalent to 100% of its contingent loans.

(v) Provisions for minimum dividends:

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

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

(w) Employee benefits:**(i) Staff accrued vacations**

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

(ii) Short-term benefits

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

(iii) Staff severance indemnities

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

Obligations for this defined benefits plan are valued according to the projected unit credit actuarial valuation method, using inputs such as staff turnover rates, expected salary growth in wages and probability that this benefit will be used, discounted at current long-term rates (3.17% as of December 31, 2019 and 4.25% as of December 31, 2018).

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

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

(x) Earnings per share:

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

Diluted earnings per share are determined similarly to basic earnings, but the weighted average number of outstanding shares is adjusted to take into account the potential dilutive effect of the options on shares, warrants and convertible debt. As of December 31, 2019 and 2018 there are no concepts to adjust.



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(y) Interest revenue and expense:

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

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

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

Loans with individual evaluation:

- Loans classified in categories C5 and C6: Accrual is suspended by the sole fact of being in the impaired portfolio.
- Loans classified in categories C3 and C4: The accrual is suspended after have fulfilled three months in the impaired portfolio.

Group evaluation loans:

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

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

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

(z) Fees and commissions:

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

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

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

- Those that correspond to a singular act, when the act that originates them takes place.
- Those that originate in transactions or services that are extended over time, during the life of such transactions or services.
- Commissions on loan commitments and other fees related to credit operations are deferred (together with the incremental costs directly related to the placement) and recognized as an adjustment to the effective interest rate of the placement. In the case of loan commitments, when there is no certainty of the date of effective placement, the commissions are recognized in the period of the commitment that originates it on a linear basis.

The fees registered by the Bank correspond mainly to:

- Commissions for lines of credit and overdrafts: they are accrued in the period related to the granting of lines of credit and overdrafts in current account.
- Commissions for guarantees and letters of credit: they are accrued in the period related to the granting of payment guarantees for real or contingent obligations of third parties.
- Commissions for card services: correspond to commissions earned and accrued during the period, related to the use of credit, debit and other cards.
- Commissions for account management: includes commissions for the maintenance of current accounts and other deposit accounts.
- Commissions for collections, collections and payments: correspond to collection, collection and payments services provided by the Bank.
- Commissions for intermediation and management of securities: correspond to income from brokerage service, placements, administration and custody of securities.
- Remuneration for insurance commercialization: Income generated by the sale of insurance is included.
- Commissions for investments in mutual funds and others: corresponds to commissions originated in the administration of mutual funds.
- Other commissions earned: Income generated by currency changes, financial advice, use of distribution channels, use of trademark agreement and placement of financial products and cash transfers and recognition of payments associated with strategic alliances, among others, are included.

Fees for commissions include:

- Remuneration for card operations: commissions paid for the operation of credit and debit cards are included.
- Inter-bank transactions: Corresponds to commissions paid to the automatic clearing house for transactions carried out.
- Commissions for operations with securities: commissions for deposit and custody of securities and brokerage of securities are included.
- Other commissions: commissions for collection, payments and other online services are included.

(aa) Identifying and measuring impairment:

Financial assets, different to loans to customers

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

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

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

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

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

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

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

Non-financial assets

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

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

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

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

(ab) Lease transactions:

(i) The Bank acting as lessor

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

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

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

(ii) The Bank acting as lessee

A contract is, or contains a lease, if one party has the right to control the use of an identified asset for a period of time in exchange for a regular payment.

On the start date of a lease, a right-to-use assets leased is determined at cost, which includes the amount of the initial measurement of the lease liability plus other disbursements made.

The amount of the lease liability is measured at the present value of future lease payments that have not been paid on that date, which are discounted using the Bank's incremental financing interest rate.

The right-of-use asset is measured using the cost model, less accumulated depreciation and accumulated losses due to impairment of value, depreciation of the right-of-use asset, is recognized in the Income Statement based on the linear depreciation method from the start date and until the end of the lease term.

In accordance with the establish in the Circular No. 3,649 of the CMF, the monthly variation of the UF for the contracts established in said monetary unit should be treated as a new measurement, therefore the UF readjustment modifies the value of the lease liability, and in parallel, the amount of the right-of-use asset must be adjusted by this effect.

After the start date, the lease liability is measured by lowering the carrying amount to reflect the lease payments made and the modifications to the lease.

According to IFRS 16 "Leases" the bank does not apply this rule to contracts whose duration is 12 months or less and those that contain an underlying asset of low value. In these cases, payments are recognized as a lease expense.

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(ac) Fiduciary activities:

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

(ad) Customer loyalty program:

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

(ae) Additional provisions:

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

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



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

As of December 31, 2019 and 2018 the additional provisions amounted Ch\$213,252 million, which are presents in the item "Provisions" of the liability in the Consolidated Statement of Financial Position.

(af) Reclassifications:

There have not been significant reclassifications at the end of the year 2019.

3. NEW ACCOUNTING PRONOUNCEMENTS:

3.1 Standards approved and/or modified by the International Accounting Standards Board (IASB) and by the Chilean Commission for the Financial Market (CMF):

3.1.1 Standards and interpretations that have been adopted in these Consolidated Financial Statements.

As of the date of issuance of these Consolidated Financial Statements, the new accounting pronouncements issued by both the International Accounting Standards Board and the CMF, which have been adopted by the Bank and its subsidiaries, are detailed below:

Accounting standards issued by IASB.

IFRS 16 Leases.

On January 2016 was issued IFRS 16, this standard replaces IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions in the Legal Form of a Lease. The standard establishes the principles for the recognition, measurement, presentation and disclosure of leases and requires that lessor take into account most leases in a single balance model.

This new rule does not differ significantly from IAS 17 Leases that precedes it, related to the accounting treatment for the lessor. However, related to the lessee, the new rule requires the recognition of assets and liabilities for most lease contracts.

This standard is applicable as of January 1, 2019. The Bank carried out an implementation process during the year 2018, which culminated with the application as of January 1, 2019, using the modified retrospective method, this means that a the initial application date of the right-of-use asset is equal to the financial liability, and additionally it was decided not to restate the balances of the previous year. (For additional information see notes Accounting Principles and Changes in Accounting Policies and Disclosures).

IFRIC 23 Uncertainty over Income Tax Treatments.

In June 2017, the IASB published IFRIC 23, which clarifies the application of the recognition and measurement criteria required by IAS 12 Income Taxes when there is uncertainty about tax treatments. This interpretation is effective for annual periods beginning on January 1, 2019.

The Administration has assessed that the implementation of this interpretation had no impact on the Banco de Chile and its subsidiaries.

Accounting standards issued by the CMF.

Circular No. 3,645.

On January 11, 2019, the CMF introduced changes to the Compendium of Accounting Standards in order to apply the criteria defined in IFRS 16.

The main changes are for the valuation for the right to use of assets under lease being applied as a measurement after initial recognition, the cost methodology less accumulated depreciation / amortization and accumulated impairment.

In the statement of financial position are introduced the items "Leased assets" and "lease liabilities", which also modify the Notes "Fixed assets" and "Leased assets and lease liabilities".

Additionally, for the purposes of the first application of this standard, banks and their subsidiaries recorded the effect due to the first application of this standard in the equity item "Retained earnings from previous years".

On May 6, 2019, the CMF issued Circular No. 3,649, which defined the treatment of the lease agreements expressed in UF, establishing that the variation in the UF should be treated as a new measurement, and therefore the readjustments resulting in changes in lease payments must be recognized as a modification of the amount of the obligation and in parallel, the amount of the asset must be adjusted for the right to use leased assets for this purpose.

The application of these amendments was made jointly with the adoption of IFRS 16.

Circular No. 3,638.

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

The methods and risk factors considered are the following:

- Commercial Leasing Portfolio: considers default, the type of asset in leasing (real estate or non-real estate) and the present value of benefits (PVB) of the asset of the operation.
- Student Portfolio: considers the type of loan granted, the enforceability of the payment and the default that it presents, in case the loan is enforceable.
- Generic Commercial Portfolio: considers default and the existence of real guarantees that guarantee the placement. In the case of guarantees, the relationship between the placement and the value of the collateral is considered.

According to the CMF, the three standardized methods included in the model will constitute a prudential floor for internal methods currently used by the industry.

On January 31, 2019, the CMF complemented these instructions with the publication of Circular No. 3,647, with the purpose of recognizing the mitigating effect of the credit risk represented by the transferor's responsibility in factoring operations, a particular factor is introduced for the component "Loss Given Default" (hereinafter "LGD") of the standard method for the commercial portfolio of group analysis, for factoring provisions.

The adoption of this standard in July 2019 did not have a material impact on the Consolidated Financial Statements of Banco de Chile and its subsidiaries

3.1.2 New standards and interpretations that have been issued but its date of application have not yet come into force:

The following is a summary of new standards, interpretations and improvements to the International Financial Reporting Standards issued by IASB that are not yet effective as of December 31, 2019, are detailed below:

Accounting standards issued by IASB.

Conceptual Framework.

On March 29, 2018, the IASB issued a "Reviewed" Conceptual Framework. Changes to the Conceptual Framework may affect the application of IFRS when no rule applies to a particular transaction or event.

The Conceptual Framework introduces mainly the following improvements:

- It incorporates some new concepts of measurement, presentation and disclosure and derecognition of assets and liabilities in the Financial Statements.
- Provides updated definitions of assets, liabilities and includes criteria for the recognition of assets and liabilities in the financial statements.
- Clarifies some important concepts such as background on form, prudential criteria and measurement of uncertainty.

The Conceptual Framework enters into force for periods beginning on *January 1, 2020*. Early adoption is permitted.

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

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

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

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

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

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

IFRS 9 Financial Instruments, IFRS 7 Financial Instruments: Disclosures and IAS 39 Financial Instruments: Recognition and Measurement. Interest rate benchmark reform.

In September 2019, the IASB issued amendments to IFRS 9, IFRS 7 and IAS 39, as a result of the IBOR (Interbank Offered Rate) reform, which results in the replacement of existing reference interest rates, by alternative interest rates.

The amendments provide temporary application exceptions that allow hedge accounting to continue during the uncertainty period, prior to the replacement of existing reference interest rates.

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

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

Accounting Standards issued by the CMF.

Circular No. 2,243.

On December 20, 2019, the CMF published Circular No. 2,243, which updates the instructions of the Banking Accounting Standards Compendium ("CNCB") for banks.

The changes seek to achieve greater convergence with IFRS, as well as an improvement in the quality of financial information, to contribute to the financial stability and transparency of the banking system.

The main changes introduced to the CNCB correspond to:

- 1) Incorporation of IFRS 9 with the exception of the chapter on impairment of loans classified as "financial assets at amortized cost". This exception is mainly due to prudential criteria set by the CMF. These criteria have given rise, over time, to the establishment of standard models that the banking institutions must apply to determine the impairment of the loan portfolio.
- 2) Changes in the presentation formats of the Statement of Financial Position and Income Statement, when adopting IFRS 9 in replacement of IAS 39.
- 3) Incorporation of new presentation formats for the Statement of Other Comprehensive Income and the Statement of Changes in Equity and guidelines on financing and investment activities for the Statement of Cash Flows.
- 4) Incorporation of a financial report "Management Comments" (according to the IASB Practice Document No. 1), which will complement the information provided by the interim and annual financial statements.
- 5) Modifications of some notes of the financial statements, among which are: Financial assets at amortized cost and Risk management, in order to better comply with the disclosure criteria contained in the IFRS 7. In addition, disclosures about related parties are aligned according to IAS 24.
- 6) Changes in the accounting plan of Chapter C-3 of the CNCB, both in the accounts coding as well as in their description. The foregoing corresponds to the detailed information of the formats for the Statement of Financial Position, the Income Statement and the Statement of Other Comprehensive Income.
- 7) Modification of the criteria for the suspension of the recognition of interest income on an accrual basis, when any credit or one of its payments presents a default greater than 3 months (Chapter B-2 of the CNCB).
- 8) Adaptation of the limitations and precisions to the use of IFRS contained in Chapter A-2 of the CNCB.

The new standards will be applicable from January 1, 2021, with a transition date on January 1, 2020, for the comparative financial statements purposes that must be published as of March 2021. Notwithstanding the above, the change of criteria for the suspension of the recognition of interest income on an accrual basis as provided in Chapter B-2, must be adopted no later than January 1, 2021. The effects of the application of the suspension rule of Interest and readjustments when any credit or one of its payments presents a default greater than 3 months will not have a significant impact on the Bank's results.

The Bank and its subsidiaries have prepared a work plan and allocated the necessary resources to address implementation of the modifications to the CNCB. The foregoing was with the purpose of complying with the new standards required for the preparation and presentation of the Financial Statements.



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4. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES:

The accounting policies adopted in the preparation of this Consolidated Financial Statements are consistent with those used in the preparation of the annual Consolidated Financial Statements for the year ended December 31, 2018, except for the adoption of new regulations in force at 1 January 2019.

As of January 1, 2019, the Bank first adopted IFRS 16 Leases, for the purposes of the initial application, it was decided to recognize the cumulative effect on the date of initial adoption (January 1, 2019), not restating comparative information, accounting for a right-of-use asset for an amount equal to the lease liability for an amount of Ch\$144,497 million (See Note No. 16 letter d)). This amount was determined according to the present value of the remaining lease payments, discounted using the Bank's incremental financing interest rate.

During the year ended December 31, 2019, no other significant accounting changes have occurred that affect the presentation of these Consolidated Financial Statements.

5. RELEVANT EVENTS:

(a) On January 18, 2019, the subsidiary Banchile Corredores de Bolsa S.A. informed that in the Ordinary Session held that day, the Board became aware and accepted the resignation presented by Mr. Roberto Serwaczak Slowinski to his position as Director of the company.

194 (b) On January 24, 2019 in the Ordinary Session No. 2,895, the Board of Directors of Banco de Chile agreed to convene an Ordinary Meeting of Shareholders for March 28, 2019, with the purpose of proposing, among other matters, the distribution of the dividend No. 207 of \$ 3.52723589646 for each share, corresponding to 70% of the distributable liquid profit, retaining the remaining 30%.

(c) On January 28, 2019, Banco de Chile and its subsidiary Banchile Corredores de Seguros Ltda. informed that they have entered into a strategic alliance with the insurance companies Chubb Seguros Chile S.A. and Chubb Seguros de Vida Chile S.A. The framework of the strategic alliance establishes the general terms and conditions pursuant to which the Bank will grant, for a period of 15 years, exclusive access to the Companies to provide insurances to clients via face-to-face and digital channels of the Bank, through Banchile, subject to the exceptions agreed upon by the parties.

The aforementioned Agreement included an initial payment on the date of the signing of the contracts, in accordance with the terms and conditions thereof, and annual payments subject to compliance with insurance sales objectives during the agreement lifetime.

The subscription of the contracts referred in the Agreement was subject to the condition that the National Economic Prosecutor's Office approve the execution of all of them, for which purpose the parties have proceeded to notify the operation in accordance with Chapter IV of the Decree Law No. 211.

(d) On March 14, 2019 in the Ordinary session No. 2,897, the Board of Directors of Banco de Chile agreed to establish a provision for minimum dividends of 60% of the net distributable profit that will be generated during the course of the year. For these purposes, the net distributable profit is defined as net income for the corresponding period minus the value effect of the monetary unit of paid capital and reserves, as a result of any change in the Consumer Price Index (CPI) between to the month prior to the current month and the month of November of the previous year.

(e) On March 28, 2019 at the Ordinary Shareholder's Meeting, our shareholders approved the distribution of the dividend No. 207 of \$3.52723589646 per share, to be charged to the net distributable income obtained during the fiscal year 2018. Also, the shareholders agreed to withhold of 30% of the distributable net profit for the year 2018.

Additionally, the shareholders approved the definite appointment of Mr. Julio Santiago Figueroa as Director of Banco de Chile, a position which he will hold until the next renewal of the Board of Directors.

- (f) On May 20, 2019, the subsidiary Banchile Corredores de Bolsa S.A. reported that in Ordinary Session held on May 17, 2019, the Board of Banchile Corredores de Bolsa S.A. appointed Mr. Fuad Jorge Muvdi Arenas as titular director.
- (g) On June 4, 2019, Banco de Chile reported that the condition established in of the Strategic Alliance Framework Agreement subscribed by Banco de Chile, its subsidiary Banchile Corredores de Seguros Limitada and the insurance companies Chubb Seguros Chile SA and Chubb Seguros de Vida Chile SA, had been met on January 28, 2019, and in order to comply with said agreement, the following contracts had been signed:
 - Contract of Exclusive Access to Distribution Channels between the Bank and the Companies;
 - Supply, Intermediation and Distribution of Insurance Contracts between Banchile and each of the Companies;
 - Trademark Use Agreement between the Bank and each of the Companies; and
 - Collection Contracts between the Bank and each of the Companies.
- (h) On June 10, 2019, Banco de Chile informed that on that date Mr. Rodrigo Manubens Moltedo submitted his resignation to the position of Deputy Director of Banco de Chile.
- (i) On June 27, 2019, Banco de Chile informed that in ordinary session, the Board of Directors appointed Mrs. Sandra Guazzotti as first substitute director, until the next Ordinary Shareholders' Meeting, replacing Mr. Rodrigo Manubens Moltedo.
- (j) On July 1, 2019, Banco de Chile reported the deceased of the Director of Banco de Chile, Mr. Gonzalo Menéndez Duque.
- (k) On July 8, 2019, the subsidiary Banchile Administradora General de Fondos S.A. informed that on July 5, 2019 Mr. Nicolás Luksic Puga submitted his resignation to the position of director of the Company.
- (l) On August 8, 2019, Banco de Chile informed that in ordinary session the Board of Directors appointed to Mr. Hernán Büchi Buc as Regular Director of the Board in replacement of Mr. Gonzalo Menéndez Duque until the next Ordinary Shareholders Meeting.
- (m) On November 28, 2019 and in Ordinary session, the Board of Directors appointed to Mr. Paul Fürst Gwinner as the second alternate director, replacing until the next Ordinary Meeting of Shareholders, to Mr. Thomas Fürst Freiurth, who presented his resignation as director alternate.
- (n) On November 29, 2019, Banco de Chile reported that together with Citigroup Inc. they have agreed to extend the validity of the Cooperation Agreement and the Global Connectivity Contract, both entered into on October 22, 2015. In accordance with the aforementioned extension, the validity of said contracts extends from January 1, 2020 and until January 1, 2022, and the parties may agree before August 31, 2021, an extension for two years from January 1, 2022. In the event that this does not occur, the contracts will be extended only once for a period of one year from January 1, 2022 and until January 1, 2023. The same renewal procedure may be used in the future as many times as agreed by the parties.

Together with the above and on the same date, Banco de Chile and Citigroup Inc. signed an Amended and Restated Trademark License Agreement and an Amended and Restated Master Services Agreement, agreeing that their periods of validity will be the same as those established in the Contract of Cooperation referred to in the previous paragraph.

The Board of Directors of Banco de Chile, in session No. 2,912 of November 28, 2019, approved the extension and subscription of the aforementioned contracts, in the terms established in articles 146 and following of the Corporations Law.



Banco de Chile and Subsidiaries

6. BUSINESS SEGMENTS:

For management purposes, the Bank is organized into four segments, which are defined based on the types of products and services offered, and the type of client in which focuses as described below:

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

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

Treasury: This segment includes the associated revenues to the management of the investment portfolio and the business of financial transactions and currency trading.

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

Subsidiaries: Corresponds to the businesses generated by the companies controlled by the Bank, which carry out activities complementary to the bank business. The companies that comprise this segment are:

Entity

- Banchile Administradora General de Fondos S.A.
- Banchile Asesoría Financiera S.A.
- Banchile Corredores de Seguros Ltda.
- Banchile Corredores de Bolsa S.A.
- Banchile Securitizadora S.A.
- Socofin S.A.

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

- The net interest margin of loans and deposits is obtained aggregating the net financial margins of each individual operation of credit and uptake made by the bank. For these purposes, the volume of each operation and its contribution margin are considered, which in turn corresponds to the difference between the effective rate of the customer and the internal transfer price established according to the term and currency of each operation. Additionally, the net margin includes the result of interest and indexation from the accounting hedges.
- The capital and its financial impacts on outcome have been assigned to each segment based on the risk-weighted assets.
- Operational expenses are reflected at the level of the different functional areas of the Bank. The allocation of expenses from functional areas to business segments is done using different allocation criteria, at the level of the different concepts and expense items.

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

For the years ended December 31, 2019 and 2018, there was no income from transactions with a customer or counterparty that accounted for 10% or more of the Bank's total revenues.



Banco de Chile and Subsidiaries

The following table presents the income by segment for the years ended December 31, 2019 and 2018 for each of the segments defined above:

| | Retail | | Wholesale | | Treasury | |
|-----------------------------------|------------------|------------------|----------------|----------------|---------------|---------------|
| | 2019 MCh\$ | 2018 MCh\$ | 2019 MCh\$ | 2018 MCh\$ | 2019 MCh\$ | 2018 MCh\$ |
| Net interest income | 1,033,646 | 972,172 | 359,074 | 355,451 | (19,246) | (2,415) |
| Net commissions income (loss) | 270,064 | 184,545 | 48,097 | 45,905 | (3,241) | (4,031) |
| Other operating income | 34,854 | 43,288 | 61,505 | 59,376 | 45,105 | 63,931 |
| Total operating revenue | 1,338,564 | 1,200,005 | 468,676 | 460,732 | 22,618 | 57,485 |
| Provision for loan losses | (333,156) | (287,569) | (14,052) | 6,041 | — | — |
| Depreciation and amortization | (58,725) | (29,571) | (5,885) | (5,008) | (85) | (91) |
| Other operating expenses | (587,212) | (561,513) | (151,660) | (152,921) | (5,040) | (4,693) |
| Income attributable to associates | 3,957 | 4,220 | 1,669 | 2,173 | 331 | 400 |
| Income before income taxes | 363,428 | 325,572 | 298,748 | 311,017 | 17,824 | 53,101 |
| Income taxes | | | | | | |
| Income after income taxes | | | | | | |

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The following table presents assets and liabilities of the years ended December 31, 2019 and 2018 by each segment defined above:

| | Retail | | Wholesale | | Treasury | |
|----------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 2019 MCh\$ | 2018 MCh\$ | 2019 MCh\$ | 2018 MCh\$ | 2019 MCh\$ | 2018 MCh\$ |
| Assets | 18,139,505 | 16,425,483 | 10,766,374 | 10,591,702 | 11,426,849 | 8,093,850 |
| Current and deferred taxes | | | | | | |
| Total assets | | | | | | |
| Liabilities | 11,407,066 | 10,399,587 | 10,750,446 | 9,873,018 | 15,075,652 | 11,952,656 |
| Current and deferred taxes | | | | | | |
| Total liabilities | | | | | | |

| Subsidiaries | | Subtotal | | Consolidation adjustment | | Total | |
|---------------|---------------|----------------|----------------|--------------------------|---------------|------------------|------------------|
| 2019 MCh\$ | 2018 MCh\$ | 2019 MCh\$ | 2018 MCh\$ | 2019 MCh\$ | 2018 MCh\$ | 2019 MCh\$ | 2018 MCh\$ |
| (7,651) | (8,994) | 1,365,823 | 1,316,214 | 3,552 | 3,697 | 1,369,375 | 1,319,911 |
| 153,330 | 145,704 | 468,250 | 372,123 | (10,948) | (12,168) | 457,302 | 359,955 |
| 53,931 | 33,341 | 195,395 | 199,936 | (7,552) | (6,519) | 187,843 | 193,417 |
| 199,610 | 170,051 | 2,029,468 | 1,888,273 | (14,948) | (14,990) | 2,014,520 | 1,873,283 |
| (66) | 118 | (347,274) | (281,410) | — | — | (347,274) | (281,410) |
| (5,846) | (3,011) | (70,541) | (37,681) | — | — | (70,541) | (37,681) |
| (111,499) | (105,906) | (855,411) | (825,033) | 14,948 | 14,990 | (840,463) | (810,043) |
| 493 | 462 | 6,450 | 7,255 | — | — | 6,450 | 7,255 |
| 82,692 | 61,714 | 762,692 | 751,404 | — | — | 762,692 | 751,404 |
| | | | | | | (169,683) | (156,531) |
| | | | | | | 593,009 | 594,873 |

| Subsidiaries | | Subtotal | | Consolidation adjustment | | Total | |
|---------------|---------------|---------------|---------------|--------------------------|---------------|-------------------|-------------------|
| 2019 MCh\$ | 2018 MCh\$ | 2019 MCh\$ | 2018 MCh\$ | 2019 MCh\$ | 2018 MCh\$ | 2019 MCh\$ | 2018 MCh\$ |
| 964,695 | 925,440 | 41,297,423 | 36,036,475 | (345,395) | (388,615) | 40,952,028 | 35,647,860 |
| | | | | | | 321,305 | 278,599 |
| | | | | | | 41,273,333 | 35,926,459 |
| 781,052 | 764,736 | 38,014,216 | 32,989,997 | (345,395) | (388,615) | 37,668,821 | 32,601,382 |
| | | | | | | 76,289 | 20,924 |
| | | | | | | 37,745,110 | 32,622,306 |



Banco de Chile and Subsidiaries

7. CASH AND CASH EQUIVALENTS:

- (a) The detail of the balances included under cash and cash equivalents and their reconciliation with the Statement of Cash Flows at the year-end are detailed as follows:

| | 2019 | 2018 |
|--|------------------|------------------|
| | MCh\$ | MCh\$ |
| Cash and due from banks: | | |
| Cash (*) | 889,911 | 624,862 |
| Deposit in Chilean Central Bank (**) | 178,429 | 121,807 |
| Deposits in other domestic banks | 75,651 | 26,698 |
| Deposits abroad | 1,248,175 | 106,714 |
| Subtotal - Cash and due from banks | 2,392,166 | 880,081 |
| Net transactions in the course of collection | 232,551 | 244,758 |
| Highly liquid financial instruments (**) | 1,192,188 | 1,058,904 |
| Repurchase agreements (**) | 114,466 | 72,632 |
| Total cash and cash equivalents | 3,931,371 | 2,256,375 |

(*) Amounts in cash funds and in Central Bank are regulatory reserve deposits that the Bank must maintain as a monthly average.

(**) It corresponds to negotiation instruments and repurchase contracts that meet the definition of cash and cash equivalents.

(b) Transactions in course of settlement:

Transactions in course of settlement are transactions for which the only remaining step is settlement, which will increase or decrease the funds in the Central Bank or in foreign banks, normally occurring within 24 to 48 business hours, and are detailed as follows:

| | 2019 | 2018 |
|--|-----------|-----------|
| | MCh\$ | MCh\$ |
| Assets | | |
| Documents drawn on other banks (clearing) | 222,261 | 210,743 |
| Funds receivable | 362,411 | 369,590 |
| Subtotal - assets | 584,672 | 580,333 |
| Liabilities | | |
| Funds payable | (352,121) | (335,575) |
| Subtotal - liabilities | (352,121) | (335,575) |
| Net transactions in the course of settlement | 232,551 | 244,758 |

8. FINANCIAL ASSETS HELD-FOR-TRADING:

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

| | 2019 | 2018 |
|---|------------------|------------------|
| | MCh\$ | MCh\$ |
| Instruments issued by the Chilean Government and Central Bank of Chile | | |
| Central Bank of Chile bonds | 16,490 | 24,906 |
| Central Bank of Chile promissory notes | 1,008,035 | 1,410,080 |
| Other instruments issued by the Chilean Government and Central Bank | 99,164 | 88,486 |
| Other instruments issued in Chile | | |
| Bonds from other domestic companies | 1,556 | 7,532 |
| Bonds from domestic banks | 55,094 | 20,186 |
| Deposits in domestic banks | 315,415 | 100,225 |
| Other instruments issued in Chile | 3,272 | 1,664 |
| Instruments issued Abroad | | |
| Instruments from foreign governments or central banks | — | — |
| Other instruments issued abroad | — | 4,446 |
| Mutual fund investments | | |
| Funds managed by related companies | 373,329 | 87,841 |
| Funds managed by third-party | — | — |
| Total | 1,872,355 | 1,745,366 |

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Under “Instruments issued by the Chilean Government and Central Bank of Chile” are classified instruments sold under repurchase agreements to customers and financial instruments, by an amount of Ch\$15,243 million as of December 31, 2019 (Ch\$115,749 million as of December 31, 2018). Repurchase agreements had a 3 day average expiration at the end of year 2019 (2 days in December 2018).

Moreover, under this same item, other financial instruments are maintained as collateral guaranteeing the derivative transactions executed through Comder Contraparte Central S.A. for an amount of Ch\$57,639 as of December 31, 2019 (Ch\$34,456 million as of December 31, 2018).

“Other instruments issued in Chile” include instruments sold under repurchase agreements with customers and financial instruments amounting to Ch\$251,158 million as of December 31, 2019 (Ch\$99,268 million as of December 31, 2018). The repurchase agreements have an average expiration of 7 days at the end of the year 2019 (10 days in December 2018).

Additionally, the Bank holds financial investments in mortgage finance bonds issued by itself in the amount of Ch\$8,029 million as of December 31, 2019 (Ch\$11,397 million as of December 31, 2018), which are presented as a reduction of the liability line item “Debt issued”.



Banco de Chile and Subsidiaries

9. INVESTMENTS UNDER RESALE AGREEMENTS AND OBLIGATIONS UNDER REPURCHASE AGREEMENTS:

- (a) Rights arising from resale repurchase agreements: The Bank provides financing to its customers through repurchase agreements and securities lending, in which the financial instrument serves as collateral. As of December 31, 2019 and 2018, the detail is as follows:

| | Up to 1 month | | Over 1 month and up to 3 months | | Over 3 months and up to 12 months | |
|--|----------------|---------------|---------------------------------|---------------|-----------------------------------|---------------|
| | 2019 MCh\$ | 2018 MCh\$ | 2019 MCh\$ | 2018 MCh\$ | 2019 MCh\$ | 2018 MCh\$ |
| Instruments issued by the Chilean Governments and Central Bank of Chile | | | | | | |
| Central Bank bonds | 11,184 | — | — | — | — | — |
| Central Bank promissory notes | — | 742 | — | — | — | — |
| Other instruments issued by the Chilean Government and Central Bank | 18,459 | — | — | — | — | — |
| Subtotal | 29,643 | 742 | — | — | — | — |
| Other Instruments issued in Chile | | | | | | |
| Deposit promissory notes from domestic banks | — | — | — | — | — | — |
| Mortgage bonds from domestic banks | — | — | — | — | — | — |
| Bonds from domestic banks | 15,407 | 367 | — | — | — | — |
| Deposits in domestic banks | — | 2,053 | — | — | — | — |
| Bonds from other Chilean companies | — | — | — | — | — | — |
| Other instruments issued in Chile | 57,007 | 70,334 | 29,393 | 16,918 | 10,879 | 6,875 |
| Subtotal | 72,414 | 72,754 | 29,393 | 16,918 | 10,879 | 6,875 |
| Instruments issued by foreign institutions | | | | | | |
| Instruments from foreign governments or Central Bank | — | — | — | — | — | — |
| Other instruments | — | — | — | — | — | — |
| Subtotal | — | — | — | — | — | — |
| Mutual fund investments | | | | | | |
| Funds managed by related companies | — | — | — | — | — | — |
| Funds managed by third-party | — | — | — | — | — | — |
| Subtotal | — | — | — | — | — | — |
| Total | 102,057 | 73,496 | 29,393 | 16,918 | 10,879 | 6,875 |

Securities received:

The Bank and its subsidiaries have received financial instruments that they can sell or give as collateral in case the owner of these instruments enters into default or in bankruptcy. As of December 31, 2019, the fair value of the instruments received amounts to Ch\$142,370 million (Ch\$95,316 million as of December, 2018).

| Over 1 year and up to 3 years | | Over 3 years and up to 5 years | | Over 5 years | | Total | |
|-------------------------------|---------------|--------------------------------|---------------|---------------|---------------|---------------|---------------|
| 2019 MCh\$ | 2018 MCh\$ | 2019 MCh\$ | 2018 MCh\$ | 2019 MCh\$ | 2018 MCh\$ | 2019 MCh\$ | 2018 MCh\$ |
| — | — | — | — | — | — | 11,184 | — |
| — | — | — | — | — | — | — | 742 |
| — | — | — | — | — | — | 18,459 | — |
| — | — | — | — | — | — | 29,643 | 742 |
| — | — | — | — | — | — | — | — |
| — | — | — | — | — | — | — | — |
| — | — | — | — | — | — | 15,407 | 367 |
| — | — | — | — | — | — | — | 2,053 |
| — | — | — | — | — | — | — | — |
| — | — | — | — | — | — | 97,279 | 94,127 |
| — | — | — | — | — | — | 112,686 | 96,547 |
| — | — | — | — | — | — | — | — |
| — | — | — | — | — | — | — | — |
| — | — | — | — | — | — | — | — |
| — | — | — | — | — | — | — | — |
| — | — | — | — | — | — | — | — |
| — | — | — | — | — | — | — | — |
| — | — | — | — | — | — | 142,329 | 97,289 |



Banco de Chile and Subsidiaries

- (b) Obligations arising from repurchase agreements: The Bank obtains financing by selling financial instruments and agreeing to repurchase them in the future, plus interest at a prefixed rate. As of December 31, 2019 and 2018, the repurchase agreements are the following:

| | Up to 1 month | | Over 1 month and up to 3 months | | Over 3 months and up to 12 months | |
|--|----------------|----------------|---------------------------------|---------------|-----------------------------------|---------------|
| | 2019 MCh\$ | 2018 MCh\$ | 2019 MCh\$ | 2018 MCh\$ | 2019 MCh\$ | 2018 MCh\$ |
| Instruments issued by the Chilean Governments and Central Bank of Chile | | | | | | |
| Central Bank bonds | 7,301 | 130,197 | — | — | — | — |
| Central Bank promissory notes | 9,067 | — | — | — | — | — |
| Other instruments issued by the Chilean Government and Central Bank | — | — | — | — | — | — |
| Subtotal | 16,368 | 130,197 | — | — | — | — |
| Other Instruments issued in Chile | | | | | | |
| Deposit promissory notes from domestic banks | — | — | — | — | — | — |
| Mortgage bonds from domestic banks | — | — | — | — | — | — |
| Bonds from domestic banks | — | — | — | — | — | — |
| Deposits in domestic banks | 280,696 | 162,167 | 8,583 | 1,448 | — | 5,210 |
| Bonds from other Chilean companies | — | — | — | — | — | — |
| Other instruments issued in Chile | 1,647 | 4,798 | — | — | 1,440 | — |
| Subtotal | 282,343 | 166,965 | 8,583 | 1,448 | 1,440 | 5,210 |
| Instruments issued by foreign institutions | | | | | | |
| Instruments from foreign governments or central bank | — | — | — | — | — | — |
| Other instruments issued by foreign | — | — | — | — | — | — |
| Subtotal | — | — | — | — | — | — |
| Mutual fund investments | | | | | | |
| Funds managed by related companies | — | — | — | — | — | — |
| Funds managed by third-party | — | — | — | — | — | — |
| Subtotal | — | — | — | — | — | — |
| Total | 298,711 | 297,162 | 8,583 | 1,448 | 1,440 | 5,210 |

Securities sold:

The fair value of the financial instruments delivered as collateral by the Bank and its subsidiaries, in sales transactions with repurchase agreement and securities lending as of December 31, 2019 amounts to Ch\$305,593 million (Ch\$298,708 million in December 2018). In the event that the Bank and its subsidiaries enter into default or bankruptcy, the counterparty is authorized to sell or deliver these investments as collateral.

| Over 1 year and up to 3 years | | Over 3 years and up to 5 years | | Over 5 years | | Total | |
|-------------------------------|---------------|--------------------------------|---------------|---------------|---------------|---------------|---------------|
| 2019 MCh\$ | 2018 MCh\$ | 2019 MCh\$ | 2018 MCh\$ | 2019 MCh\$ | 2018 MCh\$ | 2019 MCh\$ | 2018 MCh\$ |
| — | — | — | — | — | — | 7,301 | 130,197 |
| — | — | — | — | — | — | 9,067 | — |
| — | — | — | — | — | — | — | — |
| — | — | — | — | — | — | 16,368 | 130,197 |
| — | — | — | — | — | — | — | — |
| — | — | — | — | — | — | — | — |
| — | — | — | — | — | — | — | — |
| — | — | — | — | — | — | 289,279 | 168,825 |
| — | — | — | — | — | — | — | — |
| — | — | — | — | — | — | 3,087 | 4,798 |
| — | — | — | — | — | — | 292,366 | 173,623 |
| — | — | — | — | — | — | — | — |
| — | — | — | — | — | — | — | — |
| — | — | — | — | — | — | — | — |
| — | — | — | — | — | — | — | — |
| — | — | — | — | — | — | — | — |
| — | — | — | — | — | — | — | — |
| — | — | — | — | — | — | 308,734 | 303,820 |



Banco de Chile and Subsidiaries

10. DERIVATIVE INSTRUMENTS AND ACCOUNTING HEDGES:

(a) As of December 31, 2019 and 2018, the Bank's portfolio of derivative instruments is detailed as follows:

| As of December 31, 2019 | Notional amount of contract with final expiration date in | | |
|--|---|---|---|
| | Up to 1 month MCh\$ | Over 1 month and up to 3 months MCh\$ | Over 3 months and up to 12 months MCh\$ |
| Derivatives held for hedging purposes | | | |
| Interest rate swap and cross currency swap | — | — | — |
| Interest rate swap | — | — | — |
| Total derivatives held for hedging purposes | — | — | — |
| Derivatives held as cash flow hedges | | | |
| Interest rate swap and cross currency swap | — | 33,182 | — |
| Total derivatives held as cash flow hedges | — | 33,182 | — |
| Trading derivatives | | | |
| Currency forward | 8,770,180 | 8,736,613 | 14,803,058 |
| Interest rate swap | 1,790,715 | 5,806,453 | 19,749,389 |
| Interest rate swap and cross currency swap | 414,717 | 858,732 | 3,849,108 |
| Call currency options | 22,620 | 47,513 | 96,988 |
| Put currency options | 19,583 | 36,024 | 92,524 |
| Total trading derivatives | 11,017,815 | 15,485,335 | 38,591,067 |
| Total | 11,017,815 | 15,518,517 | 38,591,067 |

| Notional amount of contract with final expiration date in | | | | Fair Value | |
|---|--|-----------------------|--------------------|------------------|----------------------|
| Over 1 year and up to 3 years MCh\$ | Over 3 year and up to 5 years MCh\$ | Over 5 years MCh\$ | Total MCh\$ | Assets MCh\$ | Liabilities MCh\$ |
| 8,166 | — | — | 8,166 | — | 2,547 |
| 6,806 | — | 79,511 | 86,317 | 32 | 6,739 |
| 14,972 | — | 79,511 | 94,483 | 32 | 9,286 |
| 192,647 | 134,812 | 821,241 | 1,181,882 | 61,562 | 34,443 |
| 192,647 | 134,812 | 821,241 | 1,181,882 | 61,562 | 34,443 |
| 2,067,618 | 65,321 | 38,346 | 34,481,136 | 956,632 | 673,630 |
| 16,219,325 | 7,021,586 | 10,823,786 | 61,411,254 | 888,581 | 886,963 |
| 5,679,500 | 3,569,635 | 4,204,064 | 18,575,756 | 873,371 | 1,210,061 |
| 11,293 | — | — | 178,414 | 4,961 | 1,529 |
| 10,541 | — | — | 158,672 | 1,076 | 2,209 |
| 23,988,277 | 10,656,542 | 15,066,196 | 114,805,232 | 2,724,621 | 2,774,392 |
| 24,195,896 | 10,791,354 | 15,966,948 | 116,081,597 | 2,786,215 | 2,818,121 |



Banco de Chile and Subsidiaries

| As of December 31, 2018 | Notional amount of contract with final expiration date in | | |
|--|---|---|---|
| | Up to 1 month MCh\$ | Over 1 month and up to 3 months MCh\$ | Over 3 months and up to 12 months MCh\$ |
| Derivatives held for hedging purposes | | | |
| Interest rate swap and cross currency swap | — | — | — |
| Interest rate swap | — | — | 10,555 |
| Total derivatives held for hedging purposes | — | — | 10,555 |
| Derivatives held as cash flow hedges | | | |
| Interest rate swap and cross currency swap | — | 142,045 | 213,518 |
| Total derivatives held as cash flow hedges | — | 142,045 | 213,518 |
| Trading derivatives | | | |
| Currency forward | 8,414,296 | 9,941,108 | 13,350,051 |
| Interest rate swap | 3,977,068 | 9,065,335 | 25,723,239 |
| Interest rate swap and cross currency swap | 227,185 | 369,509 | 1,983,836 |
| Call currency options | 16,988 | 71,243 | 131,175 |
| Put currency options | 16,141 | 62,809 | 103,834 |
| Total trading derivatives | 12,651,678 | 19,510,004 | 41,292,135 |
| Total | 12,651,678 | 19,652,049 | 41,516,208 |

(b) Fair value Hedges:

The Bank uses cross-currency swaps and interest rate swaps to hedge its exposure to changes in the fair value of the hedged elements attributable to interest rates in financial instruments. The aforementioned hedge instruments change the effective cost of long-term assets from a fixed interest rate to a floating rate, decreasing the duration and modifying the sensitivity to the shortest segments of the curve.

Below is a detail of the hedged elements and instruments under fair value hedges as of December 31, 2019 and 2018:

| | 2019 MCh\$ | 2018 MCh\$ |
|-------------------------|---------------|---------------|
| Hedge element | | |
| Commercial loans | 8,166 | 11,132 |
| Corporate bonds | 86,317 | 226,954 |
| Hedge instrument | | |
| Cross currency swap | 8,166 | 11,132 |
| Interest rate swap | 86,317 | 226,954 |

| Notional amount of contract with final expiration date in | | | | Fair Value | |
|---|--|-----------------------|--------------------|------------------|----------------------|
| Over 1 year and up to 3 years MCh\$ | Over 3 year and up to 5 years MCh\$ | Over 5 years MCh\$ | Total MCh\$ | Assets MCh\$ | Liabilities MCh\$ |
| — | 11,132 | — | 11,132 | — | 3,012 |
| — | 16,078 | 200,321 | 226,954 | 1,116 | 3,152 |
| — | 27,210 | 200,321 | 238,086 | 1,116 | 6,164 |
| 136,852 | 163,027 | 482,015 | 1,137,457 | 34,298 | 31,818 |
| 136,852 | 163,027 | 482,015 | 1,137,457 | 34,298 | 31,818 |
| 3,843,703 | 92,395 | 35,374 | 35,676,927 | 735,444 | 631,047 |
| 17,216,272 | 7,219,269 | 9,129,644 | 72,330,827 | 287,611 | 284,840 |
| 4,366,801 | 3,339,946 | 3,695,613 | 13,982,890 | 450,519 | 570,033 |
| 9,769 | — | — | 229,175 | 4,839 | 2,921 |
| 9,769 | — | — | 192,553 | 120 | 1,534 |
| 25,446,314 | 10,651,610 | 12,860,631 | 122,412,372 | 1,478,533 | 1,490,375 |
| 25,583,166 | 10,841,847 | 13,542,967 | 123,787,915 | 1,513,947 | 1,528,357 |



Banco de Chile and Subsidiaries

(c) Cash flow Hedges:

(c.1) The Bank uses cross currency swaps to hedge the risk from variability of cash flows attributable to changes in the interest rates and foreign exchange of foreign banks obligations and bonds issued abroad in US Dollars, Hong Kong dollars, Swiss Franc, Japanese Yens, Peruvian Sol, Australian Dollars, Euros and Norwegian kroner. The cash flows of the cross currency swaps equal the cash flows of the hedged items, which modify uncertain cash flows to known cash flows derived from a fixed interest rate.

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

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

| | Up to 1 month | | Over 1 month and up to 3 months | | Over 3 months and up to 12 months | |
|-------------------------|---------------|---------------|---------------------------------|---------------|-----------------------------------|---------------|
| | 2019 MCh\$ | 2018 MCh\$ | 2019 MCh\$ | 2018 MCh\$ | 2019 MCh\$ | 2018 MCh\$ |
| Hedge element | | | | | | |
| Outflows: | | | | | | |
| Corporate Bond EUR | — | — | — | — | (1,421) | (1,338) |
| Corporate Bond HKD | — | — | — | — | (12,829) | (66,378) |
| Corporate Bond PEN | — | — | (894) | — | (894) | — |
| Corporate Bond CHF | — | — | — | (89,256) | (798) | (125,993) |
| Corporate Bond USD | — | — | — | — | (1,600) | (1,476) |
| Obligation USD | (216) | (870) | (336) | (86) | (884) | (49,401) |
| Corporate Bond JPY | — | — | (34,638) | (49,362) | (2,121) | (1,072) |
| Corporate Bond AUD | — | — | (428) | — | (3,274) | — |
| Corporate Bond NOK | — | — | — | — | (2,341) | — |
| Hedge instrument | | | | | | |
| Inflows: | | | | | | |
| Cross Currency Swap EUR | — | — | — | — | 1,421 | 1,338 |
| Cross Currency Swap HKD | — | — | — | — | 12,829 | 66,378 |
| Cross Currency Swap PEN | — | — | 894 | — | 894 | — |
| Cross Currency Swap CHF | — | — | — | 89,256 | 798 | 125,993 |
| Cross Currency Swap USD | — | — | — | — | 1,600 | 1,476 |
| Cross Currency Swap USD | 216 | 870 | 336 | 86 | 884 | 49,401 |
| Cross Currency Swap JPY | — | — | 34,638 | 49,362 | 2,121 | 1,072 |
| Cross Currency Swap AUD | — | — | 428 | — | 3,274 | — |
| Cross Currency Swap NOK | — | — | — | — | 2,341 | — |
| Net cash flows | — | — | — | — | — | — |

| Over 1 year and up to 3 years | | Over 3 years and up to 5 years | | Over 5 years | | Total | |
|-------------------------------|---------------|--------------------------------|---------------|---------------|---------------|---------------|---------------|
| 2019 MCh\$ | 2018 MCh\$ | 2019 MCh\$ | 2018 MCh\$ | 2019 MCh\$ | 2018 MCh\$ | 2019 MCh\$ | 2018 MCh\$ |
| (2,842) | (2,675) | (2,842) | (2,675) | (91,089) | (87,097) | (98,194) | (93,785) |
| (25,627) | (21,601) | (91,034) | (83,608) | (320,604) | (263,206) | (450,094) | (434,793) |
| (3,575) | — | (3,575) | — | (49,651) | — | (58,589) | — |
| (1,597) | (1,450) | (90,095) | (82,552) | (116,765) | (106,050) | (209,255) | (405,301) |
| (3,200) | (2,952) | (3,200) | (2,952) | (43,994) | (42,060) | (51,994) | (49,440) |
| (166,592) | (105,622) | — | — | — | — | (168,028) | (155,979) |
| (38,596) | (33,487) | (3,482) | (32,882) | (193,625) | (71,830) | (272,462) | (188,633) |
| (7,399) | — | (7,401) | — | (156,499) | — | (175,001) | — |
| (4,682) | — | (4,682) | — | (75,919) | — | (87,624) | — |
| 2,842 | 2,675 | 2,842 | 2,675 | 91,089 | 87,097 | 98,194 | 93,785 |
| 25,627 | 21,601 | 91,034 | 83,608 | 320,604 | 263,206 | 450,094 | 434,793 |
| 3,575 | — | 3,575 | — | 49,651 | — | 58,589 | — |
| 1,597 | 1,450 | 90,095 | 82,552 | 116,765 | 106,050 | 209,255 | 405,301 |
| 3,200 | 2,952 | 3,200 | 2,952 | 43,994 | 42,060 | 51,994 | 49,440 |
| 166,592 | 105,622 | — | — | — | — | 168,028 | 155,979 |
| 38,596 | 33,487 | 3,482 | 32,882 | 193,625 | 71,830 | 272,462 | 188,633 |
| 7,399 | — | 7,401 | — | 156,499 | — | 175,001 | — |
| 4,682 | — | 4,682 | — | 75,919 | — | 87,624 | — |
| — | — | — | — | — | — | — | — |



Banco de Chile and Subsidiaries

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

| | Up to 1 month | | Over 1 month and up to 3 months | | Over 3 months and up to 12 months | |
|-------------------------|---------------|---------------|---------------------------------|---------------|-----------------------------------|---------------|
| | 2019 MCh\$ | 2018 MCh\$ | 2019 MCh\$ | 2018 MCh\$ | 2019 MCh\$ | 2018 MCh\$ |
| Hedge element | | | | | | |
| Inflows: | | | | | | |
| Cash flows in CLF | 156 | — | 33,648 | 144,458 | 21,062 | 237,340 |
| Hedge instrument | | | | | | |
| Outflows: | | | | | | |
| Cross Currency Swap HKD | (156) | — | — | — | (8,798) | (59,667) |
| Cross Currency Swap PEN | — | — | (47) | — | (48) | — |
| Cross Currency Swap JPY | — | — | (33,570) | (50,247) | (4,096) | (2,740) |
| Cross Currency Swap USD | — | — | — | — | (1,275) | (47,797) |
| Cross Currency Swap CHF | — | — | — | (94,211) | (3,858) | (125,325) |
| Cross Currency Swap EUR | — | — | — | — | (1,857) | (1,811) |
| Cross Currency Swap AUD | — | — | (31) | — | (521) | — |
| Cross Currency Swap NOK | — | — | — | — | (609) | — |
| Net cash flows | — | — | — | — | — | — |

| Over 1 year and up to 3 years | | Over 3 years and up to 5 years | | Over 5 years | | Total | |
|-------------------------------|---------------|--------------------------------|---------------|---------------|---------------|---------------|---------------|
| 2019 MCh\$ | 2018 MCh\$ | 2019 MCh\$ | 2018 MCh\$ | 2019 MCh\$ | 2018 MCh\$ | 2019 MCh\$ | 2018 MCh\$ |
| 234,065 | 173,263 | 280,074 | 195,590 | 795,068 | 542,523 | 1,364,073 | 1,293,174 |
| (17,906) | (16,835) | (69,035) | (68,362) | (268,034) | (233,286) | (363,929) | (378,150) |
| (188) | — | (189) | — | (31,223) | — | (31,695) | — |
| (40,344) | (37,432) | (6,424) | (35,213) | (199,778) | (78,611) | (284,212) | (204,243) |
| (161,941) | (107,893) | (1,281) | (1,243) | (37,242) | (36,888) | (201,739) | (193,821) |
| (7,653) | (7,482) | (197,107) | (87,164) | — | (108,488) | (208,618) | (422,670) |
| (3,715) | (3,621) | (3,718) | (3,608) | (85,686) | (85,250) | (94,976) | (94,290) |
| (1,103) | — | (1,104) | — | (108,622) | — | (111,381) | — |
| (1,215) | — | (1,216) | — | (64,483) | — | (67,523) | — |
| — | — | — | — | — | — | — | — |



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With respect to CLF assets hedged; these are revalued monthly according to the variation of the UF, which is equivalent to monthly reinvest the assets until maturity of the relationship hedging.

(c.3) The unrealized results generated during the year 2019 by those derivative contracts that conform the hedging instruments in this cash flow hedging strategy, have been recorded with charge to equity amounting to Ch\$37,546 million (charge to equity of Ch\$30,943 million in December 2018). The net effect of taxes charge to equity amounts to Ch\$27,408 million (net charge to equity of Ch\$22,589 million equity during the years 2018).

The accumulated balance for this concept as of December 31, 2019 corresponds to a charge in equity amounted to Ch\$81,040 million (charge to equity of Ch\$43,494 million as of December 2018).

(c.4) The net effect in income of derivatives cash flow hedges amount to Ch\$84,684 million credit to income during the year 2019 (Ch\$85,659 million during the years 2018).

(c.5) As of December 31, 2019 and 2018, it not exist inefficiency in cash flow hedge, because both, hedge item and hedge instruments, are mirrors of each other, it means that all variation of value attributable to rate and revaluation components are netted totally.

(c.6) As of December 31, 2019 and 2018, the Bank does not have hedges of net investments in foreign business.

11. LOANS AND ADVANCES TO BANKS:

(a) As of December 31, 2019 and 2018, the balances presented in the item "Loans and advances to Banks" are as follows:

| | 2019 | 2018 |
|--|------------------|------------------|
| | MCh\$ | MCh\$ |
| Domestic Banks | | |
| Interbank loans of liquidity | 150,007 | 100,023 |
| Provisions for loans to domestic banks | (54) | (83) |
| Subtotal | 149,953 | 99,940 |
| Foreign Banks | | |
| Interbank loans commercial | 289,337 | 239,797 |
| Credits with third countries | 8,934 | 41,872 |
| Chilean exports trade loans | 61,860 | 12,873 |
| Provisions for loans to foreign banks | (704) | (1,006) |
| Subtotal | 359,427 | 293,536 |
| Central Bank of Chile | | |
| Central Bank deposits | 630,053 | 1,100,306 |
| Other Central Bank credits | — | 525 |
| Subtotal | 630,053 | 1,100,831 |
| Total | 1,139,433 | 1,494,307 |

(b) The changes in provisions of the credits owed by the banks, during the years 2019 and 2018, are summarized as follows:

| Detail | Bank's Location | | |
|--|-----------------|-----------------|----------------|
| | Chile MCh\$ | Abroad MCh\$ | Total MCh\$ |
| Balance as of January 1, 2018 | 43 | 540 | 583 |
| Provisions established | 40 | 466 | 506 |
| Provisions released | — | — | — |
| Balance as of December 31, 2018 | 83 | 1,006 | 1,089 |
| Provisions established | — | — | — |
| Provisions released | (29) | (302) | (331) |
| Balance as of December 31, 2019 | 54 | 704 | 758 |



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12. LOANS TO CUSTOMERS, NET:

(a.i) Loans to Customers:

As of December 31, 2019 and 2018, the portfolio of loans is composed as follows:

| | 2019 | | | |
|--|---------------------------|-----------------------------------|-------------------------------------|-------------------|
| | Assets before allowances | | | |
| | Normal Portfolio MCh\$ | Substandard Portfolio MCh\$ | Non-Complying Portfolio MCh\$ | Total MCh\$ |
| Commercial loans | | | | |
| Commercial loans | 11,740,263 | 45,346 | 351,425 | 12,137,034 |
| Foreign trade loans | 1,407,782 | 4,111 | 19,312 | 1,431,205 |
| Current account debtors | 258,195 | 4,020 | 3,479 | 265,694 |
| Factoring transactions | 683,602 | 2,950 | 1,533 | 688,085 |
| Student loans | 54,203 | — | 1,993 | 56,196 |
| Commercial lease transactions ⁽¹⁾ | 1,580,443 | 14,944 | 23,764 | 1,619,151 |
| Other loans and accounts receivable | 76,287 | 347 | 10,110 | 86,744 |
| Subtotal | 15,800,775 | 71,718 | 411,616 | 16,284,109 |
| Mortgage loans | | | | |
| Letters of credit | 13,720 | — | 1,034 | 14,754 |
| Endorsable mortgage loans | 31,469 | — | 882 | 32,351 |
| Other residential lending | 8,975,754 | — | 169,482 | 9,145,236 |
| Credit from ANAP | 4 | — | — | 4 |
| Residential lease transactions | — | — | — | — |
| Other loans and accounts receivable | 10,650 | — | 66 | 10,716 |
| Subtotal | 9,031,597 | — | 171,464 | 9,203,061 |
| Consumer loans | | | | |
| Consumer loans in installments | 2,778,721 | — | 260,839 | 3,039,560 |
| Current account debtors | 293,863 | — | 2,478 | 296,341 |
| Credit card debtors | 1,169,820 | — | 25,794 | 1,195,614 |
| Consumer lease transactions ⁽¹⁾ | 69 | — | — | 69 |
| Other loans and accounts receivable | 13 | — | 703 | 716 |
| Subtotal | 4,242,486 | — | 289,814 | 4,532,300 |
| Total | 29,074,858 | 71,718 | 872,894 | 30,019,470 |

(1) In this item, the Bank finances its customers purchases of assets, including real estate and other personal property, through financial lease agreements. As of December 31, 2019 Ch\$779,383 million correspond to finance leases for real estate and Ch\$839,837 million correspond to finance leases for movable assets.

2019

Allowances established

| Individual Provisions MCh\$ | Group Provisions MCh\$ | Total MCh\$ | Net assets MCh\$ |
|--------------------------------|---------------------------|----------------|---------------------|
| (118,440) | (125,082) | (243,522) | 11,893,512 |
| (35,995) | (3,321) | (39,316) | 1,391,889 |
| (3,683) | (4,181) | (7,864) | 257,830 |
| (10,642) | (1,171) | (11,813) | 676,272 |
| — | (4,056) | (4,056) | 52,140 |
| (5,770) | (7,825) | (13,595) | 1,605,556 |
| (2,412) | (5,195) | (7,607) | 79,137 |
| (176,942) | (150,831) | (327,773) | 15,956,336 |
| — | (12) | (12) | 14,742 |
| — | (15) | (15) | 32,336 |
| — | (27,795) | (27,795) | 9,117,441 |
| — | — | — | 4 |
| — | — | — | — |
| — | (225) | (225) | 10,491 |
| — | (28,047) | (28,047) | 9,175,014 |
| — | (262,832) | (262,832) | 2,776,728 |
| — | (14,740) | (14,740) | 281,601 |
| — | (51,581) | (51,581) | 1,144,033 |
| — | (1) | (1) | 68 |
| — | (444) | (444) | 272 |
| — | (329,598) | (329,598) | 4,202,702 |
| (176,942) | (508,476) | (685,418) | 29,334,052 |

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| | 2018 | | | |
|--|---------------------------|-----------------------------------|-------------------------------------|-------------------|
| | Assets before allowances | | | |
| | Normal Portfolio MCh\$ | Substandard Portfolio MCh\$ | Non-Complying Portfolio MCh\$ | Total MCh\$ |
| Commercial loans | | | | |
| Commercial loans | 11,135,653 | 56,275 | 298,916 | 11,490,844 |
| Foreign trade loans | 1,290,718 | 7,619 | 14,012 | 1,312,349 |
| Current account debtors | 215,228 | 3,500 | 3,443 | 222,171 |
| Factoring transactions | 694,367 | 3,847 | 2,517 | 700,731 |
| Student loans | 50,230 | — | 1,667 | 51,897 |
| Commercial lease transactions ⁽¹⁾ | 1,524,226 | 23,270 | 24,092 | 1,571,588 |
| Other loans and accounts receivable | 72,163 | 382 | 8,367 | 80,912 |
| Subtotal | 14,982,585 | 94,893 | 353,014 | 15,430,492 |
| Mortgage loans | | | | |
| Letters of credit | 19,820 | — | 1,552 | 21,372 |
| Endorsable mortgage loans | 40,790 | — | 1,474 | 42,264 |
| Other residential lending | 7,816,433 | — | 157,416 | 7,973,849 |
| Credit from ANAP | 6 | — | — | 6 |
| Residential lease transactions | — | — | — | — |
| Other loans and accounts receivable | 9,949 | — | 268 | 10,217 |
| Subtotal | 7,886,998 | — | 160,710 | 8,047,708 |
| Consumer loans | | | | |
| Consumer loans in installments | 2,711,285 | — | 246,207 | 2,957,492 |
| Current account debtors | 310,344 | — | 2,401 | 312,745 |
| Credit card debtors | 1,145,106 | — | 19,958 | 1,165,064 |
| Consumer lease transactions ⁽¹⁾ | 9 | — | — | 9 |
| Other loans and accounts receivable | 8 | — | 804 | 812 |
| Subtotal | 4,166,752 | — | 269,370 | 4,436,122 |
| Total | 27,036,335 | 94,893 | 783,094 | 27,914,322 |

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

2018

Allowances established

| Individual Provisions MCh\$ | Group Provisions MCh\$ | Total MCh\$ | Net assets MCh\$ |
|--------------------------------|---------------------------|----------------|---------------------|
| (104,382) | (100,310) | (204,692) | 11,286,152 |
| (36,984) | (3,449) | (40,433) | 1,271,916 |
| (3,723) | (9,067) | (12,790) | 209,381 |
| (11,289) | (1,901) | (13,190) | 687,541 |
| — | (1,502) | (1,502) | 50,395 |
| (5,283) | (3,947) | (9,230) | 1,562,358 |
| (1,543) | (6,579) | (8,122) | 72,790 |
| (163,204) | (126,755) | (289,959) | 15,140,533 |
| — | (5) | (5) | 21,367 |
| — | (29) | (29) | 42,235 |
| — | (26,245) | (26,245) | 7,947,604 |
| — | — | — | 6 |
| — | — | — | — |
| — | (167) | (167) | 10,050 |
| — | (26,446) | (26,446) | 8,021,262 |
| — | (231,753) | (231,753) | 2,725,739 |
| — | (13,870) | (13,870) | 298,875 |
| — | (44,579) | (44,579) | 1,120,485 |
| — | — | — | 9 |
| — | (492) | (492) | 320 |
| — | (290,694) | (290,694) | 4,145,428 |
| (163,204) | (443,895) | (607,099) | 27,307,223 |



Banco de Chile and Subsidiaries

(a.ii) Impaired Portfolio:

As of December 31, 2019 and 2018, the Bank presents the following details of normal and impaired portfolio:

| | Assets before Allowances | | | | | |
|------------------|--------------------------|-------------------|--------------------|----------------|-------------------|-------------------|
| | Normal Portfolio | | Impaired Portfolio | | Total | |
| | 2019 MCh\$ | 2018 MCh\$ | 2019 MCh\$ | 2018 MCh\$ | 2019 MCh\$ | 2018 MCh\$ |
| Commercial loans | 15,859,496 | 15,075,493 | 424,613 | 354,999 | 16,284,109 | 15,430,492 |
| Mortgage loans | 9,031,597 | 7,886,998 | 171,464 | 160,710 | 9,203,061 | 8,047,708 |
| Consumer loans | 4,242,486 | 4,166,752 | 289,814 | 269,370 | 4,532,300 | 4,436,122 |
| Total | 29,133,579 | 27,129,243 | 885,891 | 785,079 | 30,019,470 | 27,914,322 |

(b) Credit risk provisions:

The changes in credits risk provisions, during the years 2019 and 2018, are summarized as follows:

| | Commercial | | Mortgage | Consumer | Total MCh\$ |
|--|---------------------|----------------|----------------|----------------|----------------|
| | Individual MCh\$ | Group MCh\$ | Group MCh\$ | Group MCh\$ | |
| Balance as of January 01, 2018 | 176,178 | 107,297 | 31,764 | 242,943 | 558,182 |
| Charge-offs | (5,750) | (46,669) | (6,993) | (233,511) | (292,923) |
| Sales or transfers of credits | (2,144) | — | — | — | (2,144) |
| Allowances established | — | 66,127 | 1,675 | 281,262 | 349,064 |
| Allowances released | (5,080) | — | — | — | (5,080) |
| Balance as of December 31, 2018 | 163,204 | 126,755 | 26,446 | 290,694 | 607,099 |
| Balance as of January 01, 2019 | 163,204 | 126,755 | 26,446 | 290,694 | 607,099 |
| Charge-offs | (8,699) | (46,999) | (7,790) | (249,712) | (313,200) |
| Sales or transfers of credits | (2,549) | — | — | — | (2,549) |
| Allowances established | 24,986 | 71,075 | 9,391 | 288,616 | 394,068 |
| Allowances released | — | — | — | — | — |
| Balance as of December 31, 2019 | 176,942 | 150,831 | 28,047 | 329,598 | 685,418 |

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

Other disclosures:

- As of December 31, 2019 and 2018, the Bank and its subsidiaries have made purchases and sales of loan portfolios. The effect in income is no more than 5% of net income before taxes, as described in Note No. 12 (e) and (f).
- As of December 31, 2019 and 2018, the Bank and its subsidiaries derecognized 100% of its portfolio of loans sold and on which all or substantially all of the risks and benefits associated to these financial assets have been transferred (see Note No. 12 letter (f)).

| Allowances established | | | | | | | |
|------------------------|------------------|------------------|------------------|------------------|------------------|-------------------|-------------------|
| Individual Provisions | | Group Provisions | | Total | | Net assets | |
| 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ |
| (176,942) | (163,204) | (150,831) | (126,755) | (327,773) | (289,959) | 15,956,336 | 15,140,533 |
| — | — | (28,047) | (26,446) | (28,047) | (26,446) | 9,175,014 | 8,021,262 |
| — | — | (329,598) | (290,694) | (329,598) | (290,694) | 4,202,702 | 4,145,428 |
| (176,942) | (163,204) | (508,476) | (443,895) | (685,418) | (607,099) | 29,334,052 | 27,307,223 |



Banco de Chile and Subsidiaries

(c) Finance lease contracts:

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

| | Total receivable | | Unearned income | | Net balance receivable (*) | |
|-------------------|------------------|------------------|------------------|------------------|----------------------------|------------------|
| | 2019 MCh\$ | 2018 MCh\$ | 2019 MCh\$ | 2018 MCh\$ | 2019 MCh\$ | 2018 MCh\$ |
| Within one year | 544,067 | 519,186 | (58,871) | (60,216) | 485,196 | 458,970 |
| From 1 to 2 years | 392,832 | 383,164 | (42,302) | (44,066) | 350,530 | 339,098 |
| From 2 to 3 years | 258,331 | 255,997 | (27,329) | (28,740) | 231,002 | 227,257 |
| From 3 to 4 years | 163,847 | 162,310 | (18,361) | (19,471) | 145,486 | 142,839 |
| From 4 to 5 years | 108,192 | 108,453 | (13,242) | (13,992) | 94,950 | 94,461 |
| After 5 years | 335,695 | 336,705 | (30,313) | (33,666) | 305,382 | 303,039 |
| Total | 1,802,964 | 1,765,815 | (190,418) | (200,151) | 1,612,546 | 1,565,664 |

(*) The net balance receivable does not include past-due portfolio totaling Ch\$6,674 million as of December 31, 2019 (Ch\$5,933 million as of December 2018).

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

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(d) Loans by industry sector:

The following table details the Bank's loan portfolio (before allowances for loans losses) as of December 31, 2019 and 2018 by the customer's industry sector:

| | Location | | | | | | | |
|--------------------------------------|-------------------|-------------------|---------------|---------------|-------------------|---------------|-------------------|---------------|
| | Chile | | Abroad | | Total | | | |
| | 2019 MCh\$ | 2018 MCh\$ | 2019 MCh\$ | 2018 MCh\$ | 2019 MCh\$ | % | 2018 MCh\$ | % |
| Commercial loans: | | | | | | | | |
| Financial Services | 2,584,212 | 2,119,641 | 3,060 | 2,784 | 2,587,272 | 8.62 | 2,122,425 | 7.60 |
| Services | 2,264,966 | 2,107,146 | 436 | 348 | 2,265,402 | 7.55 | 2,107,494 | 7.55 |
| Construction | 2,141,500 | 1,751,219 | — | — | 2,141,500 | 7.13 | 1,751,219 | 6.27 |
| Commerce | 2,052,853 | 2,284,128 | 11,189 | 38,430 | 2,064,042 | 6.88 | 2,322,558 | 8.32 |
| Manufacturing | 1,624,099 | 1,544,090 | — | 34,613 | 1,624,099 | 5.41 | 1,578,703 | 5.66 |
| Agriculture and livestock | 1,622,206 | 1,581,701 | — | — | 1,622,206 | 5.40 | 1,581,701 | 5.67 |
| Transportation and telecommunication | 1,233,433 | 1,480,285 | — | 17,369 | 1,233,433 | 4.11 | 1,497,654 | 5.37 |
| Mining | 604,411 | 453,331 | — | — | 604,411 | 2.01 | 453,331 | 1.62 |
| Electricity, gas and water | 325,139 | 461,348 | — | — | 325,139 | 1.08 | 461,348 | 1.65 |
| Fishing | 140,647 | 156,444 | — | — | 140,647 | 0.47 | 156,444 | 0.56 |
| Others | 1,675,958 | 1,397,615 | — | — | 1,675,958 | 5.58 | 1,397,615 | 5.01 |
| Subtotal | 16,269,424 | 15,336,948 | 14,685 | 93,544 | 16,284,109 | 54.24 | 15,430,492 | 55.28 |
| Residential mortgage loans | 9,203,061 | 8,047,708 | — | — | 9,203,061 | 30.66 | 8,047,708 | 28.83 |
| Consumer loans | 4,532,300 | 4,436,122 | — | — | 4,532,300 | 15.10 | 4,436,122 | 15.89 |
| Total | 30,004,785 | 27,820,778 | 14,685 | 93,544 | 30,019,470 | 100.00 | 27,914,322 | 100.00 |

(e) Purchase of loan portfolio:

During the year ended December 31, 2019 the Bank has not acquired portfolio loans.

During the year 2018, the Bank acquired portfolio loans, whose nominal value amounted to Ch\$36,919 million.

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

During the years 2019 and 2018 there have been operations of sale or transfer of of the loan portfolio according to the following:

| 2019 | | | | |
|-----------------------------|--------------------------|---------------------|---------------------|---|
| | Carrying amount MCh\$ | Allowances MCh\$ | Sale price MCh\$ | Effect on income (loss) gain ^(*) MCh\$ |
| Sale of current loans | 12,420 | (2,549) | 12,420 | 2,549 |
| Sale of written – off loans | — | — | — | — |
| Total | 12,420 | (2,549) | 12,420 | 2,549 |

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

(*) See Note No. 30.

(g) Securitization of own assets:

During the years 2019 and 2018, there is no securitization transactions executed involving its own assets.



Banco de Chile and Subsidiaries

13. INVESTMENT SECURITIES:

As of December 31, 2019 and 2018, investment securities classified as available-for-sale and held-to-maturity are detailed as follows:

| | 2019 | | | 2018 | | |
|---|----------------------------------|-------------------------------|------------------|----------------------------------|-------------------------------|------------------|
| | Available- for- sale MCh\$ | Held-to- maturity MCh\$ | Total MCh\$ | Available- for- sale MCh\$ | Held-to- maturity MCh\$ | Total MCh\$ |
| Instruments issued by the Chilean Government and Central Bank of Chile | | | | | | |
| Bonds issued by the Central Bank of Chile | 76,358 | — | 76,358 | 135,145 | — | 135,145 |
| Promissory notes issued by the Central Bank of Chile | 16,466 | — | 16,466 | — | — | — |
| Other instruments of the Chilean Government and the Central Bank of Chile | 16,238 | — | 16,238 | 29,077 | — | 29,077 |
| Other instruments issued in Chile | | | | | | |
| Deposit promissory notes from domestic banks | — | — | — | — | — | — |
| Mortgage bonds from domestic banks | 122,291 | — | 122,291 | 92,491 | — | 92,491 |
| Bonds from domestic banks | 15,927 | — | 15,927 | 5,351 | — | 5,351 |
| Deposits from domestic banks | 1,020,842 | — | 1,020,842 | 559,108 | — | 559,108 |
| Bonds from other Chilean companies | 1,395 | — | 1,395 | 6,599 | — | 6,599 |
| Promissory notes issued by other Chilean companies | — | — | — | — | — | — |
| Other instruments issued in Chile | 68,476 | — | 68,476 | 107,125 | — | 107,125 |
| Instruments issued Abroad | | | | | | |
| Instruments from foreign governments or Central Banks | — | — | — | — | — | — |
| Other instruments | 19,853 | — | 19,853 | 108,544 | — | 108,544 |
| Total | 1,357,846 | — | 1,357,846 | 1,043,440 | — | 1,043,440 |

Instruments issued by the Chilean Government and Central Bank include instruments sold under repurchase agreements with clients and financial institutions, totaling Ch\$6,965 million as of December 2018. The repurchase agreements have an average maturity of 3 days as of December 2018. As of December 31, 2019, there is no amount for this concept.

Under the instruments issued abroad mainly include bonds of local companies issued abroad.

As of December 31, 2019, the portfolio of financial assets available-for-sale includes an accumulated unrealized gain of Ch\$3,827 million (accumulated unrealized losses of Ch\$9,936 million in December 2018), recorded as an equity valuation adjustment.

During the years 2019 and 2018, there is no evidence of impairment of financial assets available-for-sale.

Gross profits and losses realized on the sale of available-for-sale investments as of December 31, 2019 and 2018 are shown in Note No. 30 "Net Financial Operating Income". The changes on results at the end of each year are as follow:

| | 2019 | 2018 |
|--|---------------|----------------|
| | MCh\$ | MCh\$ |
| Unrealized (losses) gains | 18,479 | (11,387) |
| Realized losses (gains) reclassified to income | (4,716) | (400) |
| Subtotal | 13,763 | (11,787) |
| Income tax on other comprehensive income | (3,734) | 3,194 |
| Net effect in equity | 10,029 | (8,593) |



Banco de Chile and Subsidiaries

14. INVESTMENTS IN OTHER COMPANIES:

(a) Investments in other companies include investments of Ch\$50,758 million as of December 31, 2019 (Ch\$44,561 million as of December 31, 2018), as follows:

| Company | Shareholder | Ownership Interest | |
|---|------------------------------|--------------------|-----------|
| | | 2019 % | 2018 % |
| Associates | | | |
| Transbank S.A. | Banco de Chile | 26.16 | 26.16 |
| Soc. Operadora de Tarjetas de Crédito Nexus S.A. ^(*) | Banco de Chile | 29.63 | 25.81 |
| Administrador Financiero del Transantiago S.A. | Banco de Chile | 20.00 | 20.00 |
| Redbanc S.A. | Banco de Chile | 38.13 | 38.13 |
| Centro de Compensación Automatizado S.A. | Banco de Chile | 33.33 | 33.33 |
| Sociedad Imerc OTC S.A. | Banco de Chile | 12.33 | 12.33 |
| Sociedad Interbancaria de Depósitos de Valores S.A. | Banco de Chile | 26.81 | 26.81 |
| Sociedad Operadora de la Cámara de Compensación de Pagos de Alto Valor S.A. | Banco de Chile | 15.00 | 15.00 |
| Subtotal Associates | | | |
| Joint Ventures | | | |
| Servipag Ltda. | Banco de Chile | 50.00 | 50.00 |
| Artikos Chile S.A. | Banco de Chile | 50.00 | 50.00 |
| Subtotal Joint Ventures | | | |
| Subtotal | | | |
| Investments valued at cost⁽¹⁾ | | | |
| Bolsa de Comercio de Santiago S.A. | Banchile Corredores de Bolsa | | |
| Banco Latinoamericano de Comercio Exterior S.A. (Bladex) | Banco de Chile | | |
| Bolsa Electrónica de Chile S.A. | Banchile Corredores de Bolsa | | |
| Sociedad de Telecomunicaciones Financieras Interbancarias Mundiales (Swift) ^(**) | Banco de Chile | | |
| CCLV Contraparte Central S.A. | Banchile Corredores de Bolsa | | |
| Subtotal | | | |
| Total | | | |

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

(*) During the year 2019, Banco de Chile increased its percentage of ownership interest through the purchase of 159,152 shares.

(**) In 2018, as a result of the reallocation of shares, Banco de Chile purchased 8 shares of the Company. With the above, the total number of shares equals 58 titles.

| Equity | | Investment | | | |
|---------------|---------------|---------------|---------------|---------------|---------------|
| | | Assets | | Income | |
| 2019 MCh\$ | 2018 MCh\$ | 2019 MCh\$ | 2018 MCh\$ | 2019 MCh\$ | 2018 MCh\$ |
| 82,667 | 69,358 | 21,973 | 18,468 | 3,505 | 3,262 |
| 17,675 | 16,805 | 5,238 | 4,557 | 5 | 735 |
| 19,174 | 17,978 | 3,985 | 3,680 | 390 | 582 |
| 9,221 | 8,356 | 3,549 | 3,219 | 330 | 325 |
| 6,464 | 5,592 | 2,184 | 1,894 | 294 | 305 |
| 12,470 | 11,952 | 1,538 | 1,474 | 59 | 56 |
| 4,811 | 4,161 | 1,359 | 1,129 | 231 | 204 |
| 6,290 | 6,106 | 958 | 944 | 29 | 58 |
| 158,772 | 140,308 | 40,784 | 35,365 | 4,843 | 5,527 |
| 12,292 | 11,398 | 6,271 | 5,699 | 572 | 701 |
| 2,399 | 2,025 | 1,387 | 1,188 | 624 | 583 |
| 14,691 | 13,423 | 7,658 | 6,887 | 1,196 | 1,284 |
| 173,463 | 153,731 | 48,442 | 42,252 | 6,039 | 6,811 |
| | | 1,646 | 1,646 | 353 | 376 |
| | | 309 | 309 | 48 | 57 |
| | | 257 | 257 | 9 | 10 |
| | | 96 | 89 | — | — |
| | | 8 | 8 | 1 | 1 |
| | | 2,316 | 2,309 | 411 | 444 |
| | | 50,758 | 44,561 | 6,450 | 7,255 |



Banco de Chile and Subsidiaries

(b) Associates:

| | 2019 | | |
|-------------------------------------|---|---|--|
| | Centro de Compensación Automatizado S.A. | Soc. Operadora de la Cámara de Compensación de Pagos de Alto Valor S.A | Soc. Operadora de Tarjetas de Crédito Nexus S.A. |
| | MCh\$ | MCh\$ | MCh\$ |
| Current assets | 5,087 | 6,019 | 9,586 |
| Non-current assets | 3,463 | 1,353 | 21,561 |
| Total Assets | 8,550 | 7,372 | 31,147 |
| Current liabilities | 1,947 | 769 | 7,951 |
| Non-current liabilities | 139 | 313 | 5,521 |
| Total Liabilities | 2,086 | 1,082 | 13,472 |
| Equity | 6,464 | 6,290 | 17,675 |
| Minority interest | — | — | — |
| Total Liabilities and Equity | 8,550 | 7,372 | 31,147 |
| Operating income | 3,384 | 3,386 | 49,944 |
| Operating expenses | (2,229) | (3,348) | (49,699) |
| Other income (expenses) | (13) | 159 | (304) |
| Gain before tax | 1,142 | 197 | (59) |
| Income tax | (261) | (4) | 75 |
| Gain for the year | 881 | 193 | 16 |

| | 2018 | | |
|-------------------------------------|---|---|--|
| | Centro de Compensación Automatizado S.A. | Soc. Operadora de la Cámara de Compensación de Pagos de Alto Valor S.A | Soc. Operadora de Tarjetas de Crédito Nexus S.A. |
| | MCh\$ | MCh\$ | MCh\$ |
| Current assets | 3,088 | 5,871 | 12,918 |
| Non-current assets | 3,985 | 857 | 22,221 |
| Total Assets | 7,073 | 6,728 | 35,139 |
| Current liabilities | 1,321 | 622 | 14,179 |
| Non-current liabilities | 160 | — | 4,155 |
| Total Liabilities | 1,481 | 622 | 18,334 |
| Equity | 5,592 | 6,106 | 16,805 |
| Minority interest | — | — | — |
| Total Liabilities and Equity | 7,073 | 6,728 | 35,139 |
| Operating income | 3,214 | 3,302 | 50,319 |
| Operating expenses | (2,005) | (3,016) | (46,426) |
| Other income (expenses) | (25) | 177 | (173) |
| Gain before tax | 1,184 | 463 | 3,720 |
| Income tax | (268) | (79) | (870) |
| Gain for the year | 916 | 384 | 2,850 |

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| Sociedad Interbancaria de Depósitos de Valores S.A. | Redbanc S.A. | Transbank S.A. | Administrador Financiero del Transantiago S.A. | Sociedad Imerc OTC S.A. | Total |
|---|---------------|------------------|--|-------------------------|------------------|
| MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ |
| 113 | 7,047 | 1,118,388 | 54,120 | 2,504 | 1,202,864 |
| 4,961 | 16,366 | 99,060 | 592 | 12,648 | 160,004 |
| 5,074 | 23,413 | 1,217,448 | 54,712 | 15,152 | 1,362,868 |
| 263 | 7,688 | 1,130,800 | 34,234 | 2,659 | 1,186,311 |
| — | 6,504 | 3,981 | 1,304 | 23 | 17,785 |
| 263 | 14,192 | 1,134,781 | 35,538 | 2,682 | 1,204,096 |
| 4,811 | 9,221 | 82,667 | 19,174 | 12,470 | 158,772 |
| — | — | — | — | — | — |
| 5,074 | 23,413 | 1,217,448 | 54,712 | 15,152 | 1,362,868 |
| 15 | 38,024 | 222,912 | 3,707 | 46 | 321,418 |
| (57) | (36,693) | (133,128) | (2,224) | (616) | (227,994) |
| 903 | (195) | (72,143) | 979 | 1,067 | (69,547) |
| 861 | 1,136 | 17,641 | 2,462 | 497 | 23,877 |
| — | (270) | (4,239) | (514) | (20) | (5,233) |
| 861 | 866 | 13,402 | 1,948 | 477 | 18,644 |

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| Sociedad Interbancaria de Depósitos de Valores S.A. | Redbanc S.A. | Transbank S.A. | Administrador Financiero del Transantiago S.A. | Sociedad Imerc OTC S.A. | Total |
|---|---------------|----------------|--|-------------------------|------------------|
| MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ |
| 153 | 6,084 | 818,587 | 55,406 | 18,842 | 920,949 |
| 4,239 | 14,741 | 85,971 | 412 | 6,431 | 138,857 |
| 4,392 | 20,825 | 904,558 | 55,818 | 25,273 | 1,059,806 |
| 231 | 9,907 | 833,788 | 36,676 | 10,111 | 906,835 |
| — | 2,562 | 1,412 | 1,164 | 3,201 | 12,654 |
| 231 | 12,469 | 835,200 | 37,840 | 13,312 | 919,489 |
| 4,161 | 8,356 | 69,358 | 17,978 | 11,952 | 140,308 |
| — | — | — | — | 9 | 9 |
| 4,392 | 20,825 | 904,558 | 55,818 | 25,273 | 1,059,806 |
| 1 | 35,314 | 191,568 | 3,435 | 6,254 | 293,407 |
| (35) | (33,895) | (177,440) | (2,615) | (5,567) | (270,999) |
| 796 | (260) | 2,380 | 2,982 | 59 | 5,936 |
| 762 | 1,159 | 16,508 | 3,802 | 746 | 28,344 |
| — | (308) | (4,038) | (894) | (292) | (6,749) |
| 762 | 851 | 12,470 | 2,908 | 454 | 21,595 |



Banco de Chile and Subsidiaries

(c) Joint Ventures:

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

Below the summary financial information of the jointly controlled companies:

| | Artikos S.A. | | Servipag Ltda. | |
|-------------------------------------|---------------|---------------|----------------|---------------|
| | 2019 MCh\$ | 2018 MCh\$ | 2019 MCh\$ | 2018 MCh\$ |
| Current assets | 1,701 | 1,397 | 74,748 | 59,142 |
| Non-current assets | 1,944 | 1,503 | 18,005 | 15,371 |
| Total Assets | 3,645 | 2,900 | 92,753 | 74,513 |
| Current liabilities | 1,083 | 875 | 74,745 | 57,847 |
| Non-current liabilities | 163 | — | 5,716 | 5,268 |
| Total Liabilities | 1,246 | 875 | 80,461 | 63,115 |
| Equity | 2,399 | 2,025 | 12,292 | 11,398 |
| Total Liabilities and Equity | 3,645 | 2,900 | 92,753 | 74,513 |
| Operating income | 3,643 | 3,544 | 43,259 | 42,679 |
| Operating expenses | (2,452) | (2,519) | (41,708) | (40,318) |
| Other income (expenses) | 11 | 12 | (315) | (339) |
| Gain before tax | 1,202 | 1,037 | 1,236 | 2,022 |
| Income tax | 46 | 130 | (343) | (621) |
| Gain for the year | 1,248 | 1,167 | 893 | 1,401 |

(d) The change of investments in companies registered under the equity method in the years of 2019 and 2018, are as follows:

| | 2019 | 2018 |
|---|---------------|---------------|
| | MCh\$ | MCh\$ |
| Initial book value | 42,252 | 35,771 |
| Acquisition of investments in companies | 671 | — |
| Participation on income in companies with significant influence and joint control | 6,039 | 6,811 |
| Dividends receivable | — | — |
| Dividends Minimum | — | 136 |
| Dividends received | (552) | (411) |
| Others | 32 | (55) |
| Total | 48,442 | 42,252 |

(e) During the year ended as of December 31, 2019 and 2018 no impairment has incurred in these investments.

15. INTANGIBLE ASSETS:

(a) As of December 31, 2019 and 2018 intangible assets are composed as follows:

| | Useful life | | Average remaining amortization | | Gross balance | | Accumulated amortization | | Net balance | |
|---------------------------------|---------------|---------------|--------------------------------|---------------|----------------|----------------|--------------------------|-----------------|---------------|---------------|
| | 2019 Years | 2018 Years | 2019 Years | 2018 Years | 2019 MCh\$ | 2018 MCh\$ | 2019 MCh\$ | 2018 MCh\$ | 2019 MCh\$ | 2018 MCh\$ |
| Other Intangible Assets: | | | | | | | | | | |
| Software or computer programs | 6 | 6 | 5 | 5 | 163,485 | 144,942 | (105,178) | (92,881) | 58,307 | 52,061 |
| Total | | | | | 163,485 | 144,942 | (105,178) | (92,881) | 58,307 | 52,061 |

(b) The change of intangible assets as of December 31, 2019 and 2018 are as follows:

| | Software or computer programs | |
|--|-------------------------------|-----------------|
| | 2019 MCh\$ | 2018 MCh\$ |
| Gross Balance | | |
| Balance as of January 1, | 144,942 | 122,454 |
| Acquisition | 20,928 | 23,512 |
| Disposals/ write-downs | (1,759) | (1,024) |
| Reclassification | (276) | — |
| Impairment ^(*) | (350) | — |
| Total | 163,485 | 144,942 |
| Accumulated Amortization | | |
| Balance as of January 1, | (92,881) | (83,409) |
| Amortization for the year ^(*) | (12,875) | (10,496) |
| Disposals/ write-downs | 316 | 1,024 |
| Reclassification | 262 | — |
| Total | (105,178) | (92,881) |
| Balance as of December 31 | 58,307 | 52,061 |

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



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(c) As of December 31, 2019 and 2018, the Bank maintains the following amounts with technological developments:

| Detail | Commitment Amount | |
|-----------------------|-------------------|---------------|
| | 2019 MCh\$ | 2018 MCh\$ |
| Software and licenses | 7,151 | 11,806 |

16. FIXED ASSETS, LEASED ASSETS AND LEASE LIABILITIES:

(a) The properties and equipment as of December 31, 2019 and 2018 are composed as follows:

| Type of property and equipment: | Useful Life | | Average remaining depreciation | | Gross balance | | Accumulated depreciation | | Net balance | |
|---------------------------------|---------------|---------------|--------------------------------|---------------|----------------|----------------|--------------------------|------------------|----------------|----------------|
| | 2019 Years | 2018 Years | 2019 Years | 2018 Years | 2019 MCh\$ | 2018 MCh\$ | 2019 MCh\$ | 2018 MCh\$ | 2019 MCh\$ | 2018 MCh\$ |
| Land and Buildings | 26 | 26 | 21 | 21 | 301,619 | 320,585 | (136,394) | (150,099) | 165,225 | 170,486 |
| Equipment | 5 | 5 | 4 | 3 | 207,605 | 183,220 | (162,560) | (148,455) | 45,045 | 34,765 |
| Others | 7 | 7 | 4 | 4 | 55,519 | 53,500 | (45,527) | (42,879) | 9,992 | 10,621 |
| Total | | | | | 564,743 | 557,305 | (344,481) | (341,433) | 220,262 | 215,872 |

(b) The changes in properties and equipment as of December 31, 2019 and 2018 are as follows:

| | 2019 | | | |
|--|--------------------|------------------|-----------------|------------------|
| | Land and Buildings | Equipment | Others | Total |
| | MCh\$ | MCh\$ | MCh\$ | MCh\$ |
| Gross Balance | | | | |
| Balance as of January 1, 2019 | 320,585 | 183,220 | 53,500 | 557,305 |
| Reclassification | (25,654) | (37) | — | (25,691) |
| Additions | 12,555 | 28,118 | 2,839 | 43,512 |
| Disposals/write-downs/Sales | (5,437) | (3,115) | (762) | (9,314) |
| Impairment losses ^(*) (***) | (430) | (581) | (58) | (1,069) |
| Total | 301,619 | 207,605 | 55,519 | 564,743 |
| Accumulated Depreciation | | | | |
| Balance as of January 1, 2019 | (150,099) | (148,455) | (42,879) | (341,433) |
| Reclassification | 21,278 | 37 | — | 21,315 |
| Depreciation charges of the year ^(*) (**) | (8,613) | (16,819) | (3,403) | (28,835) |
| Sales and disposals of the year | 1,040 | 2,692 | 740 | 4,472 |
| Transfers | — | (15) | 15 | — |
| Total | (136,394) | (162,560) | (45,527) | (344,481) |
| Balance as of December 31, 2019 | 165,225 | 45,045 | 9,992 | 220,262 |

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

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

(**) This amount does not include the depreciation of the year of the Investment Properties, amount is included in "Other Assets" for Ch\$359 million (Ch\$368 million as of December 2018).

(***) This amount does not include charge-offs provision of Property and Equipment of Ch\$949 million.



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(c) The composition of the rights over leased assets as of December 31, 2019 is as follows:

| Categories | Gross Balance | Accumulated Depreciation | Net Balance |
|-----------------------------------|----------------|--------------------------|----------------|
| | MCh\$ | MCh\$ | MCh\$ |
| Buildings | 130,853 | (18,722) | 112,131 |
| Floor space for ATMs | 41,960 | (9,091) | 32,869 |
| Improvements to leased properties | 27,254 | (21,589) | 5,665 |
| Total | 200,067 | (49,402) | 150,665 |

(d) The changes of the rights over leased assets as of December 31, 2019 is as follows:

| | Buildings | Floor space for ATMs | Improvements to leased properties | Total |
|---|-----------------|----------------------|-----------------------------------|-----------------|
| | MCh\$ | MCh\$ | MCh\$ | MCh\$ |
| Gross Balance | | | | |
| Balance as of January 1, 2019 | 116,577 | 27,920 | — | 144,497 |
| Reclassification | — | — | 26,332 | 26,332 |
| Additions | 14,276 | 14,040 | 1,725 | 30,041 |
| Write-downs ^(*) | — | — | (803) | (803) |
| Total | 130,853 | 41,960 | 27,254 | 200,067 |
| Accumulated Depreciation | | | | |
| Balance as of January 1, 2019 | — | — | — | — |
| Reclassification | — | — | (21,546) | (21,546) |
| Depreciation of the year ^(*) | (18,722) | (9,091) | (659) | (28,472) |
| Write-downs ^(*) | — | — | 616 | 616 |
| Total | (18,722) | (9,091) | (21,589) | (49,402) |
| Balance as of December 31, 2019 | 112,131 | 32,869 | 5,665 | 150,665 |

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

(e) The following are the future maturities of the lease liabilities as of December 31, 2019:

| Lease associated with: | 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 |
|------------------------|---------------|---------------------------------|-----------------------------------|-------------------------------|--------------------------------|---------------|----------------|
| | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ |
| Buildings | 1,726 | 3,519 | 15,286 | 37,063 | 24,899 | 38,526 | 121,019 |
| ATMs | 809 | 1,618 | 7,131 | 18,125 | 5,403 | 679 | 33,765 |
| Total | 2,535 | 5,137 | 22,417 | 55,188 | 30,302 | 39,205 | 154,784 |

The Bank and its subsidiaries maintain contracts with certain renewal options and for which there is reasonable certainty that said option shall be carried out. In such cases, the lease period used to measure the liability and assets corresponds to an estimate of future renewals.

The changes of the year of obligations under capitalized leases and year flows are as follows:

| Lease liability | Total cash flow for the year |
|---|------------------------------|
| | MCh\$ |
| Balances as of January 1, 2019 | 144,497 |
| Liabilities for new lease agreements | 24,431 |
| Interest expenses | 2,574 |
| Payments of capital and interests | (29,374) |
| Others | 3,885 |
| Balances as of December 31, 2019 | 146,013 |

(f) The future cash flows related to short-term lease agreements in effect as of December 31, 2019 correspond to Ch\$8,611 million.

17. CURRENT TAXES AND DEFERRED TAXES:

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(a) Current Taxes:

The Bank and its subsidiaries at the end of each year, have constituted a First Category Income Tax Provision, which was determined based on current tax regulations, and has been reflected in the Statement of Financial Position net of taxes to be recovered or payable, as applicable, as of December 31, 2019 and 2018, according to the following detail:

| | 2019 | 2018 |
|------------------------------|---------------|---------------|
| | MCh\$ | MCh\$ |
| Income tax | 222,266 | 150,798 |
| Less: | | |
| Monthly prepaid taxes | (143,200) | (126,917) |
| Credit for training expenses | (1,900) | (2,224) |
| Others | (1,234) | (1,410) |
| Total | 75,932 | 20,247 |
| Tax rate | 27% | 27% |

| | 2019 | 2018 |
|-------------------------------|-----------------|-----------------|
| | MCh\$ | MCh\$ |
| Current tax assets | 357 | 677 |
| Current tax liabilities | (76,289) | (20,924) |
| Total tax payable, net | (75,932) | (20,247) |



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(b) Income Tax:

The effect of the tax expense during the years between January 1 and December 31, 2019 and 2018, broken down as follows:

| | 2019 | 2018 |
|--|----------------|----------------|
| | MCh\$ | MCh\$ |
| Income tax expense: | | |
| Current year tax | 232,404 | 159,153 |
| Tax Previous year | (16,348) | 2,574 |
| Subtotal | 216,056 | 161,727 |
| (Credit) Charge for deferred taxes: | | |
| Origin and reversal of temporary differences | (46,694) | (7,819) |
| Subtotal | (46,694) | (7,819) |
| Others | 321 | 2,623 |
| Net charge to income for income taxes | 169,683 | 156,531 |

(c) Reconciliation of effective tax rate:

The following is a reconciliation of the income tax rate to the effective rate applied to determine the Bank's income tax expense as of December 31, 2019 and 2018:

:

| | 2019 | | 2018 | |
|--|---------------|----------------|---------------|----------------|
| | Tax rate % | MCh\$ | Tax rate % | MCh\$ |
| Income tax calculated on net income before tax | 27.00 | 205,927 | 27.00 | 202,879 |
| Additions or deductions | (1.27) | (9,650) | (0.37) | (2,792) |
| Subordinated debt ^(*) | — | — | (3.26) | (24,515) |
| Price-level restatement | (3.93) | (29,962) | (3.87) | (29,102) |
| Other | 0.44 | 3,368 | 1.34 | 10,061 |
| Effective rate and income tax expense | 22.24 | 169,683 | 20.84 | 156,531 |

(*) The tax expense related to the subordinated debt held by SAOS S.A, it ended during the current fiscal year 2018, as a result of the generation of sufficient resources to pay off the total debt.

The effective rate for income tax for the year 2019 is 22.24% (20.84% in December 2018).

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

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

| | Effect on | | | |
|--|--|-----------------|-----------------|--|
| | Balances as of December 31, 2018 MCh\$ | Income MCh\$ | Equity MCh\$ | Balances as of December 31, 2019 MCh\$ |
| Debit Differences: | | | | |
| Allowances for loan losses | 206,197 | 14,882 | — | 221,079 |
| Personnel provisions | 12,994 | 3,720 | — | 16,714 |
| Staff vacations | 7,241 | 203 | — | 7,444 |
| Accrued interests adjustments from impaired loans | 3,232 | 442 | — | 3,674 |
| Staff severance indemnities provision | 600 | (59) | 66 | 607 |
| Provision of credit cards expenses | 9,813 | (1,592) | — | 8,221 |
| Provision of accrued expenses | 13,155 | (2,591) | — | 10,564 |
| Adjustment for valuation of financial assets available-for-sale | 2,695 | — | (2,695) | — |
| Leasing | 42,988 | (1,196) | — | 41,792 |
| Incomes received in advance | — | 32,170 | — | 32,170 |
| Other adjustments | 12,392 | 3,093 | — | 15,485 |
| Total Debit Differences | 311,307 | 49,072 | (2,629) | 357,750 |
| Credit Differences: | | | | |
| Depreciation and price-level restatement of property and equipment | 14,990 | 534 | — | 15,524 |
| Adjustment for valuation of financial assets available-for-sale | — | — | 1,039 | 1,039 |
| Transitory assets | 4,359 | 2,815 | — | 7,174 |
| Loans accrued to effective rate | 1,569 | (183) | — | 1,386 |
| Prepaid expenses | 6,699 | (3,365) | — | 3,334 |
| Other adjustments | 5,768 | 2,577 | — | 8,345 |
| Total Credit Differences | 33,385 | 2,378 | 1,039 | 36,802 |
| Deferred, Net | 277,922 | 46,694 | (3,668) | 320,948 |



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

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

| (e.1) Loans to customers as of December 31, 2019 | 2019 | | | | |
|--|----------------------------------|-------------------|--------------------------------|-----------------------------------|----------------------|
| | Book value assets ^(*) | Tax value assets | Tax value assets | | |
| | | | Past-due loans with guarantees | Past-due loans without guarantees | Total Past-due loans |
| MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | |
| Loans and advance to banks | 1,139,433 | 1,140,190 | — | — | — |
| Commercial loans | 13,725,346 | 14,308,651 | 47,451 | 76,814 | 124,265 |
| Consumer loans | 4,202,634 | 5,016,666 | 820 | 29,643 | 30,463 |
| Residential mortgage loans | 9,175,014 | 9,200,565 | 10,041 | 155 | 10,196 |
| Total | 28,242,427 | 29,666,072 | 58,312 | 106,612 | 164,924 |

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

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

| (e.2) Provisions on past-due loans | 2019 | | | | |
|------------------------------------|-------------------------------|--------------------------------|------------------------|---------------------|---------------------------------|
| | Balance as of January 1, 2019 | Charge-offs against provisions | Provisions established | Provisions released | Balance as of December 31, 2019 |
| | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ |
| Commercial loans | 59,773 | (44,925) | 165,500 | (103,534) | 76,814 |
| Consumer loans | 24,424 | (247,314) | 274,262 | (21,729) | 29,643 |
| Residential mortgage loans | 210 | (4,078) | 30,251 | (26,228) | 155 |
| Total | 84,407 | (296,317) | 470,013 | (151,491) | 106,612 |

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

| (e.3) Charge-offs and recoveries | 2019 | 2018 |
|--|--------|--------|
| | MCh\$ | MCh\$ |
| Charge-offs Art. 31 No. 4 second subparagraph | 11,432 | 12,914 |
| Write-offs resulting in provisions released | 314 | 711 |
| Recovery or renegotiation of written-off loans | 47,975 | 60,579 |

| (e.4) Application of Art. 31 No. 4 first & third subsections of the income tax law | 2019 | 2018 |
|--|-------|-------|
| | MCh\$ | MCh\$ |
| Charge-offs in accordance with first subsection | — | — |
| Write-offs in accordance with third subsection | 314 | 711 |



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18. OTHER ASSETS:

(a) Item composition:

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

| | 2019 | 2018 |
|--|----------------|----------------|
| | MCh\$ | MCh\$ |
| Assets held for leasing (*) | 139,389 | 101,848 |
| Assets received or awarded as payment (**) | | |
| Assets awarded at judicial sale | 10,967 | 14,171 |
| Assets received in lieu of payment | 1,556 | 3,623 |
| Provision for assets received in lieu of payment or awarded | (188) | (806) |
| Subtotal | 12,335 | 16,988 |
| Other Assets | | |
| Deposits by derivatives margin | 475,852 | 336,548 |
| Other accounts and notes receivable | 44,671 | 29,080 |
| Trading and brokerage (***) | 40,911 | 28,478 |
| Prepaid expenses | 34,934 | 37,394 |
| Recoverable income taxes | 33,136 | 44,665 |
| Servipag available funds | 17,923 | 13,991 |
| Commissions receivable | 14,191 | 12,155 |
| Investment properties | 13,190 | 13,938 |
| VAT receivable | 11,831 | 15,021 |
| Accounts receivable for sale of assets received in lieu of payment | 2,184 | 4,816 |
| Pending transactions | 2,021 | 2,070 |
| Rental guarantees | 1,957 | 1,895 |
| Assets recovered from leasing for sale | 871 | 1,064 |
| Materials and supplies | 672 | 745 |
| Others | 16,900 | 12,684 |
| Subtotal | 711,244 | 554,544 |
| Total | 862,968 | 673,380 |

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

(**) Assets received in lieu of payment are assets received as payment of customers' past-due debts. The assets acquired must not exceed the aggregate 20% of the Bank's effective equity. These assets currently represent 0.0341% (0.0877% as of December 31, 2018) of the Bank's effective equity.

The assets awarded at judicial sale are not subject to the aforementioned margin. These properties are assets available for sale and is expected to be completed the sale within one year from the date the asset is received or acquired. In the event that said assets are not sold within one year, it must be written off.

The provision for assets received in lieu of payment or awarded is recorded as indicated in the Compendium of Accounting Standards, Chapter B-5 No.3, which indicates to recognize a provision for the difference between the initial value plus any additions and its realizable value, when the initial is greater.

(***) This item mainly includes simultaneous operations carried out by the subsidiary Banchile Corredores de Bolsa S.A.

(b) The changes of the provision for assets received in lieu of payment during the 2019 and 2018 are as follows:

| Provision for assets received in lieu of payment | MCh\$ |
|--|------------|
| Balance as of January 1, 2018 | 818 |
| Provisions used | (2,781) |
| Provisions established | 2,769 |
| Provisions released | — |
| Balance as of December 31, 2018 | 806 |
| Provisions used | (2,159) |
| Provisions established | 1,541 |
| Provisions released | — |
| Balance as of December 31, 2019 | 188 |

19. CURRENT ACCOUNTS AND OTHER DEMAND DEPOSITS:

As of December 31, 2019 and 2018, this item is composed as follows:

| | 2019 | 2018 |
|-----------------------------------|-------------------|------------------|
| | MCh\$ | MCh\$ |
| Current accounts | 8,951,527 | 7,725,465 |
| Other demand deposits | 1,662,950 | 1,143,414 |
| Other deposits and sight accounts | 711,656 | 715,609 |
| Total | 11,326,133 | 9,584,488 |

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20. SAVINGS ACCOUNTS AND TIME DEPOSITS:

As of December 31, 2019 and 2018, this item is composed as follows:

| | 2019 | 2018 |
|-----------------------------|-------------------|-------------------|
| | MCh\$ | MCh\$ |
| Time deposits | 10,537,614 | 10,343,922 |
| Term savings accounts | 239,850 | 224,303 |
| Other term balances payable | 79,154 | 87,949 |
| Total | 10,856,618 | 10,656,174 |



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21. BORROWINGS FROM FINANCIAL INSTITUTIONS:

(a) As of December 31, 2019 and 2018, borrowings from financial institutions are detailed as follows:

| | 2019 | 2018 |
|---|------------------|------------------|
| | MCh\$ | MCh\$ |
| Domestic banks | | |
| Banco do Brasil | 3,900 | 7,001 |
| Banco Santander | 2,314 | — |
| Banco Security | — | 374 |
| Subtotal domestic banks | 6,214 | 7,375 |
| Foreign banks | | |
| Foreign trade financing | | |
| Citibank N.A. | 285,974 | 212,329 |
| Bank of New York Mellon | 224,812 | 152,828 |
| Sumitomo Mitsui Banking | 213,534 | 196,571 |
| Bank of America | 194,704 | 210,279 |
| Wells Fargo Bank | 139,845 | 225,087 |
| The Bank of Nova Scotia | 133,539 | 122,080 |
| Zürcher Kantonalbank | 78,872 | 55,621 |
| Standard Chartered Bank | 70,128 | 296 |
| JP Morgan Chase Bank | 60,150 | 62,557 |
| Toronto Dominion Bank | 22,556 | 84,056 |
| ING Bank | 10,987 | — |
| Commerzbank AG | 2,201 | 1,084 |
| Mizuho Bank Ltd. | — | 63,651 |
| Others | 89 | 24 |
| Borrowings and other obligations | | |
| Wells Fargo Bank | 113,377 | 104,637 |
| Citibank N.A. | 6,198 | 15,940 |
| ING Bank NV | 88 | — |
| Deutsche Bank AG | — | 161 |
| Standard Chartered Bank | — | 1,612 |
| Bank of America | — | 486 |
| Others | 9 | 85 |
| Subtotal foreign banks | 1,557,063 | 1,509,384 |
| Chilean Central Bank | — | — |
| Total | 1,563,277 | 1,516,759 |

22. DEBT ISSUED:

As of December 31, 2019 and 2018, this item is composed as follows:

| | 2019 | 2018 |
|--------------------|------------------|------------------|
| | MCh\$ | MCh\$ |
| Mortgage bonds | 10,898 | 16,368 |
| Bonds | 7,912,621 | 6,772,990 |
| Subordinated bonds | 889,895 | 686,194 |
| Total | 8,813,414 | 7,475,552 |

During the year ended as of December 31, 2019, Banco de Chile issued bonds by an amount of Ch\$2,625,176 million, from which corresponds to Short-Term Bonds, Current Bonds and Subordinated Bonds by an amount of Ch\$944,413 million, Ch\$1,465,406 and Ch\$215,357 million respectively, according to the following details:

Short-term Bonds

| Counterparty | Currency | Amount MCh\$ | Annual interest rate % | Issued date | Maturity date |
|--------------------------------------|----------|----------------|------------------------|-------------|---------------|
| Citibank N.A. | USD | 40,937 | 2.91 | 04/01/2019 | 04/04/2019 |
| Wells Fargo Bank | USD | 40,264 | 2.85 | 17/01/2019 | 24/04/2019 |
| Citibank N.A. | USD | 33,598 | 2.80 | 22/01/2019 | 22/04/2019 |
| Citibank N.A. | USD | 53,250 | 2.67 | 04/04/2019 | 02/07/2019 |
| Citibank N.A. | USD | 27,886 | 2.67 | 09/04/2019 | 09/08/2019 |
| Citibank N.A. | USD | 33,257 | 2.66 | 11/04/2019 | 11/07/2019 |
| Wells Fargo Bank | USD | 33,257 | 2.68 | 11/04/2019 | 11/10/2019 |
| Citibank N.A. | USD | 33,051 | 2.66 | 12/04/2019 | 22/07/2019 |
| Wells Fargo Bank | USD | 3,966 | 2.67 | 12/04/2019 | 12/09/2019 |
| Citibank N.A. | USD | 27,184 | 2.67 | 29/04/2019 | 29/10/2019 |
| Wells Fargo Bank | USD | 33,838 | 2.60 | 30/04/2019 | 30/07/2019 |
| Citibank N.A. | USD | 34,795 | 2.61 | 17/05/2019 | 18/11/2019 |
| Citibank N.A. | USD | 34,842 | 2.59 | 23/05/2019 | 22/08/2019 |
| Bank of America | USD | 34,208 | 2.50 | 21/06/2019 | 22/08/2019 |
| Wells Fargo Bank | USD | 3,421 | 2.50 | 24/06/2019 | 25/07/2019 |
| Citibank N.A. | USD | 547 | 2.40 | 24/06/2019 | 15/10/2019 |
| Citibank N.A. | USD | 13,620 | 2.50 | 25/06/2019 | 05/08/2019 |
| Citibank N.A. | USD | 13,575 | 2.51 | 28/06/2019 | 01/08/2019 |
| Citibank N.A. | USD | 34,070 | 2.38 | 11/07/2019 | 09/10/2019 |
| Citibank N.A. | USD | 29,883 | 2.25 | 09/08/2019 | 12/11/2019 |
| Wells Fargo Bank | USD | 3,525 | 2.03 | 13/08/2019 | 08/05/2020 |
| Citibank N.A. | USD | 35,676 | 2.20 | 22/08/2019 | 21/11/2019 |
| Wells Fargo Bank | USD | 21,350 | 2.20 | 10/09/2019 | 09/12/2019 |
| Wells Fargo Bank | USD | 7,117 | 2.20 | 11/09/2019 | 16/12/2019 |
| Wells Fargo Bank | USD | 28,466 | 2.20 | 11/09/2019 | 10/12/2019 |
| Citibank N.A. | USD | 15,799 | 2.10 | 07/10/2019 | 07/01/2020 |
| Citibank N.A. | USD | 36,206 | 2.07 | 09/10/2019 | 09/01/2020 |
| Citibank N.A. | USD | 36,212 | 2.00 | 24/10/2019 | 29/01/2020 |
| Bank of America | USD | 36,212 | 2.00 | 24/10/2019 | 24/01/2020 |
| Citibank N.A. | USD | 18,200 | 2.00 | 25/10/2019 | 03/02/2020 |
| Citibank N.A. | USD | 31,819 | 1.91 | 04/11/2019 | 13/01/2020 |
| Citibank N.A. | USD | 31,239 | 1.97 | 12/11/2019 | 12/02/2020 |
| Citibank N.A. | USD | 4,554 | 2.05 | 22/11/2019 | 07/08/2020 |
| Citibank N.A. | USD | 7,989 | 2.05 | 22/11/2019 | 07/08/2020 |
| Citibank N.A. | USD | 18,750 | 2.07 | 04/12/2019 | 07/08/2020 |
| Citibank N.A. | USD | 23,268 | 2.05 | 09/12/2019 | 09/04/2020 |
| Wells Fargo Bank | USD | 3,877 | 2.04 | 09/12/2019 | 05/06/2020 |
| Wells Fargo Bank | USD | 15,395 | 2.04 | 11/12/2019 | 27/03/2020 |
| Citibank N.A. | USD | 1,792 | 2.03 | 30/12/2019 | 20/07/2020 |
| Wells Fargo Bank | USD | 7,518 | 2.10 | 30/12/2019 | 15/12/2020 |
| Total as of December 31, 2019 | | 944,413 | | | |



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Current Bonds Long-Term

| Serie | Currency | Amount MCh\$ | Terms Years | Annual issue rate % | Issue date | Maturity date |
|--------------------------------------|----------|------------------|----------------|------------------------|---------------|------------------|
| BCHIEC0817 | UF | 83,470 | 5 | 1.55 | 30/01/2019 | 30/01/2024 |
| BCHIED1117 | UF | 41,711 | 5 | 1.54 | 14/03/2019 | 14/03/2024 |
| BCHIED1117 | UF | 5,587 | 5 | 1.45 | 19/03/2019 | 19/03/2024 |
| BCHIED1117 | UF | 36,317 | 5 | 1.45 | 20/03/2019 | 20/03/2024 |
| BCHIDW1017 | UF | 84,359 | 2 | 0.93 | 09/05/2019 | 09/05/2021 |
| BCHIDW1017 | UF | 57,091 | 2 | 0.57 | 24/06/2019 | 24/06/2021 |
| BCHIEH0917 | UF | 58,867 | 7 | 1.04 | 01/07/2019 | 01/07/2026 |
| BCHIEB1117 | UF | 86,682 | 4 | 0.83 | 01/07/2019 | 01/07/2023 |
| BCHIEH0917 | UF | 29,514 | 7 | 1.00 | 02/07/2019 | 02/07/2026 |
| BCHIEI1117 | UF | 60,697 | 7 | 0.66 | 19/07/2019 | 19/07/2026 |
| BCHIEI1117 | UF | 22,063 | 7 | 0.51 | 30/07/2019 | 30/07/2026 |
| BCHIEI1117 | UF | 8,613 | 7 | 0.45 | 01/08/2019 | 01/08/2026 |
| BCHICC0815 | UF | 71,703 | 12 | 0.54 | 05/08/2019 | 05/08/2031 |
| BCHICA1015 | UF | 71,221 | 11 | 0.54 | 05/08/2019 | 05/08/2030 |
| BCHICB1215 | UF | 14,496 | 11 | 0.44 | 07/08/2019 | 07/08/2030 |
| BCHIEI1117 | UF | 7,764 | 7 | 0.30 | 07/08/2019 | 07/08/2026 |
| BCHIEI1117 | UF | 20,212 | 7 | 0.28 | 08/08/2019 | 08/08/2026 |
| BCHICB1215 | UF | 57,926 | 11 | 0.45 | 08/08/2019 | 08/08/2030 |
| BCHIEI1117 | UF | 3,108 | 7 | 0.29 | 08/08/2019 | 08/08/2026 |
| BCHIBV1015 | UF | 71,063 | 10 | 0.37 | 20/08/2019 | 20/08/2029 |
| BCHIEV1117 | UF | 132,366 | 10 | 0.34 | 05/09/2019 | 05/09/2029 |
| BCHIEK1117 | UF | 117,493 | 13 | 1.38 | 11/12/2019 | 11/12/2032 |
| Subtotal UF | | 1,142,323 | | | | |
| BONO JPY | JPY | 63,041 | 20 | 1.00 | 14/05/2019 | 14/05/2039 |
| BONO HKD | HKD | 32,725 | 12 | 2.90 | 19/07/2019 | 19/07/2031 |
| BONO AUD | AUD | 36,519 | 20 | 3.50 | 28/08/2019 | 28/08/2039 |
| BONO PEN | PEN | 29,969 | 15 | 5.40 | 04/09/2019 | 04/09/2034 |
| BONO AUD | AUD | 24,547 | 15 | 3.13 | 09/09/2019 | 09/09/2034 |
| BONO NOK | NOK | 60,951 | 10 | 3.50 | 07/11/2019 | 07/11/2029 |
| BONO AUD | AUD | 39,067 | 20 | 3.55 | 11/11/2019 | 11/11/2039 |
| BONO JPY | JPY | 36,264 | 10 | 1.00 | 19/11/2019 | 19/11/2029 |
| Subtotal Others currency | | 323,083 | | | | |
| Total as of December 31, 2019 | | 1,465,406 | | | | |

Subordinated bonds

| Serie | Currency | Amount MCh\$ | Terms Years | Annual issue rate % | Issue date | Maturity date |
|--------------------------------------|----------|-----------------|----------------|------------------------|---------------|------------------|
| UCHI-J1111 | UF | 61,471 | 23 | 1.05 | 20/08/2019 | 20/08/2042 |
| UCHI-J1111 | UF | 65,973 | 23 | 1.04 | 20/08/2019 | 20/08/2042 |
| UCHI-J1111 | UF | 48,799 | 23 | 0.99 | 21/08/2019 | 21/08/2042 |
| UCHI-I1111 | UF | 39,114 | 21 | 0.96 | 24/09/2019 | 24/09/2040 |
| Total as of December 31, 2019 | | 215,357 | | | | |

During the year ended as of December 31, 2018, Banco de Chile issued bonds by an amount of Ch\$2,157,587 million, from which corresponds to Short-Term Bonds and Current Bonds by an amount of Ch\$940,720 million and Ch\$1,216,867 million respectively, according to the following details:

Short-term Bonds

| Counterparty | Currency | Amount MCh\$ | Annual issue rate % | Issue date | Maturity date |
|--------------------------------------|----------|-----------------|------------------------|---------------|------------------|
| Wells Fargo Bank | USD | 2,998 | 1.85 | 06/02/2018 | 08/05/2018 |
| Wells Fargo Bank | USD | 2,998 | 1.93 | 06/02/2018 | 08/06/2018 |
| Wells Fargo Bank | USD | 2,998 | 1.98 | 06/02/2018 | 09/07/2018 |
| Wells Fargo Bank | USD | 2,998 | 2.05 | 06/02/2018 | 06/08/2018 |
| Wells Fargo Bank | USD | 2,998 | 2.05 | 06/02/2018 | 08/08/2018 |
| Wells Fargo Bank | USD | 29,716 | 2.25 | 28/02/2018 | 28/06/2018 |
| Wells Fargo Bank | USD | 1,723 | 2.40 | 28/02/2018 | 29/08/2018 |
| Citibank N.A. | USD | 6,894 | 2.60 | 28/02/2018 | 25/02/2019 |
| Wells Fargo Bank | USD | 13,780 | 2.30 | 02/03/2018 | 02/07/2018 |
| Wells Fargo Bank | USD | 4,489 | 2.30 | 05/03/2018 | 06/07/2018 |
| Citibank N.A. | USD | 18,080 | 2.22 | 07/03/2018 | 05/06/2018 |
| Wells Fargo Bank | USD | 1,747 | 2.25 | 13/03/2018 | 11/06/2018 |
| Wells Fargo Bank | USD | 3,006 | 2.45 | 14/03/2018 | 11/09/2018 |
| Wells Fargo Bank | USD | 606 | 2.60 | 15/03/2018 | 14/12/2018 |
| Wells Fargo Bank | USD | 605 | 2.60 | 29/03/2018 | 28/09/2018 |
| Wells Fargo Bank | USD | 60,343 | 2.60 | 05/04/2018 | 04/09/2018 |
| Wells Fargo Bank | USD | 30,254 | 2.50 | 06/04/2018 | 01/08/2018 |
| Wells Fargo Bank | USD | 1,743 | 2.40 | 10/04/2018 | 09/08/2018 |
| Wells Fargo Bank | USD | 8,918 | 2.75 | 13/04/2018 | 12/04/2019 |
| Wells Fargo Bank | USD | 8,946 | 2.75 | 17/04/2018 | 16/04/2019 |
| Citibank N.A. | USD | 19,046 | 2.36 | 08/05/2018 | 08/08/2018 |
| Citibank N.A. | USD | 31,665 | 2.38 | 09/05/2018 | 07/08/2018 |
| Citibank N.A. | USD | 1,873 | 2.37 | 10/05/2018 | 08/08/2018 |
| Citibank N.A. | USD | 12,250 | 2.36 | 14/05/2018 | 15/08/2018 |
| Wells Fargo Bank | USD | 18,968 | 2.70 | 11/06/2018 | 01/04/2019 |
| Wells Fargo Bank | USD | 28,973 | 2.42 | 13/06/2018 | 24/07/2018 |
| Wells Fargo Bank | USD | 15,991 | 2.45 | 19/06/2018 | 20/09/2018 |
| Citibank N.A. | USD | 12,778 | 2.41 | 20/06/2018 | 20/09/2018 |
| Citibank N.A. | USD | 31,944 | 2.45 | 20/06/2018 | 03/10/2018 |
| Wells Fargo Bank | USD | 3,194 | 2.65 | 20/06/2018 | 13/02/2019 |
| Citibank N.A. | USD | 3,885 | 2.50 | 22/06/2018 | 23/11/2018 |
| Wells Fargo Bank | USD | 19,495 | 2.20 | 28/06/2018 | 27/07/2018 |
| Wells Fargo Bank | USD | 4,875 | 2.30 | 03/07/2018 | 11/09/2018 |
| Wells Fargo Bank | USD | 29,556 | 2.30 | 06/07/2018 | 10/09/2018 |
| Wells Fargo Bank | USD | 62,079 | 2.45 | 17/07/2018 | 17/10/2018 |
| Wells Fargo Bank | USD | 32,729 | 2.45 | 24/07/2018 | 22/10/2018 |
| Wells Fargo Bank | USD | 19,283 | 2.45 | 27/07/2018 | 29/10/2018 |
| Wells Fargo Bank | USD | 31,919 | 2.50 | 30/07/2018 | 29/11/2018 |
| Wells Fargo Bank | USD | 16,039 | 2.52 | 01/08/2018 | 06/12/2018 |
| Citibank N.A. | USD | 25,787 | 2.50 | 02/08/2018 | 06/12/2018 |
| Wells Fargo Bank | USD | 10,859 | 2.47 | 07/08/2018 | 14/12/2018 |
| Wells Fargo Bank | USD | 3,238 | 2.46 | 09/08/2018 | 14/12/2018 |
| Wells Fargo Bank | USD | 17,070 | 2.53 | 31/08/2018 | 28/12/2018 |
| Wells Fargo Bank | USD | 6,929 | 2.58 | 04/09/2018 | 06/02/2019 |
| Citibank N.A. | USD | 34,646 | 2.57 | 04/09/2018 | 04/01/2019 |
| Citibank N.A. | USD | 4,902 | 2.24 | 07/09/2018 | 09/10/2018 |
| Citibank N.A. | USD | 34,525 | 2.25 | 07/09/2018 | 09/10/2018 |
| Citibank N.A. | USD | 1,742 | 2.23 | 10/09/2018 | 09/10/2018 |
| Wells Fargo Bank | USD | 3,484 | 2.65 | 10/09/2018 | 11/03/2019 |
| Wells Fargo Bank | USD | 6,026 | 2.45 | 11/09/2018 | 06/12/2018 |
| Bank of America | USD | 18,421 | 2.62 | 14/09/2018 | 01/03/2019 |
| Wells Fargo Bank | USD | 33,464 | 2.48 | 20/09/2018 | 20/12/2018 |
| Wells Fargo Bank | USD | 1,322 | 2.70 | 03/10/2018 | 05/04/2019 |
| Wells Fargo Bank | USD | 13,591 | 2.78 | 12/10/2018 | 25/04/2019 |
| Wells Fargo Bank | USD | 6,694 | 2.55 | 16/10/2018 | 16/01/2019 |
| Citibank N.A. | USD | 6,713 | 2.50 | 17/10/2018 | 04/01/2019 |
| Citibank N.A. | USD | 34,208 | 2.65 | 23/10/2018 | 22/01/2019 |
| Citibank N.A. | USD | 20,483 | 2.84 | 11/12/2018 | 11/03/2019 |
| Wells Fargo Bank | USD | 2,236 | 2.90 | 12/12/2018 | 12/04/2019 |
| Wells Fargo Bank | USD | 34,555 | 2.67 | 20/12/2018 | 19/02/2019 |
| Wells Fargo Bank | USD | 10,466 | 2.97 | 27/12/2018 | 02/05/2019 |
| Wells Fargo Bank | USD | 6,977 | 2.97 | 27/12/2018 | 29/04/2019 |
| Total as of December 31, 2018 | | 940,720 | | | |



Banco de Chile and Subsidiaries

Current Bonds Long-Term

| Serie | Currency | Amount MCh\$ | Terms Years | Annual issue rate % | Issue date | Maturity date |
|--------------------------------------|----------|------------------|----------------|------------------------|---------------|------------------|
| BCHIEA0617 | UF | 106,001 | 6 | 1.60 | 03/01/2018 | 03/01/2024 |
| BCHIBN1015 | UF | 114,212 | 12 | 2.90 | 24/01/2018 | 24/01/2030 |
| BCHIEF1117 | UF | 79,612 | 8 | 1.80 | 09/02/2018 | 09/02/2026 |
| BCHIEP0717 | UF | 104,550 | 11 | 2.00 | 13/02/2018 | 13/02/2029 |
| BCHIBT1215 | UF | 57,936 | 14 | 3.00 | 13/03/2018 | 13/03/2032 |
| BCHIBW1215 | UF | 59,081 | 14 | 2.20 | 14/08/2018 | 14/08/2032 |
| BCHIDY0917 | UF | 55,619 | 5 | 1.24 | 16/08/2018 | 16/08/2023 |
| BCHIEN1117 | UF | 109,543 | 10 | 2.08 | 25/09/2018 | 25/09/2028 |
| BCHIDX0817 | UF | 109,311 | 5 | 1.70 | 22/10/2018 | 22/10/2023 |
| BCHIDY0917 | UF | 12,025 | 5 | 1.74 | 22/10/2018 | 22/10/2023 |
| BCHIDY0917 | UF | 15,299 | 5 | 1.75 | 22/10/2018 | 22/10/2023 |
| BCHIBY1215 | UF | 59,374 | 15 | 2.29 | 24/10/2018 | 24/10/2033 |
| BCHIBX0815 | UF | 58,998 | 15 | 2.29 | 24/10/2018 | 24/10/2033 |
| BCHIBZ0815 | UF | 59,987 | 15 | 2.23 | 07/12/2018 | 07/12/2033 |
| BCHIEJ0717 | UF | 82,878 | 9 | 1.99 | 12/12/2018 | 12/12/2027 |
| Subtotal UF | | 1,084,426 | | | | |
| BCHIDH0916 | CLP | 20,370 | 4 | 3.80 | 11/06/2018 | 11/06/2022 |
| BONO USD | USD | 32,842 | 10 | 4.26 | 28/09/2018 | 28/09/2028 |
| BONO CHF | CHF | 79,229 | 5 | 0.57 | 26/10/2018 | 26/10/2023 |
| Subtotal others currency | | 132,441 | | | | |
| Total as of December 31, 2018 | | 1,216,867 | | | | |

During the year ended December 31, 2018, there were no subordinated bonds, issued.

During the year ended as of December 31, 2019 and 2018, the Bank has not been in default of principal and interest on its debt instruments. Likewise, there have been no breaches of covenants and other commitments associated with the debt instruments issued.

23. OTHER FINANCIAL OBLIGATIONS:

As of December 31, 2019 and 2018, this item is composed as follows:

| | 2019 MCh\$ | 2018 MCh\$ |
|---------------------------|----------------|----------------|
| Other Chilean obligations | 138,575 | 95,912 |
| Public sector obligations | 17,654 | 22,102 |
| Total | 156,229 | 118,014 |

24. PROVISIONS:

(a) As of December 31, 2019 and 2018, this item is composed as follows:

| | 2019 | 2018 |
|--|----------------|----------------|
| | MCh\$ | MCh\$ |
| Provisions for minimum dividends ^(*) | 300,461 | 305,409 |
| Provisions for personnel benefits and payroll expenses | 109,075 | 92,579 |
| Provisions for contingent loan risks | 57,042 | 55,530 |
| Provisions for contingencies: | | |
| Additional loan provisions | 213,252 | 213,252 |
| Country risk provisions | 4,332 | 2,881 |
| Other provisions for contingencies | 501 | 468 |
| Total | 684,663 | 670,119 |

(*) See Note No. 27 letter (c).

(b) The following table shows the changes in provisions and accrued expenses during the years 2019 and 2018:

| | Minimum dividends | Personnel benefits and payroll | Contingent loan Risks | Additional loan provisions | Country risk provisions and other contingencies | Total |
|---|-------------------|--------------------------------|-----------------------|----------------------------|---|----------------|
| | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ |
| Balances as of January 1, 2018 | 312,907 | 86,628 | 58,031 | 213,252 | 25,050 | 695,868 |
| Provisions established | 305,409 | 72,946 | — | — | 3 | 378,358 |
| Provisions used | (312,907) | (66,995) | — | — | (19,347) | (399,249) |
| Provisions released | — | — | (2,501) | — | (2,357) | (4,858) |
| Balances as of December 31, 2018 | 305,409 | 92,579 | 55,530 | 213,252 | 3,349 | 670,119 |
| Provisions established | 300,461 | 93,358 | 1,512 | — | 1,484 | 396,815 |
| Provisions used | (305,409) | (76,862) | — | — | — | (382,271) |
| Provisions released | — | — | — | — | — | — |
| Balances as of December 31, 2019 | 300,461 | 109,075 | 57,042 | 213,252 | 4,833 | 684,663 |

(c) Provisions for personnel benefits and payroll:

| | 2019 | 2018 |
|------------------------------------|----------------|---------------|
| | MCh\$ | MCh\$ |
| Provisions for performance bonuses | 51,051 | 47,797 |
| Staff accrued vacation provision | 27,609 | 26,855 |
| Staff severance indemnities | 7,566 | 7,754 |
| Other personnel benefits provision | 22,849 | 10,173 |
| Total | 109,075 | 92,579 |



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(d) Staff severance indemnities:

(i) Changes in the staff severance indemnities:

| | 2019 | 2018 |
|---|--------------|--------------|
| | MCh\$ | MCh\$ |
| Present value of the obligations at the beginning of the year | 7,754 | 7,676 |
| Increase (Decrease) in provision | 323 | 550 |
| Benefit paid | (758) | (599) |
| Effect of change in actuarial factors | 247 | 127 |
| Total | 7,566 | 7,754 |

(ii) Net benefits expenses:

| | 2019 | 2018 |
|---------------------------------------|------------|------------|
| | MCh\$ | MCh\$ |
| (Decrease) Increase in provisions | 101 | 250 |
| Interest cost of benefits obligations | 222 | 300 |
| Effect of change in actuarial factors | 247 | 127 |
| Net benefit expenses | 570 | 677 |

(iii) Factors used in the calculation of the provision:

The main assumptions used in the determination of severance indemnity obligations for the Bank's plan are shown below:

| | December 31, 2019 | December 31, 2018 |
|----------------------|----------------------|----------------------|
| | % | % |
| Discount rate | 3.17 | 4.25 |
| Salary increase rate | 4.42 | 4.42 |
| Payment probability | 99.99 | 99.99 |

The most recent actuarial valuation of the staff severance indemnities provision was carried out during the year 2019.

e) Changes in compliance bonuses provision:

| | 2019 | 2018 |
|----------------------------|---------------|---------------|
| | MCh\$ | MCh\$ |
| Balances as of January 1 | 47,797 | 43,372 |
| Net provisions established | 45,792 | 40,058 |
| Provisions used | (42,538) | (35,633) |
| Total | 51,051 | 47,797 |

(f) Changes in staff accrued vacation provision:

| | 2019 | 2018 |
|----------------------------|---------------|---------------|
| | MCh\$ | MCh\$ |
| Balances as of January 1 | 26,855 | 25,159 |
| Net provisions established | 7,257 | 7,529 |
| Provisions used | (6,503) | (5,833) |
| Total | 27,609 | 26,855 |

(g) Employee benefits share-based provision:

As of December 31, 2019 and 2018, the Bank and its subsidiaries do not have a stock-based compensation plan.

(h) Contingent loan provisions:

As of December 31, 2019, the Bank and its subsidiaries maintain contingent loan provisions by an amount of Ch\$57,042 million (Ch\$55,530 million in December 2018). See Note No. 26 letter (d).

25. OTHER LIABILITIES:

As of December 31, 2019 and 2018, this item is composed as follows:

| | 2019 | 2018 |
|---|----------------|----------------|
| | MCh\$ | MCh\$ |
| Accounts and notes payable | 231,465 | 176,826 |
| Income received in advance ^(*) | 125,418 | 5,743 |
| Dividends payable | 1,443 | 1,079 |
| Other liabilities | | |
| Securities unliquidated | 134,253 | 106,071 |
| Documents intermediated ^(**) | 80,190 | 53,492 |
| Cobranding | 30,186 | 36,081 |
| VAT debit | 16,354 | 13,719 |
| Insurance payments | 1,157 | 992 |
| Outstanding transactions | 792 | 616 |
| Others | 22,240 | 17,905 |
| Total | 643,498 | 412,524 |

(*) In relation to the Strategic Alliance Framework Agreement disclosed in Note No. 5 letter c), on June 4, 2019, Banco Chile received the payment from the Insurance Companies for an amount of Ch\$149,061 million, which was recorded according to IFRS 15. The related income is recognized over time, depending on compliance with the associated performance obligation.

(**) This item mainly includes financing of simultaneous operations performed by subsidiary Banchile Corredores de Bolsa S.A.



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26. CONTINGENCIES AND COMMITMENTS:

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

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

The Bank and its subsidiaries keep recorded in off-balance sheet accounts the main balances related to commitments or with responsibilities inherent to the course of its normal business:

| | 2019 | 2018 |
|--|-------------------|-------------------|
| | MCh\$ | MCh\$ |
| Contingent loans | | |
| Guarantees and sureties | 280,838 | 341,676 |
| Confirmed foreign letters of credit | 94,673 | 56,764 |
| Issued letters of credit | 316,916 | 388,396 |
| Bank guarantees | 2,283,390 | 2,232,682 |
| Freely disposition credit lines | 7,870,260 | 7,769,325 |
| Other credit commitments | 155,163 | 46,561 |
| | | |
| Transactions on behalf of third parties | | |
| Documents in collections | 144,043 | 160,367 |
| Third-party resources managed by the Bank: | | |
| Financial assets managed on behalf of third parties | 6,418 | 27,334 |
| Other assets managed on behalf of third parties | — | — |
| Financial assets acquired on its own behalf | 73,140 | 103,319 |
| Other assets acquired on its own behalf | — | — |
| | | |
| Custody of securities | | |
| Securities held in safe custody in the Bank and subsidiaries | 2,677,353 | 2,089,079 |
| Securities held in safe custody in other entities | 18,719,297 | 18,624,962 |
| Total | 32,621,491 | 31,840,465 |

(b) Lawsuits and legal proceedings:

(b.1) Normal judicial contingencies in the industry:

At the date of issuance of these Consolidated Financial Statements, there are legal actions filed against the Bank related with the ordinary course operations. As of December 31, 2019 the Bank maintain provisions for judicial contingencies amounting to Ch\$237 million (Ch\$204 million as of December 2018), which are part of the item "Provisions" in the Statement of Financial Position.

The estimated end dates of the respective legal contingencies are as follows:

| | As of December 31, 2019 | | | | | Total MCh\$ |
|---------------------|-------------------------|---------------|---------------|---------------|--|----------------|
| | 2020 MCh\$ | 2021 MCh\$ | 2022 MCh\$ | 2023 MCh\$ | | |
| Legal contingencies | 120 | 117 | — | — | | 237 |

(b.2) Contingencies for significant lawsuits in courts:

As of December 31, 2019 and 2018 there are not significant lawsuits in court that affect or may affect these Consolidated Financial Statements.

(c) Guarantees granted by operations:

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

In compliance with Article No. 12 of Law No. 20,712, Banchile Administradora General de Fondos S.A., has designated Banco de Chile as the representative of the beneficiaries of the guarantees it has established, and in such role the Bank has issued bank guarantees totaling UF 3,090,000, maturing January 10, 2020 (UF 2,977,300, maturing on January 10, 2019 as of December 2018). The subsidiary took a policy with Mapfre Seguros Generales S.A. for the Real State Funds by a guaranteed amount of UF 755,800.

As of December 31, 2019 and 2018 the Bank has not guaranteed mutual funds.

In compliance with the rules established by the Chilean Commission for the Financial Market (CMF) in letter f) of Circular No. 1,894 of September 24, 2008, the entity has constituted guarantees, by management portfolio, in benefit of investors. Such guarantee corresponds to a bank guarantee for UF 401,800, with maturity on January 10, 2020.

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

For the purposes of ensuring correct and complete compliance with all of its obligations as broker-dealer entity, in conformity with the provisions from Article No. 30 and subsequent of Law No. 18,045 on Securities Markets, the subsidiary established a guarantee in an insurance policy for UF 20,000, insured by Mapfre Seguros, that matures April 22, 2020, whereby the Securities Exchange of the Santiago Stock Exchange was appointed as the subsidiary's creditor representative.

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| | 2019 | 2018 |
|--|----------------|---------------|
| | MCh\$ | MCh\$ |
| Guarantees: | | |
| Shares delivered to cover simultaneous forward sales transactions: | | |
| Santiago Securities Exchange, Stock Exchange | 85,302 | 59,074 |
| Electronic Chilean Securities Exchange, Stock Exchange | 6,843 | 17,223 |
| Fixed income securities to guarantee CCLV system, | | |
| Santiago Securities Exchange, Stock Exchange | 7,985 | 5,976 |
| Shares delivered to guarantee equity lending, | | |
| Electronic Chilean Securities Exchange, Stock Exchange | 382 | — |
| Total | 100,512 | 82,273 |

In conformity with the internal regulation of the stock exchange in which this subsidiary participates, and for the purpose of securing the broker's correct performance, the Company established a pledge over 1,000,000 shares of the Santiago Stock Exchange, in favor of that institution, as stated in the Public Deed dated September 13, 1990 before the notary of Santiago Mr. Raul Perry Pefaur, and over 100,000 shares of the Electronic Chilean Stock Exchange, in favor of that Institution, as stated in a contract signed between both entities dated May 16, 1990.

Banchile Corredores de Bolsa S.A. keeps an insurance policy current with Southbridge Compañía de Seguros Generales S.A. that expires January 2, 2020, this considers matters of employee fidelity, physical losses, falsification or adulteration, and currency fraud with a coverage amount equivalent to US\$10,000,000.

According to disposition of Chilean Central Bank, it provided a bank guarantee N°9571-2 corresponding to UF 10,500, with purposes to comply with the requirements of the SOMA contract (Contract for Service of System Open Market Operations) of the Chilean Central Bank. This bank guarantee is readjustable in UF to fixed term, non-endorsable and has a maturity date of July 22, 2020.

It also provided a bank guarantee No. 350329-3 in the amount of UF 251,400 for the benefits of investors in portfolio management contracts. This bank guarantee is revaluated in UF to fixed term, non-endorsable and has a maturity date of January 10, 2020.

It has been constituted the bank guarantee No. 9887-5 corresponding to UF 500, to ensure the seriousness of the offer presented in the fixed income tender process. Beneficiary: Mutual de Seguridad of the Chilean Chamber of Construction, valid until March 30, 2020.

It has been constituted the bank guarantee No. 9988-3 corresponding to UF 500, to ensure the seriousness of the offer presented in the variable income tender process. Beneficiary: Mutual de Seguridad of the Chilean Chamber of Construction, valid until March 30, 2020.

It also provided a cash guarantee in the amount of US\$122,494.32 for the purpose of complying with the obligations to Pershing, for any operations conducted through that broker.

iii. In subsidiary Banchile Corredores de Seguros Ltda.:

According to established in article No. 58, letter D of D.F.L. 251, as of December 31, 2019 the entity maintains two insurance policies with effect from April 15, 2019 to April 14, 2020 which protect it against of potential damages caused by infractions of the law, regulations and complementary rules that regulate insurance brokers, especially when the non-compliance comes from acts, errors or omissions of the broker, its representatives, agents or dependents that participate in the intermediation.

The policies contracted are:

| Matter insured | Amount Insured (UF) |
|---------------------------------------|---------------------|
| Errors and omissions liability policy | 60,000 |
| Civil liability policy | 500 |

(d) Provisions for contingencies loans:

Established provisions for credit risk from contingencies operations are the followings:

| | 2019 | 2018 |
|-----------------------------------|---------------|---------------|
| | MCh\$ | MCh\$ |
| Freely disposition credit lines | 31,121 | 29,255 |
| Bank guarantees provision | 22,268 | 22,806 |
| Guarantees and sureties provision | 3,156 | 2,891 |
| Letters of credit provision | 440 | 494 |
| Other credit commitments | 57 | 84 |
| Total | 57,042 | 55,530 |

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- (e) By Exempt Resolution No. 270 dated October 30, 2014, the Superintendency of Securities and Insurance (current Commission for the Financial Market) imposed a fine of UF 50,000 to Banchile Corredores de Bolsa S.A. for violations of the second paragraph of article 53 of the Securities Market Law, said company filed a claim with the competent Civil Court requesting the annulment of the fine. On December 10, 2019, a judgement in the case was issued reducing the fine to the amount of UF 7,500. The judgment indicated has been subject to cassation appeals filed by both parties, which are pending before the Court of Appeals of Santiago.

The company has not made provisions considering that the Bank's legal advisors in charge of the procedure estimate that there are solid grounds that the claim filed by Banchile Corredores de Bolsa S.A. can be accepted.



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27. EQUITY:

(a) Capital:

(i) Authorized, subscribed and paid shares:

As of December 31, 2019, the paid-in capital of Banco de Chile is represented by 101,017,081,114 registered shares (101,017,081,114 shares as of December 31, 2018), with no par value, subscribed and fully paid.

| Corporate Name or Shareholders's name | As of December 31, 2019 | |
|--|-------------------------|---------------------|
| | Number of Shares | % of Equity Holding |
| LQ Inversiones Financieras S.A. | 46,815,289,329 | 46.344% |
| Banchile Corredores de Bolsa S.A. | 5,708,422,261 | 5.651% |
| Inversiones LQ-SM Limitada | 4,854,988,014 | 4.806% |
| Banco Itaú Corpbanca (on behalf foreign investors) | 4,458,337,344 | 4.413% |
| Banco Santander (on behalf foreign investors) | 4,310,744,955 | 4.267% |
| Banco de Chile on behalf third parties | 3,635,074,988 | 3.598% |
| Ever 1 BAE SPA | 2,303,065,577 | 2.280% |
| Ever Chile SPA | 2,201,574,554 | 2.179% |
| Inversiones Aspen Ltda. | 1,594,040,870 | 1.578% |
| JP Morgan Chase Bank | 1,388,915,908 | 1.375% |
| Larraín Vial S.A. Corredora de Bolsa | 1,311,456,827 | 1.298% |
| Inversiones Avenida Borgoño Limitada | 1,190,565,316 | 1.179% |
| Banco de Chile on behalf Citibank Nueva York | 755,440,788 | 0.748% |
| Valores Security S.A. Corredores de Bolsa | 609,333,678 | 0.603% |
| BCI Corredores de Bolsa S.A. | 575,904,925 | 0.570% |
| Santander S.A. Corredores de Bolsa Limitada | 545,861,161 | 0.540% |
| Inversiones CDP Limitada | 487,744,912 | 0.483% |
| A.F.P Habitat S.A. for Type A Fund | 413,318,522 | 0.409% |
| BICE Inversiones Corredores de Bolsa S.A. | 393,920,005 | 0.390% |
| A.F.P Habitat S.A. for Type C Pension Fund | 381,039,562 | 0.377% |
| Subtotal | 83,935,039,496 | 83.090% |
| Others shareholders | 17,082,041,618 | 16.910% |
| Total | 101,017,081,114 | 100.000% |

| Corporate Name or Shareholders's name | As of December 31, 2018 | |
|--|-------------------------|---------------------|
| | Number of Shares | % of Equity Holding |
| Sociedad Administradora de la Obligación Subordinada SAOS S.A. | 28,593,701,789 | 28.306% |
| LQ Inversiones Financieras S.A. | 27,460,203,382 | 27.184% |
| Sociedad Matriz del Banco de Chile S.A. | 12,138,573,251 | 12.016% |
| Banco Santander (on behalf foreign investors) | 3,439,864,114 | 3.405% |
| Banchile Corredores de Bolsa S.A. | 3,159,186,953 | 3.127% |
| Banco Itaú Corpbanca (on behalf foreign investors) | 2,924,345,509 | 2.895% |
| Banco de Chile on behalf third parties | 2,460,416,617 | 2.436% |
| Ever 1 BAE SPA | 2,303,065,577 | 2.280% |
| Ever Chile SPA | 2,201,574,554 | 2.179% |
| Inversiones Aspen Ltda. | 1,594,040,870 | 1.578% |
| A.F.P. Habitat S.A. | 1,551,740,366 | 1.536% |
| JP Morgan Chase Bank | 1,418,927,508 | 1.405% |
| A.F.P. Provida S.A. | 1,173,558,237 | 1.162% |
| A.F.P. Cuprum S.A. | 1,011,413,383 | 1.001% |
| A.F.P. Capital S.A. | 757,283,486 | 0.750% |
| Inversiones Avenida Borgoño Limitada | 617,644,066 | 0.611% |
| Inversiones CDP limitada | 487,744,912 | 0.483% |
| Larraín Vial S.A. Corredora de Bolsa | 444,107,165 | 0.440% |
| Santander S.A. Corredores de Bolsa Limitada | 407,981,210 | 0.404% |
| BCI Corredores de Bolsa S.A. | 331,846,694 | 0.329% |
| Subtotal | 94,477,219,643 | 93.526% |
| Others shareholders | 6,539,861,471 | 6.474% |
| Total | 101,017,081,114 | 100.000% |

(ii) Shares:

(ii.1) The following table shows the changes in share from December 31, 2017 to December 31, 2019:

| | Total Ordinary Shares |
|--|------------------------|
| Total shares as of December 31, 2017 | 99,444,132,192 |
| Capitalization of earning – Issue fully paid-in shares | 1,572,948,922 |
| Total shares as of December 31, 2018 | 101,017,081,114 |
| Total shares as of December 31, 2019 | 101,017,081,114 |



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(b) Approval and payment of dividends:

At the Bank Ordinary Shareholders' Meeting held on March 28, 2019 it was approved the distribution and payment of dividend No. 207 of Ch\$3.52723589646 per share of the Banco de Chile, with charged to the net distributable income for the year ended as of December 31, 2018. The amount of the dividend paid in year 2019 amounted to Ch\$356,311 million.

At the Bank Ordinary Shareholders' Meeting held on March 22, 2018 it was approved the distribution and payment of dividend No. 206 of Ch\$3.14655951692 per share of the Banco de Chile, with charged to the net distributable income for the year ended as of December 31, 2017. The amount of the dividend paid in year 2018 amounted to Ch\$374,079 million.

(c) Provision for minimum dividends:

In 2019, the Board of Directors of Banco de Chile agreed to establish a provision for minimum dividends of 60% of the net distributable profit generated during the course of the year, being understood as net distributable profit as net income for the corresponding period minus the value effect of the monetary unit of paid capital and reserves, as a result of any change in the Consumer Price Index (CPI) between to the month prior to the current month and the month of November of the previous year. This, maintains the criteria adopted at the Extraordinary Shareholders' Meeting held on March 25, 2010, which agreed the withholding of the equivalent to change in the CPI of the paid-in capital and reserves, which was materialized with a transitory article of the bylaws with effect until the payment of the subordinated obligation made on April 30, 2019.

As indicated above, the retained earnings for the year ended December 31, 2018 in March 2019 amounted to Ch\$85,856 million (the retained earnings for the year ended December 31, 2017 in March 2018 amounted to Ch\$54,501 million).

The amount of net distributable profit as of December 31, 2019 amounted to Ch\$500,768 million (Ch\$509,015 million as of December 31, 2018). In accordance with the foregoing, the Bank recorded a provision for minimum dividends under "Provisions" as of December 31 for an amount of Ch\$300,461 million (Ch\$305,409 million in December 2018), reflecting as a counterpart a capital reduction for the same amount in the item "Retained earnings".

(d) Earnings per share:

(i) Basic earnings per share:

Basic earnings per share are determined by dividing the net income attributable to the Bank ordinary equity holders in a period between the weighted average number of shares outstanding during that period, excluding the average number of own shares held throughout the period.

(ii) Diluted earnings per share:

In order to calculate the diluted earnings per share, both the amount of income attributable to common shareholders and the weighted average number of shares outstanding, net of own shares, must be adjusted for all the inherent dilutive effects to the potential common shares (stock options, warrants and convertible debt).

Accordingly, the basic and diluted earnings per share as of December 31, 2019 and 2018 were determined as follows:

| | 2019 | 2018 |
|--|-----------------|-----------------|
| Basic earnings per share: | | |
| Net profits attributable to ordinary equity holders of the bank (in million Chilean pesos) | 593,008 | 594,872 |
| Weighted average number of ordinary shares | 101,017,081,114 | 101,017,081,114 |
| Earning per shares (in Chilean pesos) | 5.87 | 5.89 |
| Diluted earnings per share: | | |
| Net profits attributable to ordinary equity holders of the bank (in million Chilean pesos) | 593,008 | 594,872 |
| Weighted average number of ordinary shares | 101,017,081,114 | 101,017,081,114 |
| Assumed conversion of convertible debt | — | — |
| Adjusted number of shares | 101,017,081,114 | 101,017,081,114 |
| Diluted earnings per share (in Chilean pesos) | 5.87 | 5.89 |

As of December 31, 2019 and 2018, the Bank does not have instruments that generate dilutive effects.

(e) Other comprehensive income:

This item includes the following concepts:

The adjustment of cash flow hedge derivatives comprises the portion of income recorded in equity resulting from changes in fair value due to changes in market factors. During the year 2019 it was made a charge to equity for Ch\$37,546 million (charge to equity of Ch\$30,943 million during the year 2018). The income tax effect presented a credit to equity of Ch\$10,138 million (credit of Ch\$8,354 million in December 2018).

The valuation adjustment of investments available for sale originates from fluctuations in the fair value of such portfolio, with a charge or credit to equity. During the year 2019, it was made a credit to equity for Ch\$13,763 million (charge of Ch\$11,787 million during the year 2018). The deferred tax effect meant a charge to equity of Ch\$3,734 million (credit to equity of Ch\$3,194 million in December 2018).

(f) Retained earnings from previous years:

During the year 2019, the Ordinary Shareholders Meeting of Banco de Chile approved the withholding of 30% of the distributable liquid profit corresponding to the 2018 fiscal year equivalent to Ch\$152,705 million.



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28. INTEREST REVENUE AND EXPENSES:

(a) On the closing date of the Financial Statement, the interest and indexation income, excluding hedge results, are composed as follows:

| | 2019 | | | | 2018 | | | |
|---------------------------------------|------------------|----------------|---------------|------------------|------------------|----------------|---------------|------------------|
| | Interest | UF Indexation | Prepaid fees | Total | Interest | UF Indexation | Prepaid fees | Total |
| | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ |
| Commercial loans | 736,474 | 159,145 | 12,413 | 908,032 | 694,710 | 151,987 | 4,143 | 850,840 |
| Consumer loans | 626,670 | 1,628 | 9,906 | 638,204 | 602,627 | 1,841 | 8,827 | 613,295 |
| Residential mortgage loans | 296,832 | 229,815 | 6,061 | 532,708 | 283,066 | 214,620 | 5,010 | 502,696 |
| Financial investment | 37,441 | 7,442 | — | 44,883 | 40,195 | 12,270 | — | 52,465 |
| Repurchase agreements | 2,480 | — | — | 2,480 | 2,767 | — | — | 2,767 |
| Loans to banks | 27,457 | — | — | 27,457 | 24,138 | — | — | 24,138 |
| Other interest and indexation revenue | 15,378 | 2,377 | — | 17,755 | 9,335 | 2,575 | — | 11,910 |
| Total | 1,742,732 | 400,407 | 28,380 | 2,171,519 | 1,656,838 | 383,293 | 17,980 | 2,058,111 |

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The amount of interest recognized on a received basis for impaired portfolio in 2019 amounts to Ch\$4,415 million (Ch\$5,113 million in December 2018).

(b) At the each year end, the stock of interest and UF indexation not recognized in incomes is the following:

| | 2019 | | | 2018 | | |
|----------------------------|---------------|--------------|---------------|--------------|--------------|---------------|
| | Interest | Indexation | Total | Interest | Indexation | Total |
| | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ |
| Commercial loans | 8,755 | 1,141 | 9,896 | 6,591 | 967 | 7,558 |
| Residential mortgage loans | 2,172 | 1,494 | 3,666 | 2,741 | 1,624 | 4,365 |
| Consumer loans | 36 | — | 36 | 42 | — | 42 |
| Total | 10,963 | 2,635 | 13,598 | 9,374 | 2,591 | 11,965 |

(c) At each year end, interest and UF indexation expenses excluding hedge results, are detailed as follows:

| | 2019 | | | 2018 | | |
|--|----------------|----------------|----------------|----------------|----------------|----------------|
| | Interest | UF Indexation | Total | Interest | UF Indexation | Total |
| | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ |
| Savings accounts and time deposits | 268,404 | 44,738 | 313,142 | 253,020 | 48,231 | 301,251 |
| Debt securities issued | 212,355 | 173,660 | 386,015 | 198,244 | 154,107 | 352,351 |
| Other financial obligations | 876 | 42 | 918 | 1,363 | 119 | 1,482 |
| Repurchase agreements | 7,048 | — | 7,048 | 8,901 | — | 8,901 |
| Obligations with banks | 43,570 | — | 43,570 | 29,274 | 1 | 29,275 |
| Demand deposits | 539 | 13,869 | 14,408 | 324 | 9,056 | 9,380 |
| Lease liabilities | 2,574 | — | 2,574 | — | — | — |
| Other interest and indexation expenses | 41 | 442 | 483 | 63 | 631 | 694 |
| Total | 535,407 | 232,751 | 768,158 | 491,189 | 212,145 | 703,334 |

(d) As of December 31, 2019 and 2018, the Bank uses cross currency and interest rate swaps to hedge its position on movements on the fair value of corporate bonds and commercial loans and cross currency swaps to hedge the risk of variability of obligations flows with foreign banks and bonds issued in foreign currency.

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| | 2019 | | | 2018 | | |
|--|-----------------|---------------|-----------------|-----------------|---------------|-----------------|
| | Income | Expense | Total | Income | Expense | Total |
| | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ |
| Gain from fair value accounting hedges | 720 | — | 720 | 1,380 | — | 1,380 |
| Loss from fair value accounting hedges | (9,392) | — | (9,392) | (3,605) | — | (3,605) |
| Gain from cash flow accounting hedges | 385,983 | 433,438 | 819,421 | 284,424 | 304,246 | 588,670 |
| Loss from cash flow accounting hedges | (440,561) | (407,550) | (848,111) | (341,149) | (280,552) | (621,701) |
| Net gain on hedge items | 3,376 | — | 3,376 | 390 | — | 390 |
| Total | (59,874) | 25,888 | (33,986) | (58,560) | 23,694 | (34,866) |



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(e) At each year end, the summary of interest is as follows:

| | 2019 | 2018 |
|--|------------------|------------------|
| | MCh\$ | MCh\$ |
| Interest revenue | 2,171,519 | 2,058,111 |
| Interest expense | (768,158) | (703,334) |
| Subtotal interest income | 1,403,361 | 1,354,777 |
| Net gain (loss) from accounting hedges | (33,986) | (34,866) |
| Total net interest income | 1,369,375 | 1,319,911 |

29. INCOME AND EXPENSES FROM FEES AND COMMISSIONS:

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

| | 2019 | 2018 |
|---|------------------|------------------|
| | MCh\$ | MCh\$ |
| Commission income | | |
| Debit and credit card services | 185,878 | 167,201 |
| Investments in mutual funds and others | 101,046 | 91,173 |
| Use of distribution channel and access to customers | 65,243 | 20,974 |
| Collections and payments | 56,389 | 52,717 |
| Portfolio management | 47,816 | 46,730 |
| Fees for insurance transactions | 37,035 | 32,886 |
| Guarantees and letters of credit | 26,101 | 25,021 |
| Trading and securities management | 21,878 | 24,632 |
| Brand use agreement | 16,494 | 14,840 |
| Lines of credit and overdrafts | 4,716 | 4,837 |
| Financial advisory services | 4,393 | 5,046 |
| Other commission earned | 22,183 | 19,057 |
| Total commissions income | 589,172 | 505,114 |
| Commission expenses | | |
| Credit card transactions | (97,823) | (113,403) |
| Interbank transactions | (20,133) | (16,554) |
| Collections and payments | (6,284) | (6,546) |
| Securities transactions | (5,943) | (7,544) |
| Sales force | (404) | (258) |
| Other commission | (1,283) | (854) |
| Total commissions expenses | (131,870) | (145,159) |

30. NET FINANCIAL OPERATING INCOME:

The gains (losses) from trading and brokerage activities are detailed as follows:

| | 2019 | 2018 |
|--|----------------|----------------|
| | MCh\$ | MCh\$ |
| Financial assets held-for-trading | 76,402 | 50,643 |
| Trading derivative | 32,814 | 85,961 |
| Sale of available-for-sale instruments | 4,789 | 1,118 |
| Sale of loan portfolios (Note No.12 (f)) | 2,549 | 1,743 |
| Net income on other transactions | (145) | 391 |
| Total | 116,409 | 139,856 |

31. FOREIGN EXCHANGE TRANSACTIONS, NET:

Net foreign exchange transactions are detailed as follows:

| | 2019 | 2018 |
|-----------------------------|---------------|--------------|
| | MCh\$ | MCh\$ |
| Gain from accounting hedges | 113,374 | 118,690 |
| Exchange difference, net | 6,284 | 9,609 |
| Indexed foreign currency | (88,772) | (125,598) |
| Total | 30,886 | 2,701 |



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32. PROVISIONS FOR LOAN LOSSES:

The change registered in income during 2019 and 2018 due to provisions, are summarized as follows:

| | Loans and advance to banks | | Loans to customers | | | |
|---------------------------------------|----------------------------|---------------|--------------------|-----------------|----------------|----------------|
| | | | Commercial Loans | | Mortgage Loans | |
| | 2019 MCh\$ | 2018 MCh\$ | 2019 MCh\$ | 2018 MCh\$ | 2019 MCh\$ | 2018 MCh\$ |
| Provisions established: | | | | | | |
| - Individual provisions | — | (506) | (24,986) | — | — | — |
| - Group provisions | — | — | (71,075) | (66,127) | (9,391) | (1,675) |
| Provisions established, net | — | (506) | (96,061) | (66,127) | (9,391) | (1,675) |
| Provisions released: | | | | | | |
| - Individual provisions | 331 | — | — | 5,080 | — | — |
| - Group provisions | — | — | — | — | — | — |
| Provisions released, net | 331 | — | — | 5,080 | — | — |
| Provision, net | 331 | (506) | (96,061) | (61,047) | (9,391) | (1,675) |
| Additional provision | — | — | — | — | — | — |
| Recovery of written-off assets | — | — | 12,253 | 13,579 | 5,114 | 4,572 |
| Provision for loan losses, net | 331 | (506) | (83,808) | (47,468) | (4,277) | 2,897 |

In the opinion of the Administration, provisions constituting for credit risk cover all possible losses that may arise from the non-recovery of assets, according to the records examined by the Bank.

| Consumer Loans | | Subtotal | | Contingent Loans | | Total | |
|----------------|---------------|---------------|---------------|------------------|---------------|---------------|---------------|
| 2019 MCh\$ | 2018 MCh\$ | 2019 MCh\$ | 2018 MCh\$ | 2019 MCh\$ | 2018 MCh\$ | 2019 MCh\$ | 2018 MCh\$ |
| — | — | (24,986) | — | — | (2,368) | (24,986) | (2,874) |
| (288,616) | (281,262) | (369,082) | (349,064) | (2,282) | — | (371,364) | (349,064) |
| (288,616) | (281,262) | (394,068) | (349,064) | (2,282) | (2,368) | (396,350) | (351,938) |
| — | — | — | 5,080 | 770 | — | 1,101 | 5,080 |
| — | — | — | — | — | 4,869 | — | 4,869 |
| — | — | — | 5,080 | 770 | 4,869 | 1,101 | 9,949 |
| (288,616) | (281,262) | (394,068) | (343,984) | (1,512) | 2,501 | (395,249) | (341,989) |
| — | — | — | — | — | — | — | — |
| 30,608 | 42,428 | 47,975 | 60,579 | — | — | 47,975 | 60,579 |
| (258,008) | (238,834) | (346,093) | (283,405) | (1,512) | 2,501 | (347,274) | (281,410) |



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The detail of the amounts presented in the Consolidated Statement of Cash Flow is as follows:

| | 2019 | 2018 |
|--|------------------|------------------|
| | MCh\$ | MCh\$ |
| Allowances established of loans to customer and loans and advances to banks | (394,068) | (349,570) |
| Allowances released of loans to customer and loans and advances to banks | 331 | 5,080 |
| Total allowances of loans to customer and loans and advances to banks | (393,737) | (344,490) |

33. PERSONNEL EXPENSES:

Salaries and personnel expenses during 2019 and 2018 are as follows:

| | 2019 | 2018 |
|-----------------------------|----------------|----------------|
| | MCh\$ | MCh\$ |
| Remunerations | 254,886 | 244,919 |
| Bonuses and incentives | 71,028 | 64,622 |
| Variable compensation | 37,281 | 36,901 |
| Staff severance indemnities | 35,100 | 19,941 |
| Gratifications | 27,889 | 26,275 |
| Lunch and health benefits | 27,618 | 26,698 |
| Training expenses | 3,626 | 3,909 |
| Other personnel expenses | 18,171 | 19,312 |
| Total | 475,599 | 442,577 |

34. ADMINISTRATIVE EXPENSES:

This item is composed as follows:

| | 2019 | 2018 |
|---|----------------|----------------|
| | MCh\$ | MCh\$ |
| General administrative expenses | | |
| Information technology and communications | 92,264 | 79,300 |
| Maintenance and repair of property and equipment | 50,297 | 36,716 |
| External advisory services and professional services fees | 21,099 | 16,690 |
| Surveillance and securities transport services | 11,533 | 11,828 |
| Office supplies | 9,366 | 8,535 |
| Insurance premiums | 5,851 | 5,286 |
| Expenses for short-term leases and low value ^(*) | 5,801 | — |
| Energy, heating and other utilities | 5,697 | 5,676 |
| External service of financial information | 5,461 | 4,787 |
| Postal box, mail, postage and home delivery services | 5,131 | 6,045 |
| Legal and notary expenses | 3,996 | 4,398 |
| Representation and travel expenses | 3,657 | 3,763 |
| External service of custody of documentation | 3,315 | 3,088 |
| Other expenses of obligations for lease agreements ^(*) | 2,797 | — |
| Donations | 2,238 | 1,982 |
| Office rental and equipment and ATM ^(*) | — | 34,773 |
| Other general administrative expenses | 5,227 | 8,591 |
| Subtotal | 233,730 | 231,458 |
| Outsource services | | |
| Credit pre-evaluation | 19,159 | 21,952 |
| Data processing | 10,129 | 8,562 |
| External technological developments expenses | 9,459 | 9,984 |
| Certification and technology testing | 7,460 | 6,823 |
| Other | 3,470 | 3,577 |
| Subtotal | 49,677 | 50,898 |
| Board expenses | | |
| Board of Directors Compensation | 2,509 | 2,511 |
| Other Board expenses | 194 | 298 |
| Subtotal | 2,703 | 2,809 |
| Marketing expenses | | |
| Advertising | 27,808 | 31,375 |
| Subtotal | 27,808 | 31,375 |
| Taxes, payroll taxes and contributions | | |
| Contribution to the banking regulator | 10,285 | 9,548 |
| Real estate contributions | 2,856 | 2,823 |
| Patents | 1,209 | 1,243 |
| Other taxes | 1,437 | 1,323 |
| Subtotal | 15,787 | 14,937 |
| Total | 329,705 | 331,477 |

(*) See Note No. 3 Adoption of IFRS 16 "Leases".



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35. DEPRECIATION, AMORTIZATION AND IMPAIRMENT:

- (a) The amounts corresponding to charges to results for depreciation and amortization during the years 2019 and 2018, are detailed as follows:

| | 2019 | 2018 |
|--|---------------|---------------|
| | MCh\$ | MCh\$ |
| Depreciation and amortization | | |
| Depreciation of property and equipment (Note No. 16 (b)) | 29,194 | 27,185 |
| Depreciation of rights over leased assets (Note No. 16 (d)) ^(*) | 28,472 | — |
| Amortization of intangibles assets (Note No. 15 (b)) | 12,875 | 10,496 |
| Total | 70,541 | 37,681 |

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

- (b) As of December 31, 2019 and 2018 the impairment expenses is composed as follows:

| | 2019 | 2018 |
|---|--------------|------------|
| | MCh\$ | MCh\$ |
| Impairment | | |
| Impairment of properties and equipment (Note No. 16 (b)) | 2,018 | 334 |
| Impairment of intangible assets (Note No. 15 (b)) | 350 | — |
| Impairment of rights over leased assets (Note No. 16 (d)) | 187 | — |
| Total | 2,555 | 334 |

36. OTHER OPERATING INCOME:

During the years 2019 and 2018, the Bank and its subsidiaries present other operating income, according to the following:

| | 2019 | 2018 |
|--|---------------|---------------|
| | MCh\$ | MCh\$ |
| Income for assets received in lieu of payment | | |
| Income from sale of assets received in lieu of payment | 10,793 | 8,779 |
| Other income | 40 | 56 |
| Subtotal | 10,833 | 8,835 |
| Release of provisions for contingencies | | |
| Country risk provisions | — | 436 |
| Other provisions for contingencies | — | 7,526 |
| Subtotal | — | 7,962 |
| Other income | | |
| Release and expense recovery | 9,002 | 4,218 |
| Rental income | 8,387 | 9,013 |
| Credit/debit card income | 4,037 | 2,504 |
| Recovery from correspondent banks | 2,816 | 2,591 |
| Revaluation of prepaid monthly payments | 1,731 | 1,224 |
| Income from sale leased assets | 1,166 | 2,586 |
| Reimbursements for insurance policies | 349 | 6,346 |
| Fiduciary and trustee commissions | 267 | 286 |
| Gain on sale of property and equipment | 90 | 3,634 |
| Others | 1,870 | 1,661 |
| Subtotal | 29,715 | 34,063 |
| Total | 40,548 | 50,860 |



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37. OTHER OPERATING EXPENSES:

During the years 2019 and 2018, the Bank and its subsidiaries present other operating expenses, according to the following:

| | 2019 | 2018 |
|---|---------------|---------------|
| | MCh\$ | MCh\$ |
| Provisions and expenses for assets received in lieu of payment | | |
| Charge-off assets received in lieu of payment | 8,778 | 6,638 |
| Provisions for assets received in lieu of payment | 1,786 | 3,361 |
| Expenses to maintain assets received in lieu of payment | 1,225 | 1,749 |
| Subtotal | 11,789 | 11,748 |
| Provisions for contingencies | | |
| Country risk provisions | 1,451 | — |
| Other provisions | 33 | 3 |
| Subtotal | 1,484 | 3 |
| Other expenses | | |
| Write-offs for operating risks | 5,561 | 11,378 |
| Leasings operational expenses | 5,111 | 4,504 |
| Card administration | 2,490 | 2,640 |
| Correspondent banks | 1,569 | 882 |
| Expenses for charge-off leased assets recoveries | 1,072 | 2,287 |
| Credit life insurance | 282 | 294 |
| Contribution to other organisms | 253 | 253 |
| Civil lawsuits | 120 | 121 |
| Losses on sale of property and equipment | — | 2 |
| Others | 2,873 | 1,543 |
| Subtotal | 19,331 | 23,904 |
| Total | 32,604 | 35,655 |

38. RELATED PARTY TRANSACTIONS:

Related parties are considered to be those natural or legal persons who are in positions to directly or indirectly have significant influence through their ownership or management of the Bank and its subsidiaries, as set out in the Compendium of Accounting Standards and Chapter 12-4 of the current Compilation of Standards issued by the CMF.

According to the above, the Bank has considered as related parties those natural or legal persons who have a direct participation or through third parties on Bank ownership, where such participation exceeds 5% of the shares, and also people who, regardless of ownership, have authority and responsibility for planning, management and control of the activities of the entity or its subsidiaries. There also are considered as related the companies in which the parties related by ownership or management of the Bank have a share which reaches or exceeds 5%, or has the position of director, general manager or equivalent.

(a) Loans with related parties:

The following are the loans and accounts receivable and contingent loans, corresponding to related entities.

| | Productive and Services Companies (*) | | Investment and Commercial Companies (**) | | Individuals (***) | | Total | |
|---------------------------------------|---------------------------------------|----------------|--|----------------|-------------------|---------------|----------------|----------------|
| | 2019 MCh\$ | 2018 MCh\$ | 2019 MCh\$ | 2018 MCh\$ | 2019 MCh\$ | 2018 MCh\$ | 2019 MCh\$ | 2018 MCh\$ |
| Loans and accounts receivable: | | | | | | | | |
| Commercial loans | 174,370 | 221,351 | 130,237 | 132,366 | 13,563 | 13,183 | 318,170 | 366,900 |
| Residential mortgage loans | — | — | — | — | 58,477 | 44,756 | 58,477 | 44,756 |
| Consumer loans | — | — | — | — | 9,862 | 10,074 | 9,862 | 10,074 |
| Gross loans | 174,370 | 221,351 | 130,237 | 132,366 | 81,902 | 68,013 | 386,509 | 421,730 |
| Allowance for loan losses | (782) | (962) | (243) | (242) | (889) | (379) | (1,914) | (1,583) |
| Net loans | 173,588 | 220,389 | 129,994 | 132,124 | 81,013 | 67,634 | 384,595 | 420,147 |
| Contingent loans: | | | | | | | | |
| Guarantees and sureties | 5,531 | 5,102 | 9,470 | 14,963 | — | — | 15,001 | 20,065 |
| Letters of credits | 2,365 | 5,310 | 328 | 2,776 | — | — | 2,693 | 8,086 |
| Foreign letters of credits | — | — | — | — | — | — | — | — |
| Banks guarantees | 32,650 | 45,842 | 43,478 | 30,122 | 57 | — | 76,185 | 75,964 |
| Freely disposition credit lines | 52,916 | 58,041 | 14,364 | 14,674 | 21,519 | 19,160 | 88,799 | 91,875 |
| Other contingencies loans | — | — | — | — | — | — | — | — |
| Total contingent loans | 93,462 | 114,295 | 67,640 | 62,535 | 21,576 | 19,160 | 182,678 | 195,990 |
| Provision for contingencies loans | (214) | (258) | (52) | (99) | (37) | (30) | (303) | (387) |
| Contingent loans, net | 93,248 | 114,037 | 67,588 | 62,436 | 21,539 | 19,130 | 182,375 | 195,603 |
| Amount covered by guarantee: | | | | | | | | |
| Mortgage | 30,807 | 28,208 | 57,456 | 52,108 | 69,165 | 69,292 | 157,428 | 149,608 |
| Warrant | — | — | — | — | — | — | — | — |
| Pledge | — | — | — | — | — | — | — | — |
| Others (****) | 37,794 | 47,135 | 12,921 | 13,219 | 5,250 | 3,694 | 55,965 | 64,048 |
| Total collateral | 68,601 | 75,343 | 70,377 | 65,327 | 74,415 | 72,986 | 213,393 | 213,656 |

(*) For these effects are considered productive companies, those that meet the following conditions:

- i) They engage in production activities and generate a separate flow of income.
- ii) Less than 50% of their assets are financial assets held-for-trading or investments.

Service companies are considered entities whose main purpose is oriented to rendering services to third parties.

(**) Investment companies and commercial include those legal entities that do not meet the conditions for productive companies or services providers and are profit-oriented.

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

(****) These guarantees mainly correspond to shares and other financial guarantees.



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(b) Other assets and liabilities with related parties:

| | 2019 | 2018 |
|--|------------------|------------------|
| | MCh\$ | MCh\$ |
| Assets | | |
| Cash and due from banks | 99,802 | 23,086 |
| Transactions in the course of collection | 63,969 | 35,469 |
| Financial assets held-for-trading | 880 | 205 |
| Derivative instruments | 495,378 | 415,683 |
| Investment instruments | 12,141 | 14,690 |
| Other assets | 76,548 | 80,569 |
| Total | 748,718 | 569,702 |
| Liabilities | | |
| Demand deposits | 227,377 | 169,607 |
| Transactions in the course of payment | 16,202 | 58,987 |
| Obligations under repurchase agreements | 54,030 | 84,465 |
| Savings accounts and time deposits | 396,028 | 219,322 |
| Derivative instruments | 432,669 | 337,299 |
| Borrowings with banks | 292,172 | 228,269 |
| Lease liabilities | 5,138 | — |
| Other liabilities | 151,335 | 115,145 |
| Total | 1,574,951 | 1,213,094 |

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

| | 2019 | | 2018 | |
|--|-----------------|------------------|-----------------|------------------|
| | Income MCh\$ | Expense MCh\$ | Income MCh\$ | Expense MCh\$ |
| Type of income or expense recognized | | | | |
| Interest and revenue expenses | 19,039 | 2,619 | 21,736 | 7,196 |
| Fees and commissions income | 72,931 | 65,383 | 70,286 | 74,205 |
| Net Financial Operating Income | | | | |
| Derivative instruments ^(**) | 124,967 | 73,252 | 85,500 | 42,365 |
| Other financial operations | 87 | 119 | — | — |
| Released or established of provision for credit risk | — | 106 | — | 34 |
| Operating expenses | — | 120,559 | — | 105,734 |
| Other income and expenses | 542 | 26 | 446 | 45 |

(*) This detail does not constitute a Statement of Comprehensive Income for related party transactions since the assets with these parties are not necessarily equal to liabilities and each item reflects total income and expense and not those corresponding to exact transactions.

(**) The outcome of derivative operations is presented net at each related counterparty level. Additionally, this line includes operations with local counterpart banks (unrelated) which have been novated by Comder Contraparte Central S.A. (Related entity) for centralized clearing purposes, which generated a net gain of Ch\$123,461 million as of December 31, 2019 (net gain of Ch\$71,297 million as of December 31, 2018).

(d) Contracts with related parties:

During the year ended December 31, 2019, the Bank has signed, renewed or amended the contractual terms and conditions of the following contracts with related parties that do not correspond to the ordinary transactions with clients in general, for above UF 1,000:

| Company name | Concept or service description |
|---|--|
| Servipag Ltda. | Development of systems and collection and payment services |
| Canal 13 S.A. | Advertising service |
| Redbanc S.A. | ATM configuration services |
| DCV Registros S.A. | Shareholders' Meeting Management Service |
| Asoc. de Bancos e Instituciones Financieras | Membership fee |
| Sociedad de Fomento Fabril | Cooperation agreement for the operation of the network of inclusive companies |
| Fundacion Chilena del Pacífico | Sponsorship of SMEs summit and entrepreneurs of Asia-Pacific Economic Cooperation (APEC) |
| Transbank S.A. | Operation contract cards |
| Transbank S.A. | Collection of insurance premiums |
| Nexus S.A. | Credit card operation services |
| Ionix SPA | Software development services |
| Combank S.A. | High value payment services |
| Centro de Compensación Automatizado S.A. | Electronic transfer services and mandates |
| Sistemas Oracle de Chile S.A. | Licensing, support and hardware configuration services |
| Empresa Nacional de Energía Enx S.A. | Lease contract |
| Citigroup Inc. | Cooperation and global connectivity agreement |
| Nuevos Desarrollos S.A. | Lease contract |
| Administradora Plaza Vespucio S.A. | Lease contract |
| Plaza Vespucio SPA | Lease contract |
| Plaza Antofagasta S.A. | Lease contract |

(e) Directors' expenses and remunerations and payments to key management personnel:

| | 2019 | 2018 |
|--|---------------|---------------|
| | MCh\$ | MCh\$ |
| Personnel remunerations | 4,148 | 3,926 |
| Short-term benefits | 3,255 | 3,476 |
| Severance pay | 1,264 | 1,037 |
| Directors' remunerations and fees ^(*) | 2,509 | 2,511 |
| Total | 11,176 | 10,950 |

(*) It includes fees paid to members of the Advisory Committee of Banchile Corredores de Seguros Ltda, of Ch\$13 million (Ch\$12 million in December 2018).



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Fees paid to the advisors of the Board of Directors amount to Ch\$90 million (Ch\$206 million in December 2018) and travel and other related expenses amount to Ch\$104 million (Ch\$92 million in December 2018).

| Composition of key personnel: | No. of executives | |
|---------------------------------|-------------------|-----------|
| | 2019 | 2018 |
| Position | | |
| CEO | 1 | 1 |
| CEOs of subsidiaries | 6 | 6 |
| Division Managers | 13 | 13 |
| Directors Bank and subsidiaries | 21 | 20 |
| Total | 41 | 40 |

39. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES:

Banco de Chile and its subsidiaries have defined a corporate framework for valuation and control related with the process to the fair value measurement.

Within the established framework includes the Product Control Unit, which is independent of the business areas and reports to the Financial Management and Control Division Manager. This function befall to the Financial Control and Treasury Manager, through the Financial Risk Information and Control Section, is responsible for independent verification of price and results of trading (including derivatives) and investment operations and all fair value measurements.

To achieve the appropriate measurements and controls, the Bank and its subsidiaries, take into account at least the following aspects:

(i) Industry standard valuation.

To value financial instruments, Banco de Chile uses industry standard modeling; quota value, share price, discounted cash flows and valuation of options through Black-Scholes-Merton, according to the case. The input parameters for the valuation correspond to rates, prices and levels of volatility for different terms and market factors that are traded in the national and international market and that are provided by the main sources of the market.

(ii) Quoted prices in active markets.

The fair value for instruments with quoted prices in active markets is determined using daily quotes from electronic systems information (such as Bolsa de Comercio de Santiago, Bloomberg, LVA and Risk America, etc). This quote represents the price at which these instruments are regularly traded in the financial markets.

(iii) Valuation techniques.

If no specific quotes are available for the instrument to be valued, valuation techniques will be used to determine the fair value.

Due to, in general, the valuation models require a set of market parameters as inputs, the aim is to maximize information based on observable or price-related quotations for similar instruments in active markets. To the extent there is no information in direct from the markets, data from external suppliers of information, prices of similar instruments and historical information are used to validate the valuation parameters.

(iv) Fair value adjustments.

Part of the fair value process considers three adjustments to the market value, calculated based on the market parameters, including; a liquidity adjustment, a Bid/Offer adjustment and an adjustment is made for credit risk of derivatives (CVA and DVA). The calculation of the liquidity adjustment considers the size of the position in each factor, the particular liquidity of each factor, the relative size of Banco de Chile with respect to the market, and the liquidity observed in transactions recently carried out in the market. In turn, the Bid/Offer adjustment, represents the impact on the valuation of an instrument depending on whether the position corresponds to a long (bought) or a short (sold). To calculate this adjustment is used the direct quotes from active markets or indicative prices or derivatives of similar assets depending on the instrument, considering the Bid, Mid and Offer, respectively. Finally, the adjustment made for CVA and DVA for derivatives corresponds to the credit risk recognition of the issuer, either of the counterparty (CVA) or of Banco de Chile (DVA).

Liquidity value adjustments are made to trading instruments (including derivatives) only, while Bid / Offer adjustments are made for trading instruments and available for sale. Adjustments for CVA / DVA are carried out only for derivatives.

(v) Fair value control.

A process of independent verification of prices and rates is executed daily, in order to control that the market parameters used by Banco de Chile in the valuation of the financial instruments relating to the current state of the market and from them the best estimate derived of the fair value. The objective of this process is to control that the official market parameters provided by the respective business area, before being entered into the valuation, are within acceptable ranges of differences when compared to the same set of parameters prepared independently by the Financial Risk Information and Control Section. As a result, value differences are obtained at the level of currency, product and portfolio. In the event significant differences exist, these differences are scaled according to the amount of individual materiality of each market factor and aggregated at the portfolio level, according to the grouping levels within previously defined ranges. These ranges are approved by the Finance, International and Financial Risk Committee.

Complementary and in parallel, the Financial Risk Information and Control Section generates and reports on a daily basis Profit and Loss ("P&L") and Exposure to Market Risks, which allow for proper control and consistency of the parameters used in the valuation.

(vi) Judgmental analysis and information to Management.

In particular cases, where there are no market quotations for the instrument to be valued and there are no prices for similar transactions instruments or indicative parameters, a specific control and a reasoned analysis must be carried out in order to estimate the fair value of the operation. Within the valuation framework described in the Reasonable Value Policy (and its procedure) approved by the Board of Directors of Banco de Chile, a required level of approval is set in order to carry out transactions where market information is not available or it is not possible to infer prices or rates from it.

(a) Hierarchy of instrument valued at Fair value:

Banco de Chile and its subsidiaries, classify all the financial instruments among the following levels:

Level 1: These are financial instruments whose fair value is calculated at quoted prices (unadjusted) in extracted from liquid and deep markets. For these instruments there are quotes or prices (return internal rates, quote value, price) the observable market, so that assumptions are not required to determine the value.

In this level, the following instruments are considered: currency futures, debt instruments issued Chilean Central Bank and Treasury, which belong to benchmarks, mutual fund investments and equity shares.

For the instruments of the Central Bank of Chile and the General Treasury of the Republic, all those mnemonics belonging to a Benchmark, in other words corresponding to one of the following categories published by the Santiago Stock Exchange, will



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be considered as Level 1: Pesos-02, Pesos-03, Pesos-04, Pesos-05, Pesos-07, Pesos-10, UF-02, UF-04, UF-05, UF-07, UF-10, UF-20, UF-30. A Benchmark corresponds to a group of mnemonics that are similar in duration and are traded in an equivalent way, i.e., the price (return internal rates in this case) obtained is the same for all the instruments that make up a Benchmark. This feature defines a greater depth of market, with daily quotations that allow classifying these instruments as Level 1.

In the case of debt issued by the Government, the internal rate of return of the market is used to discount all flows to present value. In the case of mutual funds and equity shares, the current market price per share, which multiplied by the number of instruments results in the fair value.

The preceding described valuation methodology is equivalent to the one used by the Bolsa de Comercio de Santiago (Santiago Stock Exchange) and correspond to the standard methodology used in the market.

Level 2: They are financial instruments whose fair value is calculated based on prices other than in quoted in Level 1 that are observable for the asset or liability, directly (that is, as prices or internal rates of return) or indirectly (that is, derived from prices or internal rates of return from similar instruments). These categories include:

- a) Quoted prices for similar assets or liabilities in active markets.
- b) Quoted prices for identical or similar assets or liabilities in markets that are not active.
- c) Inputs data other than quoted prices that are observable for the asset or liability.
- d) Inputs data corroborated by the market.

At this level there are mainly derivatives instruments, debt issued by banks, debt issues of Chilean and foreign companies, issued in Chile or abroad, mortgage claims, financial brokerage instruments and some issuances by the Central Bank of Chile and the General Treasury of the Republic, which do not belong to benchmarks.

To value derivatives, depends on whether they are impacted by volatility as a relevant market factor in standard valuation methodologies; for options the Black-Scholes-Merton formula is used; for the rest of the derivatives, forwards and swaps, discounted cash flows method is used.

For the remaining instruments at this level, as for debt issues of level 1, the valuation is done through cash flows model by using an internal rate of return that can be derived or estimated from internal rates of return of similar securities as mentioned above.

In the event that there is no observable price for an instrument in a specific term, the price will be inferred from the interpolation between periods that have observable quoted price in active markets. These models incorporate various market variables, including the credit quality of counterparties, exchange rates and interest rate curves.

Valuation Techniques and Inputs for Level 2 Instrument:

| Type of Financial Instrument | Valuation Method | Description: Inputs and Sources |
|--|-----------------------------|--|
| Local Bank and Corporate Bonds | Discounted cash flows model | <p>Prices (internal rates of return) are provided by third party price providers that are widely used in the Chilean market.</p> <p>Model is based on a Base Yield (Central Bank Bonds) and issuer spread.</p> <p>The model is based on daily prices and risk/maturity similarities between Instruments.</p> |
| Offshore Bank and Corporate Bonds | | <p>Prices are provided by third party price providers that are widely used in the Chilean market.</p> <p>Model is based on daily prices.</p> |
| Local Central Bank and Treasury Bonds | | <p>Prices (internal rates of return) are provided by third party price providers that are widely used in the Chilean market.</p> <p>Model is based on daily prices.</p> |
| Mortgage Notes | | <p>Prices (internal rates of return) are provided by third party price providers that are widely used in the Chilean market.</p> <p>Model is based on a Base Yield (Central Bank Bonds) and issuer spread.</p> <p>The model takes into consideration daily prices and risk/maturity similarities between instruments.</p> |
| Time Deposits | | <p>Prices (internal rates of return) are provided by third party price providers that are widely used in the Chilean market.</p> <p>Model is based on daily prices and considers risk/maturity similarities between instruments.</p> |
| Cross Currency Swaps, Interest Rate Swaps, FX Forwards, Inflation Forwards | Black-Scholes Model | <p>Forward Points, Inflation forecast and local swap rates are provided by market brokers that are widely used in the Chilean market.</p> <p>Offshore rates and spreads are obtained from third party price providers that are widely used in the Chilean market.</p> <p>Zero Coupon rates are calculated by using the bootstrapping method over swap rates.</p> |
| FX Options | | <p>Prices for volatility surface estimates are obtained from market brokers that are widely used in the Chilean market.</p> |



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Level 3: These are financial instruments whose fair value is determined using non-observable inputs data neither for the assets or liabilities under analysis nor for similar instruments. An adjustment to an input that is significant to the entire measurement can result in a fair value measurement classified within Level 3 of the fair value hierarchy, if the adjustment uses significant non-observable data entry.

The instruments likely to be classified as level 3 are mainly Corporate Debt by Chilean and foreign companies, issued both in Chile and abroad.

Valuation Techniques and Inputs for Level 3 Instrument:

| Type of Financial Instrument | Valuation Method | Description: Inputs and Sources |
|-----------------------------------|-----------------------------|--|
| Local Bank and Corporate Bonds | Discounted cash flows model | Since inputs for these types of securities are not observable by the market, we model interest rate of returns for them based on a Base Yield (Central Bank Bonds) and issuer spread. These inputs (base yield and issuer spread) are provided on a daily basis by third party price providers that are widely used in the Chilean market. |
| Offshore Bank and Corporate Bonds | Discounted cash flows model | Since inputs for these types of securities are not observable by the market, we model interest rate of returns for them based on a Base Yield (US-Libor) and issuer spread. These inputs (base yield and issuer spread) are provided on a weekly basis by third party price providers that are widely used in the Chilean market. |

(b) Level chart:

The following table shows the classification by levels, for financial instruments registered at fair value.

| | Level 1 | | Level 2 | | Level 3 | | Total | |
|--|----------------|----------------|------------------|------------------|---------------|---------------|------------------|------------------|
| | 2019 MCh\$ | 2018 MCh\$ | 2019 MCh\$ | 2018 MCh\$ | 2019 MCh\$ | 2018 MCh\$ | 2019 MCh\$ | 2018 MCh\$ |
| Financial Assets | | | | | | | | |
| <u>Financial assets held-for-trading</u> | | | | | | | | |
| From the Chilean Government and Central Bank | 93,032 | 178,692 | 1,030,657 | 1,344,780 | — | — | 1,123,689 | 1,523,472 |
| Other instruments issued in Chile | 3,272 | 1,663 | 316,971 | 107,078 | 55,094 | 20,866 | 375,337 | 129,607 |
| Instruments issued abroad | — | 4,446 | — | — | — | — | — | 4,446 |
| Mutual fund investments | 373,329 | 87,841 | — | — | — | — | 373,329 | 87,841 |
| Subtotal | 469,633 | 272,642 | 1,347,628 | 1,451,858 | 55,094 | 20,866 | 1,872,355 | 1,745,366 |
| <u>Derivative contracts for trading purposes</u> | | | | | | | | |
| Forwards | — | — | 956,632 | 735,444 | — | — | 956,632 | 735,444 |
| Swaps | — | — | 1,761,952 | 738,130 | — | — | 1,761,952 | 738,130 |
| Call Options | — | — | 4,961 | 4,839 | — | — | 4,961 | 4,839 |
| Put Options | — | — | 1,076 | 120 | — | — | 1,076 | 120 |
| Futures | — | — | — | — | — | — | — | — |
| Subtotal | — | — | 2,724,621 | 1,478,533 | — | — | 2,724,621 | 1,478,533 |
| <u>Hedge derivative contracts</u> | | | | | | | | |
| Fair value hedge (Swap) | — | — | 32 | 1,116 | — | — | 32 | 1,116 |
| Cash flow hedge (Swap) | — | — | 61,562 | 34,298 | — | — | 61,562 | 34,298 |
| Subtotal | — | — | 61,594 | 35,414 | — | — | 61,594 | 35,414 |
| <u>Financial assets available-for-sale⁽¹⁾</u> | | | | | | | | |
| From the Chilean Government and Central Bank | 66,953 | 99,132 | 42,109 | 65,090 | — | — | 109,062 | 164,222 |
| Other instruments issued in Chile | — | — | 1,221,862 | 747,653 | 7,069 | 23,021 | 1,228,931 | 770,674 |
| Instruments issued abroad | — | — | 19,853 | 108,544 | — | — | 19,853 | 108,544 |
| Subtotal | 66,953 | 99,132 | 1,283,824 | 921,287 | 7,069 | 23,021 | 1,357,846 | 1,043,440 |
| Total | 536,586 | 371,774 | 5,417,667 | 3,887,092 | 62,163 | 43,887 | 6,016,416 | 4,302,753 |
| Financial Liabilities | | | | | | | | |
| <u>Derivative contracts for trading purposes</u> | | | | | | | | |
| Forwards | — | — | 673,630 | 631,047 | — | — | 673,630 | 631,047 |
| Swaps | — | — | 2,097,024 | 854,873 | — | — | 2,097,024 | 854,873 |
| Call Options | — | — | 1,529 | 2,921 | — | — | 1,529 | 2,921 |
| Put Options | — | — | 2,209 | 1,534 | — | — | 2,209 | 1,534 |
| Futures | — | — | — | — | — | — | — | — |
| Subtotal | — | — | 2,774,392 | 1,490,375 | — | — | 2,774,392 | 1,490,375 |
| <u>Hedge derivative contracts</u> | | | | | | | | |
| Fair value hedge (Swap) | — | — | 9,286 | 6,164 | — | — | 9,286 | 6,164 |
| Cash flow hedge (Swap) | — | — | 34,443 | 31,818 | — | — | 34,443 | 31,818 |
| Subtotal | — | — | 43,729 | 37,982 | — | — | 43,729 | 37,982 |
| Total | — | — | 2,818,121 | 1,528,357 | — | — | 2,818,121 | 1,528,357 |

(1) As of December 31, 2019, 98% of instruments of level 3 have denomination "Investment Grade". Also, 100% of total of these financial instruments correspond to domestic issuers.



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(c) Level 3 reconciliation:

The following table shows the reconciliation between the balances at the beginning and at the end of year for those instruments classified in Level 3, whose fair value is reflected in the Financial Statements:

| | 2019 | | | | | | | |
|------------------------------------|-------------------------------|---|---|---------------|-----------------|-----------------------------|---------------------------|---------------------------------|
| | Balance as of January 1, 2019 | Gain (Loss) Recognized in Income ⁽¹⁾ | Gain (Loss) Recognized in Equity ⁽²⁾ | Purchases | Sales | Transfer from Level 1 and 2 | Transfer to Level 1 and 2 | Balance as of December 31, 2019 |
| | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ |
| Financial Assets | | | | | | | | |
| Financial assets held-for-trading: | | | | | | | | |
| Other instruments issued in Chile | 20,866 | (38) | — | 48,017 | (26,504) | 13,368 | (615) | 55,094 |
| Subtotal | 20,866 | (38) | — | 48,017 | (26,504) | 13,368 | (615) | 55,094 |
| Available-for-Sale Instruments: | | | | | | | | |
| Other instruments issued in Chile | 23,021 | 968 | (517) | — | (18,177) | 1,774 | — | 7,069 |
| Subtotal | 23,021 | 968 | (517) | — | (18,177) | 1,774 | — | 7,069 |
| Total | 43,887 | 930 | (517) | 48,017 | (44,681) | 15,142 | (615) | 62,163 |

| | 2018 | | | | | | | |
|------------------------------------|-------------------------------|---|---|---------------|-----------------|-----------------------------|---------------------------|---------------------------------|
| | Balance as of January 1, 2018 | Gain (Loss) Recognized in Income ⁽¹⁾ | Gain (Loss) Recognized in Equity ⁽²⁾ | Purchases | Sales | Transfer from Level 1 and 2 | Transfer to Level 1 and 2 | Balance as of December 31, 2018 |
| | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ |
| Financial Assets | | | | | | | | |
| Financial assets held-for-trading: | | | | | | | | |
| Other instruments issued in Chile | 8,012 | 176 | — | 48,740 | (36,062) | — | — | 20,866 |
| Subtotal | 8,012 | 176 | — | 48,740 | (36,062) | — | — | 20,866 |
| Available-for-Sale Instruments: | | | | | | | | |
| Other instruments issued in Chile | 46,265 | 2,539 | (292) | — | (20,520) | — | (4,971) | 23,021 |
| Subtotal | 46,265 | 2,539 | (292) | — | (20,520) | — | (4,971) | 23,021 |
| Total | 54,277 | 2,715 | (292) | 48,740 | (56,582) | — | (4,971) | 43,887 |

(1) Recorded in income under item "Net financial operating income".

(2) Recorded in equity under item "Other Comprehensive Income".

(d) Sensitivity of instruments classified in level 3 to changes in key assumptions of models:

The following table shows the sensitivity, by type of instrument, of those instruments classified in Level 3 using alternative in key valuation assumptions:

| | 2019 | | 2018 | |
|-----------------------------------|---------------|---|---------------|---|
| | Level 3 | Sensitivity to changes in key assumptions of models | Level 3 | Sensitivity to changes in key assumptions of models |
| | MCh\$ | MCh\$ | MCh\$ | MCh\$ |
| Financial Assets | | | | |
| Financial assets held-for-trading | | | | |
| Other instruments issued in Chile | 55,094 | (466) | 20,866 | (26) |
| Subtotal | 55,094 | (466) | 20,866 | (26) |
| Available-for- Sale Instruments | | | | |
| Other instruments issued in Chile | 7,069 | (86) | 23,021 | (195) |
| Subtotal | 7,069 | (86) | 23,021 | (195) |
| Total | 62,163 | (552) | 43,887 | (221) |

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With the purpose to determine the sensitivity of the financial investments to changes in significant market factors, the Bank has made alternative calculations at fair value, changing those key parameters for the valuation and which are not directly observable in screens. In the case of the financial assets listed in the table above, which correspond to Bank Bonds and Corporate Bonds, it was considered that, since there are no current observables prices, the input prices will be based on brokers' quotes. The prices are usually calculated as a base rate plus a spread. For Local Bonds it was determined to apply a 10% impact on the price, while for the Off Shore Bonds it was determined to apply a 10% impact only on the spread, since the base rate is covered by interest rate swaps instruments in the so-called accounting hedges. The 10% impact is considered a reasonable move taking into account the market performance of these instruments and comparing it against the bid / offer adjustment that is provisioned by these instruments.

(e) Other assets and liabilities:

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



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The estimated fair value is as follows:

| | Book Value | | Estimated Fair Value | |
|--|-------------------|-------------------|----------------------|-------------------|
| | 2019 MCh\$ | 2018 MCh\$ | 2019 MCh\$ | 2018 MCh\$ |
| Assets | | | | |
| Cash and due from banks | 2,392,166 | 880,081 | 2,392,166 | 880,081 |
| Transactions in the course of collection | 584,672 | 580,333 | 584,672 | 580,333 |
| Investments under resale agreements | 142,329 | 97,289 | 142,329 | 97,289 |
| Subtotal | 3,119,167 | 1,557,703 | 3,119,167 | 1,557,703 |
| Loans and advances to banks | | | | |
| Domestic banks | 149,953 | 99,940 | 149,953 | 99,940 |
| Central Bank of Chile | 630,053 | 1,100,831 | 630,053 | 1,100,831 |
| Foreign banks | 359,427 | 293,536 | 358,542 | 286,063 |
| Subtotal | 1,139,433 | 1,494,307 | 1,138,548 | 1,486,834 |
| Loans to customers, net | | | | |
| Commercial loans | 15,956,336 | 15,140,533 | 15,988,330 | 14,949,852 |
| Residential mortgage loans | 9,175,014 | 8,021,262 | 9,888,506 | 8,451,099 |
| Consumer loans | 4,202,702 | 4,145,428 | 4,215,509 | 4,116,261 |
| Subtotal | 29,334,052 | 27,307,223 | 30,092,345 | 27,517,212 |
| Total | 33,592,652 | 30,359,233 | 34,350,060 | 30,561,749 |
| Liabilities | | | | |
| Current accounts and other demand deposits | 11,326,133 | 9,584,488 | 11,326,133 | 9,584,488 |
| Transactions in the course of payment | 352,121 | 335,575 | 352,121 | 335,575 |
| Obligations under repurchase agreements | 308,734 | 303,820 | 308,734 | 303,820 |
| Savings accounts and time deposits | 10,856,618 | 10,656,174 | 10,795,125 | 10,632,350 |
| Borrowings from banks | 1,563,277 | 1,516,759 | 1,555,129 | 1,506,940 |
| Other financial obligations | 156,229 | 118,014 | 160,361 | 119,024 |
| Subtotal | 24,563,112 | 22,514,830 | 24,497,603 | 22,482,197 |
| Debt Issued | | | | |
| Letters of credit for residential purposes | 10,229 | 15,040 | 11,081 | 15,982 |
| Letters of credit for general purposes | 669 | 1,328 | 725 | 1,411 |
| Bonds | 7,912,621 | 6,772,990 | 8,340,272 | 6,897,317 |
| Subordinate bonds | 889,895 | 686,194 | 1,004,621 | 732,611 |
| Subtotal | 8,813,414 | 7,475,552 | 9,356,699 | 7,647,321 |
| Total | 33,376,526 | 29,990,382 | 33,854,302 | 30,129,518 |

Other financial assets and liabilities not measured at their fair value, but for which a fair value is estimated, even if not managed based on such value, include assets and liabilities such as placements, deposits and other time deposits, debt issued, and other financial assets and obligations with different maturities and characteristics. The fair value of these assets and liabilities is calculated using the Discounted Cash Flow model and the use of various data sources such as yield curves, credit risk spreads, etc. In addition, due to some of these assets and liabilities are not traded on the market, periodic reviews and analyzes are required to determine the suitability of the inputs and determined fair values.

(f) Levels of other assets and liabilities:

The following table shows the estimated fair value of financial assets and liabilities not valued at their fair value, as of December 31, 2019 and 2018:

| | Level 1 | | Level 2 | | Level 3 | | Total | |
|--|----------------------|-------------------|----------------------|------------------|----------------------|-------------------|----------------------|-------------------|
| | Estimated Fair Value | | Estimated Fair Value | | Estimated Fair Value | | Estimated Fair Value | |
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ |
| Assets | | | | | | | | |
| Cash and due from banks | 2,392,166 | 880,081 | — | — | — | — | 2,392,166 | 880,081 |
| Transactions in the course of collection | 584,672 | 580,333 | — | — | — | — | 584,672 | 580,333 |
| Investments under resale agreements | 142,329 | 97,289 | — | — | — | — | 142,329 | 97,289 |
| Subtotal | 3,119,167 | 1,557,703 | — | — | — | — | 3,119,167 | 1,557,703 |
| Loans and advances to banks | | | | | | | | |
| Domestic banks | 149,953 | 99,940 | — | — | — | — | 149,953 | 99,940 |
| Central Bank | 630,053 | 1,100,831 | — | — | — | — | 630,053 | 1,100,831 |
| Foreign banks | — | — | — | — | 358,542 | 286,063 | 358,542 | 286,063 |
| Subtotal | 780,006 | 1,200,771 | — | — | 358,542 | 286,063 | 1,138,548 | 1,486,834 |
| Loans to customers, net | | | | | | | | |
| Commercial loans | — | — | — | — | 15,988,330 | 14,949,852 | 15,988,330 | 14,949,852 |
| Residential mortgage loans | — | — | — | — | 9,888,506 | 8,451,099 | 9,888,506 | 8,451,099 |
| Consumer loans | — | — | — | — | 4,215,509 | 4,116,261 | 4,215,509 | 4,116,261 |
| Subtotal | — | — | — | — | 30,092,345 | 27,517,212 | 30,092,345 | 27,517,212 |
| Total | 3,899,173 | 2,758,474 | — | — | 30,450,887 | 27,803,275 | 34,350,060 | 30,561,749 |
| Liabilities | | | | | | | | |
| Current accounts and other demand deposits | 11,326,133 | 9,584,488 | — | — | — | — | 11,326,133 | 9,584,488 |
| Transactions in the course of payment | 352,121 | 335,575 | — | — | — | — | 352,121 | 335,575 |
| Obligations under repurchase agreements | 308,734 | 303,820 | — | — | — | — | 308,734 | 303,820 |
| Savings accounts and time deposits | — | — | — | — | 10,795,125 | 10,632,350 | 10,795,125 | 10,632,350 |
| Borrowings from banks | — | — | — | — | 1,555,129 | 1,506,940 | 1,555,129 | 1,506,940 |
| Other financial obligations | — | — | — | — | 160,361 | 119,024 | 160,361 | 119,024 |
| Subtotal | 11,986,988 | 10,223,883 | — | — | 12,510,615 | 12,258,314 | 24,497,603 | 22,482,197 |
| Debt Issued | | | | | | | | |
| Letters of credit for residential purposes | — | — | 11,081 | 15,982 | — | — | 11,081 | 15,982 |
| Letters of credit for general purposes | — | — | 725 | 1,411 | — | — | 725 | 1,411 |
| Bonds | — | — | 8,340,272 | 6,897,317 | — | — | 8,340,272 | 6,897,317 |
| Subordinated bonds | — | — | — | — | 1,004,621 | 732,611 | 1,004,621 | 732,611 |
| Subtotal | — | — | 8,352,078 | 6,914,710 | 1,004,621 | 732,611 | 9,356,699 | 7,647,321 |
| Total | 11,986,988 | 10,223,883 | 8,352,078 | 6,914,710 | 13,515,236 | 12,990,925 | 33,854,302 | 30,129,518 |



Banco de Chile and Subsidiaries

The Bank determines the fair value of these assets and liabilities according to the following:

- Short-term assets and liabilities: For assets and liabilities with short-term maturity, it is assumed that the book values approximate to their fair value. This assumption is applied to the following assets and liabilities:

| Assets: | Liabilities: |
|--|--|
| - Cash and deposits in banks | - Current accounts and other demand deposits |
| - Transactions in the course of collection | - Transactions in the course of payments |
| - Investments under resale agreements | - Obligations under repurchase agreements |
| - Loans and advance to domestic banks | |

- Loans to Customers and Advance to foreign banks: Fair value is determined by using the discounted cash flow model and internally generated discount rates, based on internal transfer rates derived from our internal transfer price policy. Once the present value is determined, we deduct the related loan loss allowances in order to incorporate the credit risk associated with each contract or loan. As we use internally generated parameters for valuation purposes, we categorize these instruments in Level 3.
- Letters of Credit and Bonds: In order to determine the present value of contractual cash flows, we apply the discounted cash flow model by using market interest rates that are available in the market, either for the instruments under valuation or instruments with similar features that fit valuation needs in terms of currency, maturities and liquidity. The market interest rates are obtained from third party price providers widely used by the market. As a result of the valuation technique and the quality of inputs (observable) used for valuation, we categorize these financial liabilities in Level 2.
- Saving Accounts, Time Deposits, Borrowings from Financial Institutions, Subordinated Bonds and Other borrowings financial: The discounted cash flow model is used to obtain the present value of committed cash flows by applying a bucket approach and average adjusted discount rates that derived from both market rates for instruments with similar features and our internal transfer price policy. As we use internally generated parameters and/or apply significant judgmental analysis for valuation purposes, we categorize these financial liabilities in Level 3.

(g) Offsetting of financial assets and liabilities:

The Bank trades financial derivatives with foreign counterparties using ISDA Master Agreement (International Swaps and Derivatives Association, Inc.), under legal jurisdiction of the City of New York – USA or London – United Kingdom. Legal framework in these jurisdictions, along with documentation mentioned, it allows Banco de Chile the right to anticipate the maturity of the transaction and then, offset the net value of those transactions in case of default of counterparty. Additionally, the Bank has negotiated with these counterparties an additional annex (CSA Credit Support Annex), that includes other credit mitigating, such as entering margins on a certain amount of net value of transactions, early termination (optional or mandatory) of transactions at certain dates in the future, coupon adjustment of transaction in exchange for payment of the debtor counterpart over a certain threshold amount, etc.

Below are detail the contracts susceptible to offset:

| | Fair Value | | Negative Fair Value of contracts with right to offset | | Positive Fair Value of contracts with right to offset | | Financial Collateral | | Net Fair Value | |
|----------------------------------|------------|-----------|---|-----------|---|-----------|----------------------|-----------|----------------|---------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ |
| Derivative financial assets | 2,786,215 | 1,513,947 | (952,762) | (582,210) | (1,161,208) | (424,920) | (43,337) | (30,036) | 628,908 | 476,781 |
| Derivative financial liabilities | 2,818,121 | 1,528,357 | (952,762) | (582,210) | (1,161,208) | (424,920) | (418,988) | (233,450) | 285,163 | 287,777 |

40. MATURITY OF ASSETS AND LIABILITIES:

The table below details the main financial assets and liabilities grouped in accordance with their remaining maturity, including accrued interest as of December 31, 2019 and 2018, respectively. As these are for trading and available-for-sale instruments are included at their fair value:

| | 2019 | | | | | | | | |
|--|-------------------|---------------------------------|----------------------------------|-----------------------|-------------------------------|-------------------------------|------------------|----------------------|-------------------|
| | Up to 1 month | Over 1 month and up to 3 months | Over 3 month and up to 12 months | Subtotal up to 1 year | Over 1 year and up to 3 years | Over 3 year and up to 5 years | Over 5 years | Subtotal over 1 year | Total |
| | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ |
| Assets | | | | | | | | | |
| Cash and due from banks | 2,392,166 | — | — | 2,392,166 | — | — | — | — | 2,392,166 |
| Transactions in the course of collection | 584,672 | — | — | 584,672 | — | — | — | — | 584,672 |
| Financial Assets held-for-trading | 1,872,355 | — | — | 1,872,355 | — | — | — | — | 1,872,355 |
| Investments under resale agreements | 102,057 | 29,393 | 10,879 | 142,329 | — | — | — | — | 142,329 |
| Derivative instruments | 158,873 | 314,446 | 621,036 | 1,094,355 | 543,469 | 411,470 | 736,921 | 1,691,860 | 2,786,215 |
| Loans and advances to banks ^(*) | 876,119 | 97,585 | 166,487 | 1,140,191 | — | — | — | — | 1,140,191 |
| Loans to customers ^(*) | 4,161,262 | 2,340,320 | 5,685,646 | 12,187,228 | 5,624,031 | 3,198,639 | 9,009,572 | 17,832,242 | 30,019,470 |
| Financial assets available-for-sale | 23,786 | 225,772 | 779,872 | 1,029,430 | 106,930 | 30,080 | 191,406 | 328,416 | 1,357,846 |
| Financial assets held-to-maturity | — | — | — | — | — | — | — | — | — |
| Total financial assets | 10,171,290 | 3,007,516 | 7,263,920 | 20,442,726 | 6,274,430 | 3,640,189 | 9,937,899 | 19,852,518 | 40,295,244 |

| | 2018 | | | | | | | | |
|--|------------------|---------------------------------|----------------------------------|-----------------------|-------------------------------|-------------------------------|------------------|----------------------|-------------------|
| | Up to 1 month | Over 1 month and up to 3 months | Over 3 month and up to 12 months | Subtotal up to 1 year | Over 1 year and up to 3 years | Over 3 year and up to 5 years | Over 5 years | Subtotal over 1 year | Total |
| | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ |
| Assets | | | | | | | | | |
| Cash and due from banks | 880,081 | — | — | 880,081 | — | — | — | — | 880,081 |
| Transactions in the course of collection | 580,333 | — | — | 580,333 | — | — | — | — | 580,333 |
| Financial Assets held-for-trading | 1,745,366 | — | — | 1,745,366 | — | — | — | — | 1,745,366 |
| Investments under resale agreements | 73,496 | 16,918 | 6,875 | 97,289 | — | — | — | — | 97,289 |
| Derivative instruments | 157,417 | 241,305 | 378,093 | 776,815 | 274,200 | 214,863 | 248,069 | 737,132 | 1,513,947 |
| Loans and advances to banks ^(*) | 1,262,428 | 77,268 | 132,259 | 1,471,955 | 23,441 | — | — | 23,441 | 1,495,396 |
| Loans to customers ^(*) | 3,941,756 | 2,143,023 | 4,973,622 | 11,058,401 | 5,726,668 | 3,133,606 | 7,995,647 | 16,855,921 | 27,914,322 |
| Financial assets available-for-sale | 38,691 | 137,420 | 383,200 | 559,311 | 74,940 | 136,342 | 272,847 | 484,129 | 1,043,440 |
| Financial assets held-to-maturity | — | — | — | — | — | — | — | — | — |
| Total financial assets | 8,679,568 | 2,615,934 | 5,874,049 | 17,169,551 | 6,099,249 | 3,484,811 | 8,516,563 | 18,100,623 | 35,270,174 |

(*) These balances are presented without deduction of their respective provisions, which amount to Ch\$685,418 million (Ch\$607,099 million in December 2018) for loans to customers and Ch\$758 million (Ch\$1,089 million in December 2018) for borrowings from financial institutions.

| | 2019 | | | | | | | | |
|--|-------------------|---------------------------------|----------------------------------|-----------------------|-------------------------------|-------------------------------|------------------|----------------------|-------------------|
| | Up to 1 month | Over 1 month and up to 3 months | Over 3 month and up to 12 months | Subtotal up to 1 year | Over 1 year and up to 3 years | Over 3 year and up to 5 years | Over 5 years | Subtotal over 1 year | Total |
| | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ |
| Liabilities | | | | | | | | | |
| Current accounts and other demand deposits | 11,326,133 | — | — | 11,326,133 | — | — | — | — | 11,326,133 |
| Transactions in the course of payment | 352,121 | — | — | 352,121 | — | — | — | — | 352,121 |
| Obligations under repurchase agreements | 298,711 | 8,583 | 1,440 | 308,734 | — | — | — | — | 308,734 |
| Savings accounts and time deposits ^(**) | 6,130,583 | 1,979,110 | 2,224,778 | 10,334,471 | 281,384 | 492 | 421 | 282,297 | 10,616,768 |
| Derivative instruments | 155,991 | 237,743 | 616,472 | 1,010,206 | 608,516 | 469,861 | 729,538 | 1,807,915 | 2,818,121 |
| Borrowings from financial institutions | 69,711 | 349,478 | 1,049,781 | 1,468,970 | 94,307 | — | — | 94,307 | 1,563,277 |
| Debt issued: | | | | | | | | | |
| Mortgage bonds | 1,102 | 1,212 | 2,622 | 4,936 | 3,868 | 1,579 | 515 | 5,962 | 10,898 |
| Bonds | 423,966 | 211,648 | 413,485 | 1,049,099 | 1,460,318 | 1,746,745 | 3,656,459 | 6,863,522 | 7,912,621 |
| Subordinate bonds | 3,041 | 2,460 | 115,933 | 121,434 | 38,525 | 18,251 | 711,685 | 768,461 | 889,895 |
| Other financial obligations | 140,449 | 1,436 | 6,490 | 148,375 | 6,383 | 1,471 | — | 7,854 | 156,229 |
| Lease liabilities | 2,353 | 4,776 | 20,841 | 27,970 | 51,571 | 28,463 | 38,009 | 118,043 | 146,013 |
| Total financial liabilities | 18,904,161 | 2,796,446 | 4,451,842 | 26,152,449 | 2,544,872 | 2,266,862 | 5,136,627 | 9,948,361 | 36,100,810 |

| | 2018 | | | | | | | | |
|--|-------------------|---------------------------------|----------------------------------|-----------------------|-------------------------------|-------------------------------|------------------|----------------------|-------------------|
| | Up to 1 month | Over 1 month and up to 3 months | Over 3 month and up to 12 months | Subtotal up to 1 year | Over 1 year and up to 3 years | Over 3 year and up to 5 years | Over 5 years | Subtotal over 1 year | Total |
| | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ |
| Liabilities | | | | | | | | | |
| Current accounts and other demand deposits | 9,584,488 | — | — | 9,584,488 | — | — | — | — | 9,584,488 |
| Transactions in the course of payment | 335,575 | — | — | 335,575 | — | — | — | — | 335,575 |
| Obligations under repurchase agreements | 237,999 | 1,448 | 64,373 | 303,820 | — | — | — | — | 303,820 |
| Savings accounts and time deposits ^(**) | 5,018,791 | 1,946,688 | 3,100,464 | 10,065,943 | 365,177 | 619 | 132 | 365,928 | 10,431,871 |
| Derivative instruments | 146,887 | 237,039 | 335,497 | 719,423 | 264,438 | 273,790 | 270,706 | 808,934 | 1,528,357 |
| Borrowings from financial institutions | 115,220 | 269,412 | 1,052,830 | 1,437,462 | 79,297 | — | — | 79,297 | 1,516,759 |
| Debt issued: | | | | | | | | | |
| Mortgage bonds | 1,453 | 1,618 | 3,581 | 6,652 | 5,911 | 2,577 | 1,228 | 9,716 | 16,368 |
| Bonds | 325,766 | 275,688 | 583,876 | 1,185,330 | 844,692 | 1,505,660 | 3,237,308 | 5,587,660 | 6,772,990 |
| Subordinate bonds | 4,220 | 2,254 | 44,901 | 51,375 | 41,122 | 27,906 | 565,791 | 634,819 | 686,194 |
| Other financial obligations | 97,393 | 3,505 | 10,126 | 111,024 | 5,555 | 1,307 | 128 | 6,990 | 118,014 |
| Total financial liabilities | 15,867,792 | 2,737,652 | 5,195,648 | 23,801,092 | 1,606,192 | 1,811,859 | 4,075,293 | 7,493,344 | 31,294,436 |

(**) Excludes term saving accounts, which amount to Ch\$239,850 million (Ch\$224,303 million in December 2018).



Banco de Chile and Subsidiaries

41. RISK MANAGEMENT:

(1) Introduction:

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

Our risk management policies are established in order to identify and analyze the risks faced by the Bank, set appropriate risk limits and controls, and to monitor the risks and compliance with the limits. Policies and risk management systems are reviewed regularly. Through its administration policies and procedures, the Bank develops a disciplined and constructive control environment.

(a) Risk Management Structure

Credit, Market and Operational Risk Management are at the all levels of the Organization, with a structure that recognizes the relevance of the different risk areas that exist.

(i) Board of Directors

The Board is responsible for approving the policies and establishing the structure for the proper administration of the various risks faced by the organization. The Board is permanently informed of the evolution of the different risk areas, participating through its Finance, International and Financial Risk, Credit, Portfolio Risk Committee and Higher Operational Risk Committee, in which the status of credit, market and operational risks are reviewed.

(ii) Finance, International and Financial Risk Committee

This committee functions are to design policies and procedures related to price and liquidity risk; design a structure of limits and alerts of financial exposures, and ensure a correct and timely measurement, control and reporting thereof; track exposures and financial risks; analyze impacts on the valuation of operations and / or results due to potential adverse movements in the values of market variables or liquidity narrowness; review the stress test assumptions and establish action plans where appropriate ; ensure the existence of independent units that value financial positions, and analyze the results of financial positions; track the international financial exposure of liabilities; review the main credit exposures of Treasury products (derivatives, bonds); ensure that the management guidelines for price and liquidity risks in subsidiaries are consistent with those of the Bank, and be aware of the evolution of their main financial risks.

The Finance, International and Financial Risk Committee, session monthly and is comprises by the Chairman of the Board, two Directors or Advisors to the Board, General Manager, Corporate Division Manager, Wholesale Credit Risk Division Manager, Treasury Division Manager and Financial Risk Area Manager. If deemed appropriate, the Committee may invite certain persons to participate, on a permanent or occasional basis, in one or more sessions-

(iii) Credit Committees

The credit approval process is done mainly through various credit committees, which are composed of qualified professionals and with the necessary attributions to take decisions required.

Each committee is responsible for defining the terms and conditions under which the Bank accepts counterparty risks and the Retail Credit Risk and Wholesale Credit Risk Divisions participate independently and autonomously of the commercial areas. They are constituted according to the commercial segments and the amounts to approve and have different meeting periodicities.

Within the risk management structure of the Bank, the maximum approval instance is the Credit Committee of Directors. Sessions weekly and is comprises by the Chairman of the Board, regular and alternate directors, Board Advisors, General Manager and the Wholesale Credit Risk Division Manager. This Committee is responsible for knowing, analyzing and resolving all credit operations associated with clients and / or economic groups whose total amount subject for approval is equal to or greater than UF 750,000. It also has to know, analyze and resolve all those credit operations that, in accordance with the established in the Bank's internal rules, must be approved by this Committee, with the exception of the special powers delegated by the Board to the Administration.

(iv) Portfolio Risk Committee

The main function is to know the evolution of the composition, concentration and risk of the loan portfolio of the different banks and segments. Review the main debtors and the different risk indicators of the portfolio, proposing differentiated management strategies. Approves and proposes to the Board the different credit risk policies. It is responsible for reviewing, approving and recommending to the Board of Directors, for its final approval, the different portfolio evaluation methodologies and provision models. It is also responsible for reviewing and analyzing the adequacy of provisions for the different banks and segments. Also to review the guidelines and methodological advances for the development of internal models of credit risk, together with monitoring the concentration by sectors and segments according to the sectoral limits policy. In general, any matter that involves Credit Risk on which senior management must pronounce.

The Portfolio Risk Committee meets monthly and is comprises by the Chairman of the Board, a regular and alternate Director, General Manager, Wholesale Credit Risk Division Manager, Retail Credit Risk Division Manager, Commercial Division Manager, Risk Management and Information Control Manager.

(v) Operational Risk Committee

It is empowered to trigger the necessary changes in the processes, procedures, controls and information systems that support the operation of Banco de Chile, in order to mitigate its operational risks, ensuring that the different areas properly manage and control these risks.

The Operational Risk Committee is comprises by the Global Risk Control Division Manager (Chairman), Operational Risk Manager (Vice President), Operational Risk Management Assistant Manager (Secretary), Financial Management and Control Division Manager, Cybersecurity Division Manager, Technological Risk Manager, Operations Area Manager, Technology and Infrastructure Manager, Customer Area Manager, Large Business Area Manager, Corporate Audit Area Manager; Customer Service Manager and Chief Attorney. The Committee meets monthly and can be summoned extraordinarily.

(vi) Senior Operational Risk Committee

This committee has a sanctioning nature and to ensure that the policies, actions and strategies of operational risk, information security, business continuity and outsourcing of services are aligned with the Bank's objectives and strategies. In addition, to inform the Board about the integral management of operational risk, the Bank's operational risk exposure level, the main risks, events and action plans.

The Senior Operational Risk Committee is comprises by the Chairman of the Board (Chairman), Operational Risk Manager (Secretary), Vice President of the Board, two regular or alternate directors appointed by the Board of the Bank, General Manager, Prosecutor, Global Risk Control Division Manager, Operations and Technology Division Manager, Commercial Division Manager, Cybersecurity Division Manager, and Technological Risk Manager. The Committee meets monthly and can be summoned extraordinarily.

(vii) Corporate Risk Governance Structure

The bank corporate governance considers the active participation of the Board, who establishes the policies and guidelines regarding the accepted risk levels, the Administration being responsible for the control and compliance with the provisions set forth by the Board, together with the setting of standards and procedures related. Likewise, the Board establishes the guidelines for the development and validation of models, approves the provisions models and pronounced about the sufficiency of provisions.

At the administration level, the Retail Credit Risk, Wholesale Credit Risk and Global Risk Control divisions comprise the corporate risk governance structure, which through specialized teams, added to a robust regulatory framework of processes and procedures allow optimal management and effective in the subjects they address. The first two are responsible for the credit risk in the admission, monitoring and recovery phases, in the respective Retail and Wholesale segments. Along with this, in the Retail Credit Risk Division the different methodologies related to regulatory and management aspects are developed. The Wholesale Credit Risk Division, in turn, has a Market Risk Area responsible for measuring, limiting, controlling and reporting said risk along with the valuation standards definition.

The Global Risk Control Division through the Operational and Technological Risk Areas, which incorporates Business Continuity, is responsible for controlling those risks, also has an Internal Validation Area of Risk Models.

Additionally, the Bank has a Cybersecurity Division, focused on protecting and monitoring the most sensitive assets of the organization, being able to provide security and confidence to customers and collaborators, whose main objective is to have a secure bank, cyber-resilient and prepared to face any type of threat that puts the reputation and information of the organization at risk.

These divisions have teams with extensive experience and knowledge in each area associated with credit and market risks, ensuring their integral and consolidated management, including the Bank and its subsidiaries.

(b) Internal Audit

The risk management processes of the entire Bank are permanently audited by the Internal Audit Area, which examines the sufficiency of the procedures and their compliance. Internal Audit discusses the results of all evaluations with the administration and reports its findings and recommendations to the Board of Directors through the Audit Committee.

(c) Measurement Methodology

Regarding to Credit Risk, provision levels and portfolio expenses are the basic measures for determining the credit quality of our portfolio.

Banco de Chile permanently evaluates its loan portfolio, timely recognizing the associated level of risk of the loan portfolio. For this comprehensive credit risk assessment, there are policies, standards, procedures, along with models developed in accordance with the instructions issued by the Financial Market Commission ("CMF") and approved by the Board of Directors.

As a result of this evaluation, on both individual and group portfolios, the level of provisions that the bank should constitute is determined, in the event of customers payment default.

The individual evaluation mainly applies to the Bank's portfolio of legal persons that, due to their size, complexity or indebtedness, requires a more detailed level of knowledge and a case-by-case analysis. Each debtor individually assessed is assigned one of the 16 risk categories defined by the CMF, in order to establish the provisions in a timely and appropriate manner. This review of the portfolio risk classifications is carried out permanently considering the financial situation, payment behavior and the environment of each client.

The group evaluation mainly applies to the portfolio of natural persons and smaller companies. These assessments are carried out monthly through statistical models that allow estimating the appropriate level of provisions necessary to cover the portfolio risk. The consistency of the models is analyzed through an independent validation of the unit that develops them and, subsequently, through the analysis of retrospective tests that allow to compare the real losses with the expected ones.

The Bank annually performs a sufficiency test of provisions for the total portfolio of loans, in order to validate the quality and robustness of the risk assessment processes, verifying that the provisions constituted are sufficient to cover the losses that could be derive from the credit operations granted. The result of this analysis is presented to the Board of Directors, who declares on the sufficiency of the provisions in each year.

Banco de Chile constitutes additional provisions with the objective of protecting itself from the risk of unpredictable economic fluctuations that may affect the macroeconomic environment or the situation of a specific economic sector. The amount of additional provisions to be constituted or released is annually proposed to the Portfolio Risk Committee and subsequently to the Board of Directors for approval.

The monitoring and control of risks are carried out mainly based on limits established by the Board of Directors. These limits reflect the Bank's business and market strategy, as well as the level of risk that it is willing to accept, with additional emphasis on the selected industries.

The Bank's General Manager receives on daily basis, and the Finance, International and Financial Risk Committee on a monthly basis, the evolution of the Bank's price and liquidity risk status, both according to internal metrics and those imposed by the regulators.

(2) Credit Risk:

Credit risk considers the likelihood that the counterparty in the credit operation will not meet its contractual obligation due to incapacity or financial insolvency, and this leads to a potential credit loss.

Credit risk management has a relevant focus on the adequate risk-return relation, is permanent and considers the processes of admission, monitoring and recovery of loans granted. In this management, an adequate balance of the risks assumed is taken into account, ensuring the solvency of the Bank over time.

The established credit risk policies and processes recognize the singularities that exist in the different markets and segments, and grant a specialized treatment to each of them.

The above results in the following management principles:

1. Rigorous evaluation in the admission process applying the defined credit risk policies, their associated rules and procedures, together with the availability of sufficient and accurate information. This implies analyzing the generation of flows and solvency of the client to meet the payment commitments and, when the characteristics of the operation merit it, must constitute adequate collateral that allow mitigating the risk incurred with the client.
2. Have permanent and robust portfolio tracking processes, through systems that alert both the potential signs of impairment in relation to the conditions of origin, as well as the possible business opportunities with those clients that present a better payments quality and behavior.
3. To develop advanced modeling and data management tools that allow for efficient decision-making at different stages of the credit process.
4. Have a collection structure with agile and efficient processes that allow carrying out procedures according to the different types of defaults presented by the clients.
5. Maintain an efficient administration in work teams organization, tools and availability of information that allow an optimal credit risk management.

Credit Risk Divisions continuously manage risk knowledge in order to contribute to the business and anticipate threats that may affect the solvency and quality of the portfolio. Its mission is to establish the Credit Risk management framework for the different segments of the Bank, within the defined regulatory scope and at the risk established by the entity, through a portfolio vision that allows us to manage, resolve and control the process of approval of operations related to the different portfolios of the Bank, in an efficient and proactive manner..



Banco de Chile and Subsidiaries

a) Retail Segments:

Admission management in these segments is mainly carried out through an evaluation that uses scoring tools, accompanied by an adequate model of credit attributions, which are required to approve each operation. These evaluations take into account the level of indebtedness, payment capacity and the maximum acceptable exposure for the client.

In these segments, the Bank has segregated functions, distributed in the following areas:

- Model Area, has the responsibility of constructing statistical models, establishing the variables and their respective weightings. These models are validated by the Model Validation Area and submitted to the Models Technical Committee before approval in the Portfolio Risk Committee or the Board of Directors, as appropriate.
- Area of Integration in Management is responsible for incorporating statistical models in credit evaluation processes, ensuring an adequate linkage of the decision.
- Admission Area performs the evaluation of operations and clients, with specialization by regions and segments, which favors their knowledge of clients and socio-economic background. It also maintains a framework of policies and standards that ensure the quality of the portfolio according to the desired risk, defining guidelines for the admission of clients that are released to commercial and risk areas through programs and continuous training.
- Model and Portfolio Tracking Area is responsible for evaluating and measuring the performance of the models and the behavior of the portfolios, the latter especially through the monitoring of the main indicators of aggregate portfolio and layers analysis, reported in management reports, generating relevant information for decision making in different defined instances. This Area also ensures proper execution of the strategy, meeting the objectives of risk quality and return.
- Collection Area performs a cross-collection management in the Bank and centralizes recovery management in retail segments through Socofin, Bank's subsidiary company, defining refinancing criteria and payment agreements with customers, along with the incorporation of robust tools for collection management

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b) Wholesale Segments:

Admission management in these segments is based on an individual evaluation of the client and if it belongs to a group of companies, the relationship of the rest of the group with the Bank is also considered. This individual and group evaluation, if applicable, considers, among others, the financial capacity with emphasis on equity solvency, generation capacity, exposure levels, industry variables, evaluation of partners and management and aspects of the operation such as financing, term, products and possible collaterals.

This process is supported by a rating model that allows greater homogeneity in the evaluation of the client and his group. Additionally, for the evaluation of clients, there are specialized areas in some segments that, due to their nature, require expert knowledge, such as real estate, construction, agricultural, financial, and international, among others.

The permanent monitoring of the portfolio is carried out in a centralized manner, based on information periodically updated by both the client and the industry. Monitoring of compliance with the special conditions established in the admission stage is carried out, such as controls of financial covenants, coverage of certain collaterals and restrictions imposed at the time of approval. Alerts are also generated through monitoring to ensure the correct classification of the individual portfolio.

Additionally, within the Admission areas, joint tasks are carried out that allow monitoring the development of operations from their gestation to their recovery, in order to ensure that the portfolio's risks are well recognized in a timely manner.

Upon detection of clients that show signs of impairment or default with any condition, the commercial area to which the client belongs together with the Wholesale Credit Risk Division, establish action plans to regularize said situation. In those cases where they present problems in the recovery of their credits, there is the area of Special Asset Management, belonging to the Wholesale Credit Risk Division, in charge of the collection management, establishing action plans and negotiations based on the particular characteristics of each client.

c) Portfolio Concentration:

The maximum exposure to credit risk, by client or counterparty, without taking into account guarantees or other credit enhancements as of December 31, 2019 and 2018, does not exceed 10% of the Bank's effective equity.

The following tables show credit risk exposure per balance sheet item, including derivatives, detailed by both geographic region and industry sector as of December 31, 2019:

| | Chile MCh\$ | United States MCh\$ | Brazil MCh\$ | Others MCh\$ | Total MCh\$ |
|---|----------------|------------------------|-----------------|-----------------|----------------|
| Financial Assets | | | | | |
| Cash and Due from Banks | 1,144,109 | 1,145,703 | — | 102,354 | 2,392,166 |
| Financial Assets held-for-trading | | | | | |
| From the Chilean Government and Central Bank of Chile | 1,123,689 | — | — | — | 1,123,689 |
| Other instruments issued in Chile | 375,337 | — | — | — | 375,337 |
| Instruments issued abroad | — | — | — | — | — |
| Mutual fund investments | 373,329 | — | — | — | 373,329 |
| Subtotal | 1,872,355 | — | — | — | 1,872,355 |
| Investments under resale agreements | 142,329 | — | — | — | 142,329 |
| Derivative Contracts for Trading Purposes | | | | | |
| Forwards | 872,481 | 53,923 | — | 30,228 | 956,632 |
| Swaps | 1,142,174 | 167,818 | — | 451,960 | 1,761,952 |
| Call Options | 4,961 | — | — | — | 4,961 |
| Put Options | 807 | 11 | — | 258 | 1,076 |
| Futures | — | — | — | — | — |
| Subtotal | 2,020,423 | 221,752 | — | 482,446 | 2,724,621 |
| Hedge Derivative Contracts | | | | | |
| Forwards | — | — | — | — | — |
| Swaps | 5,864 | 25,780 | — | 29,950 | 61,594 |
| Call Options | — | — | — | — | — |
| Put Options | — | — | — | — | — |
| Futures | — | — | — | — | — |
| Subtotal | 5,864 | 25,780 | — | 29,950 | 61,594 |
| Loans and advances to Banks | | | | | |
| Central Bank of Chile | 630,053 | — | — | — | 630,053 |
| Domestic banks | 150,007 | — | — | — | 150,007 |
| Foreign banks | — | — | 244,969 | 115,162 | 360,131 |
| Subtotal | 780,060 | — | 244,969 | 115,162 | 1,140,191 |
| Loans to Customers, Net | | | | | |
| Commercial loans | 16,269,424 | — | — | 14,685 | 16,284,109 |
| Residential mortgage loans | 9,203,061 | — | — | — | 9,203,061 |
| Consumer loans | 4,532,300 | — | — | — | 4,532,300 |
| Subtotal | 30,004,785 | — | — | 14,685 | 30,019,470 |
| Financial Assets Available-for-Sale | | | | | |
| from the Chilean Government and Central Bank of Chile | 109,062 | — | — | — | 109,062 |
| Other instruments issued in Chile | 1,228,931 | — | — | — | 1,228,931 |
| Instruments issued abroad | — | — | — | 19,853 | 19,853 |
| Subtotal | 1,337,993 | — | — | 19,853 | 1,357,846 |
| Financial assets held-to-Maturity | — | — | — | — | — |



Banco de Chile and Subsidiaries

| | Financial Services MCh\$ | Chilean Central Bank MCh\$ | Government MCh\$ | Retail (Individuals) MCh\$ | Trade MCh\$ |
|---|--------------------------------|----------------------------------|---------------------|----------------------------------|----------------|
| Financial Assets | | | | | |
| Cash and Due from Banks | 2,213,737 | 178,429 | — | — | — |
| Financial Assets held-for-trading | | | | | |
| From the Chilean Government and Central Bank of Chile | — | 1,024,525 | 99,164 | — | — |
| Other instruments issued in Chile | 375,337 | — | — | — | — |
| Instruments issued abroad | — | — | — | — | — |
| Mutual fund investments | 373,329 | — | — | — | — |
| Subtotal | 748,666 | 1,024,525 | 99,164 | — | — |
| Investments under resale agreements | 66,285 | — | 18,460 | 278 | 40,642 |
| Derivative Contracts for Trading Purposes | | | | | |
| Forwards | 480,269 | — | — | 1,532 | 16,225 |
| Swaps | 1,693,048 | — | — | 4 | 9,813 |
| Call Options | 1,196 | — | — | — | 1,569 |
| Put Options | 554 | — | — | — | 522 |
| Futures | — | — | — | — | — |
| Subtotal | 2,175,067 | — | — | 1,536 | 28,129 |
| Hedge Derivative Contracts | | | | | |
| Forwards | — | — | — | — | — |
| Swaps | 61,594 | — | — | — | — |
| Call Options | — | — | — | — | — |
| Put Options | — | — | — | — | — |
| Futures | — | — | — | — | — |
| Subtotal | 61,594 | — | — | — | — |
| Loans and advances to Banks | | | | | |
| Central Bank of Chile | — | 630,053 | — | — | — |
| Domestic banks | 150,007 | — | — | — | — |
| Foreign banks | 360,131 | — | — | — | — |
| Subtotal | 510,138 | 630,053 | — | — | — |
| Loans to Customers, Net | | | | | |
| Commercial loans | 2,587,272 | — | — | — | 2,064,042 |
| Residential mortgage loans | — | — | — | 9,203,061 | — |
| Consumer loans | — | — | — | 4,532,300 | — |
| Subtotal | 2,587,272 | — | — | 13,735,361 | 2,064,042 |
| Financial Assets Available-for-Sale | | | | | |
| From the Chilean Government and Central Bank of Chile | — | 92,824 | 16,238 | — | — |
| Other instruments issued in Chile | 994,658 | — | — | — | — |
| Instruments issued abroad | 19,853 | — | — | — | — |
| Subtotal | 1,014,511 | 92,824 | 16,238 | — | — |
| Financial assets held-to-Maturity | — | — | — | — | — |

| Manufacturing | Mining | Electricity, Gas and Water | Agriculture and Livestock | Fishing | Transportation and Telecom | Construction | Services | Others | Total |
|---------------|---------|-------------------------------|------------------------------|---------|-------------------------------|--------------|-----------|-----------|------------|
| MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ |
| — | — | — | — | — | — | — | — | — | 2,392,166 |
| — | — | — | — | — | — | — | — | — | 1,123,689 |
| — | — | — | — | — | — | — | — | — | 375,337 |
| — | — | — | — | — | — | — | — | — | — |
| — | — | — | — | — | — | — | — | — | 373,329 |
| — | — | — | — | — | — | — | — | — | 1,872,355 |
| — | 2,067 | 1,533 | 902 | 35 | 8,665 | 21 | — | 3,441 | 142,329 |
| 79 | 2,856 | 22,903 | 14,103 | 642 | 1,930 | 277 | 497 | 415,319 | 956,632 |
| 7,718 | 19 | 14,184 | 10,232 | 4,275 | 12,526 | 210 | — | 9,923 | 1,761,952 |
| 280 | — | — | 1,433 | 171 | — | 84 | 190 | 38 | 4,961 |
| — | — | — | — | — | — | — | — | — | 1,076 |
| — | — | — | — | — | — | — | — | — | — |
| 8,077 | 2,875 | 37,087 | 25,768 | 5,088 | 14,456 | 571 | 687 | 425,280 | 2,724,621 |
| — | — | — | — | — | — | — | — | — | — |
| — | — | — | — | — | — | — | — | — | 61,594 |
| — | — | — | — | — | — | — | — | — | — |
| — | — | — | — | — | — | — | — | — | — |
| — | — | — | — | — | — | — | — | — | — |
| — | — | — | — | — | — | — | — | — | 61,594 |
| — | — | — | — | — | — | — | — | — | 630,053 |
| — | — | — | — | — | — | — | — | — | 150,007 |
| — | — | — | — | — | — | — | — | — | 360,131 |
| — | — | — | — | — | — | — | — | — | 1,140,191 |
| 1,624,099 | 604,411 | 325,139 | 1,622,206 | 140,647 | 1,233,433 | 2,141,500 | 2,265,402 | 1,675,958 | 16,284,109 |
| — | — | — | — | — | — | — | — | — | 9,203,061 |
| — | — | — | — | — | — | — | — | — | 4,532,300 |
| 1,624,099 | 604,411 | 325,139 | 1,622,206 | 140,647 | 1,233,433 | 2,141,500 | 2,265,402 | 1,675,958 | 30,019,470 |
| — | — | — | — | — | — | — | — | — | 109,062 |
| — | — | 9,667 | — | — | — | 178,444 | — | 46,162 | 1,228,931 |
| — | — | — | — | — | — | — | — | — | 19,853 |
| — | — | 9,667 | — | — | — | 178,444 | — | 46,162 | 1,357,846 |
| — | — | — | — | — | — | — | — | — | — |



Banco de Chile and Subsidiaries

The following tables show credit risk exposure per balance sheet item, including derivatives, detailed by both geographic region and industry sector as of December 31, 2018:

| | Chile MCh\$ | United States MCh\$ |
|---|----------------|------------------------|
| Financial Assets | | |
| Cash and Due from Banks | 773,368 | 69,343 |
| Financial Assets held-for-trading | | |
| From the Chilean Government and Central Bank of Chile | 1,523,472 | — |
| Other instruments issued in Chile | 129,607 | — |
| Instruments issued abroad | — | 4,446 |
| Mutual fund investments | 87,841 | — |
| Subtotal | 1,740,920 | 4,446 |
| Investments under resale agreements | 97,289 | — |
| Derivative Contracts for Trading Purposes | | |
| Forwards | 670,595 | 23,082 |
| Swaps | 453,191 | 98,414 |
| Call Options | 4,309 | — |
| Put Options | 56 | — |
| Futures | — | — |
| Subtotal | 1,128,151 | 121,496 |
| Hedge Derivative Contracts | | |
| Forwards | — | — |
| Swaps | 4,547 | 14,348 |
| Call Options | — | — |
| Put Options | — | — |
| Futures | — | — |
| Subtotal | 4,547 | 14,348 |
| Loans and advances to Banks | | |
| Central Bank of Chile | 1,100,831 | — |
| Domestic banks | 100,023 | — |
| Foreign banks | — | — |
| Subtotal | 1,200,854 | — |
| Loans to Customers, Net | | |
| Commercial loans | 15,336,948 | — |
| Residential mortgage loans | 8,047,708 | — |
| Consumer loans | 4,436,122 | — |
| Subtotal | 27,820,778 | — |
| Financial Assets Available-for-Sale | | |
| From the Chilean Government and Central Bank of Chile | 164,222 | — |
| Other instruments issued in Chile | 770,674 | — |
| Instruments issued abroad | — | 108,544 |
| Subtotal | 934,896 | 108,544 |
| Financial assets held-to-Maturity | — | — |

| | Brazil MCh\$ | Others MCh\$ | Total MCh\$ |
|--|-----------------|-----------------|----------------|
| | — | 37,370 | 880,081 |
| | — | — | 1,523,472 |
| | — | — | 129,607 |
| | — | — | 4,446 |
| | — | — | 87,841 |
| | — | — | 1,745,366 |
| | — | — | 97,289 |
| | — | 41,767 | 735,444 |
| | — | 186,525 | 738,130 |
| | — | 530 | 4,839 |
| | — | 64 | 120 |
| | — | — | — |
| | — | 228,886 | 1,478,533 |
| | — | — | — |
| | — | 16,519 | 35,414 |
| | — | — | — |
| | — | — | — |
| | — | — | — |
| | — | 16,519 | 35,414 |
| | — | — | 1,100,831 |
| | — | — | 100,023 |
| | 209,693 | 84,849 | 294,542 |
| | 209,693 | 84,849 | 1,495,396 |
| | 354 | 93,190 | 15,430,492 |
| | — | — | 8,047,708 |
| | — | — | 4,436,122 |
| | 354 | 93,190 | 27,914,322 |
| | — | — | 164,222 |
| | — | — | 770,674 |
| | — | — | 108,544 |
| | — | — | 1,043,440 |
| | — | — | — |



Banco de Chile and Subsidiaries

| | Financial Services MCh\$ | Chilean Central Bank MCh\$ | Government MCh\$ | Retail (Individuals) MCh\$ | Trade MCh\$ |
|---|--------------------------------|----------------------------------|---------------------|----------------------------------|----------------|
| Financial Assets | | | | | |
| Cash and Due from Banks | 758,274 | 121,807 | — | — | — |
| Financial Assets held-for-trading | | | | | |
| From the Chilean Government and Central Bank of Chile | — | 1,434,986 | 88,486 | — | — |
| Other instruments issued in Chile | 129,607 | — | — | — | — |
| Instruments issued abroad | 4,446 | — | — | — | — |
| Mutual fund investments | 87,841 | — | — | — | — |
| Subtotal | 221,894 | 1,434,986 | 88,486 | — | — |
| Investments under resale agreements | 29,031 | 742 | — | — | 37,520 |
| Derivative Contracts for Trading Purposes | | | | | |
| Forwards | 374,006 | — | — | — | 7,194 |
| Swaps | 584,743 | — | — | — | 51,916 |
| Call Options | 1,669 | — | — | — | 389 |
| Put Options | 64 | — | — | — | 51 |
| Futures | — | — | — | — | — |
| Subtotal | 960,482 | — | — | — | 59,550 |
| Hedge Derivative Contracts | | | | | |
| Forwards | — | — | — | — | — |
| Swaps | 35,414 | — | — | — | — |
| Call Options | — | — | — | — | — |
| Put Options | — | — | — | — | — |
| Futures | — | — | — | — | — |
| Subtotal | 35,414 | — | — | — | — |
| Loans and advances to Banks | | | | | |
| Central Bank of Chile | — | 1,100,831 | — | — | — |
| Domestic banks | 100,023 | — | — | — | — |
| Foreign banks | 294,542 | — | — | — | — |
| Subtotal | 394,565 | 1,100,831 | — | — | — |
| Loans to Customers, Net | | | | | |
| Commercial loans | 2,122,425 | — | — | — | 2,322,558 |
| Residential mortgage loans | — | — | — | 8,047,708 | — |
| Consumer loans | — | — | — | 4,436,122 | — |
| Subtotal | 2,122,425 | — | — | 12,483,830 | 2,322,558 |
| Financial Assets Available-for-Sale | | | | | |
| From the Chilean Government and Central Bank of Chile | — | 135,145 | 29,077 | — | — |
| Other instruments issued in Chile | 680,656 | — | — | — | 22,390 |
| Instruments issued abroad | 108,544 | — | — | — | — |
| Subtotal | 789,200 | 135,145 | 29,077 | — | 22,390 |
| Financial assets held-to-Maturity | — | — | — | — | — |

| Manufacturing | Mining | Electricity, Gas and Water | Agriculture and Livestock | Fishing | Transportation and Telecom | Construction | Services | Others | Total |
|---------------|---------|-------------------------------|------------------------------|---------|-------------------------------|--------------|-----------|-----------|------------|
| MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ |
| — | — | — | — | — | — | — | — | — | 880,081 |
| — | — | — | — | — | — | — | — | — | 1,523,472 |
| — | — | — | — | — | — | — | — | — | 129,607 |
| — | — | — | — | — | — | — | — | — | 4,446 |
| — | — | — | — | — | — | — | — | — | 87,841 |
| — | — | — | — | — | — | — | — | — | 1,745,366 |
| — | 5,017 | 4,466 | 3,096 | 59 | 15,637 | — | 985 | 736 | 97,289 |
| 13,328 | 40 | 10,288 | 4,211 | 411 | 98 | 455 | 296 | 325,117 | 735,444 |
| 7,348 | 22 | 4,026 | 10,006 | 2,249 | 2,235 | 680 | 74,250 | 655 | 738,130 |
| 16 | — | 1,090 | 1,489 | 80 | — | 59 | 36 | 11 | 4,839 |
| 5 | — | — | — | — | — | — | — | — | 120 |
| — | — | — | — | — | — | — | — | — | — |
| 20,697 | 62 | 15,404 | 15,706 | 2,740 | 2,333 | 1,194 | 74,582 | 325,783 | 1,478,533 |
| — | — | — | — | — | — | — | — | — | — |
| — | — | — | — | — | — | — | — | — | 35,414 |
| — | — | — | — | — | — | — | — | — | — |
| — | — | — | — | — | — | — | — | — | — |
| — | — | — | — | — | — | — | — | — | — |
| — | — | — | — | — | — | — | — | — | 35,414 |
| — | — | — | — | — | — | — | — | — | 1,100,831 |
| — | — | — | — | — | — | — | — | — | 100,023 |
| — | — | — | — | — | — | — | — | — | 294,542 |
| — | — | — | — | — | — | — | — | — | 1,495,396 |
| 1,578,703 | 453,331 | 461,348 | 1,581,701 | 156,444 | 1,497,654 | 1,751,219 | 2,107,494 | 1,397,615 | 15,430,492 |
| — | — | — | — | — | — | — | — | — | 8,047,708 |
| — | — | — | — | — | — | — | — | — | 4,436,122 |
| 1,578,703 | 453,331 | 461,348 | 1,581,701 | 156,444 | 1,497,654 | 1,751,219 | 2,107,494 | 1,397,615 | 27,914,322 |
| — | — | — | — | — | — | — | — | — | 164,222 |
| — | — | 8,245 | — | — | 4,938 | — | — | 54,445 | 770,674 |
| — | — | — | — | — | — | — | — | — | 108,544 |
| — | — | 8,245 | — | — | 4,938 | — | — | 54,445 | 1,043,440 |
| — | — | — | — | — | — | — | — | — | — |



Banco de Chile and Subsidiaries

(d) Collaterals and Other Credit Enhancements:

The amount and type of collateral required depends on the counterparty's credit risk assessment.

The Bank has guidelines regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are:

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

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

Management makes sure its collateral is acceptable according to both external standards and internal policies guidelines and parameters. The Bank has approximately 235,878 collateral assets, the majority of which consist of real estate. The following table contains guarantees value as of December 31:

| 2019 | Loans MCh\$ | Guarantee | | | | | Total MCh\$ |
|------------------------|-------------------|--------------------|------------------|---------------------|-------------------|-----------------|-------------------|
| | | Mortgages MCh\$ | Pledges MCh\$ | Securities MCh\$ | Warrants MCh\$ | Others MCh\$ | |
| Corporate Lending | 12,114,603 | 2,453,533 | 82,365 | 345,246 | 2,182 | 207,052 | 3,090,378 |
| Small Business Lending | 4,169,506 | 3,133,480 | 30,466 | 26,674 | — | 74,725 | 3,265,345 |
| Consumer Lending | 4,532,300 | 341,495 | 966 | 2,045 | — | 20,646 | 365,152 |
| Mortgage Lending | 9,203,061 | 8,019,519 | 51 | 176 | — | — | 8,019,746 |
| Total | 30,019,470 | 13,948,027 | 113,848 | 374,141 | 2,182 | 302,423 | 14,740,621 |

| 2018 | Loans MCh\$ | Guarantee | | | | | Total MCh\$ |
|------------------------|-------------------|--------------------|------------------|---------------------|-------------------|-----------------|-------------------|
| | | Mortgages MCh\$ | Pledges MCh\$ | Securities MCh\$ | Warrants MCh\$ | Others MCh\$ | |
| Corporate Lending | 11,703,594 | 2,589,429 | 75,105 | 423,556 | 2,263 | 221,919 | 3,312,272 |
| Small Business Lending | 3,726,898 | 2,977,286 | 31,270 | 28,974 | — | 71,140 | 3,108,670 |
| Consumer Lending | 4,436,122 | 332,030 | 967 | 2,244 | — | 20,090 | 355,331 |
| Mortgage Lending | 8,047,708 | 7,493,073 | 58 | 265 | — | — | 7,493,396 |
| Total | 27,914,322 | 13,391,818 | 107,400 | 455,039 | 2,263 | 313,149 | 14,269,669 |

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

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

The value of the guarantees that the Bank maintains related to the loans individually classified as impaired as of December 31, 2019 and 2018 amounted Ch\$100,133 million and Ch\$85,721 million, respectively.

The value guarantees related to past due loans but no impaired as of December 31, 2019 and 2018 amounted Ch\$344,098 million and Ch\$295,634 million respectively.

(e) Credit Quality by Asset Class:

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

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



Banco de Chile and Subsidiaries

The following tables shows credit quality by asset class for Consolidated Statements of Financial Position sheet items, based on the Bank's credit rating system.

As of December 31, 2019:

| | Individual Portfolio | | | Group Portfolio | | Total MCh\$ |
|---|----------------------|-------------|---------------|-----------------|---------------|----------------|
| | Normal | Substandard | Non-complying | Normal | Non-complying | |
| | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | |
| Financial Assets | | | | | | |
| Loans and advances to banks | | | | | | |
| Central Bank of Chile | 630,053 | — | — | — | — | 630,053 |
| Domestic banks | 150,007 | — | — | — | — | 150,007 |
| Foreign banks | 360,131 | — | — | — | — | 360,131 |
| Subtotal | 1,140,191 | — | — | — | — | 1,140,191 |
| Loans to customers (before allowances for loan losses) | | | | | | |
| Commercial loans | 11,893,060 | 71,718 | 149,826 | 3,907,715 | 261,790 | 16,284,109 |
| Residential mortgage loans | — | — | — | 9,031,597 | 171,464 | 9,203,061 |
| Consumer loans | — | — | — | 4,242,486 | 289,814 | 4,532,300 |
| Subtotal | 11,893,060 | 71,718 | 149,826 | 17,181,798 | 723,068 | 30,019,470 |

As of December 31, 2018:

| | Individual Portfolio | | | Group Portfolio | | Total MCh\$ |
|---|----------------------|-------------|---------------|-----------------|---------------|----------------|
| | Normal | Substandard | Non-complying | Normal | Non-complying | |
| | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | |
| Financial Assets | | | | | | |
| Loans and advances to banks | | | | | | |
| Central Bank of Chile | 1,100,831 | — | — | — | — | 1,100,831 |
| Domestic banks | 100,023 | — | — | — | — | 100,023 |
| Foreign banks | 294,542 | — | — | — | — | 294,542 |
| Subtotal | 1,495,396 | — | — | — | — | 1,495,396 |
| Loans to customers (before allowances for loan losses) | | | | | | |
| Commercial loans | 11,489,787 | 94,893 | 118,914 | 3,492,798 | 234,100 | 15,430,492 |
| Residential mortgage loans | — | — | — | 7,886,998 | 160,710 | 8,047,708 |
| Consumer loans | — | — | — | 4,166,752 | 269,370 | 4,436,122 |
| Subtotal | 11,489,787 | 94,893 | 118,914 | 15,546,548 | 664,180 | 27,914,322 |

Analysis of age of portfolio loan, over-due loans by financial asset class. Additionally to the overdue portion, the amounts detailed include remaining balance of the past due credits are featured below:

As of December 31, 2019:

| | Default | | |
|-------------------------------|----------------|----------------|----------------|
| | 1 to 29 days | 30 to 59 days | 60 to 89 days |
| | MChS | MChS | MChS |
| Loans and advances to banks | 31,249 | — | — |
| Commercial loans | 213,709 | 54,366 | 26,698 |
| Import-export financing | 9,562 | 804 | 1,207 |
| Factoring transactions | 31,972 | 3,022 | 336 |
| Commercial lease transactions | 53,742 | 8,073 | 4,722 |
| Other loans and receivables | 1,463 | 693 | 521 |
| Residential mortgage loans | 152,539 | 73,801 | 32,907 |
| Consumer loans | 221,162 | 102,344 | 51,976 |
| Total | 715,398 | 243,103 | 118,367 |

As of December 31, 2018:

| | Default | | |
|-------------------------------|----------------|----------------|---------------|
| | 1 to 29 days | 30 to 59 days | 60 to 89 days |
| | MChS | MChS | MChS |
| Loans and advances to banks | 273 | — | — |
| Commercial loans | 176,581 | 48,321 | 27,785 |
| Import-export financing | 13,892 | 2,194 | 618 |
| Factoring transactions | 43,041 | 7,540 | 726 |
| Commercial lease transactions | 92,057 | 6,166 | 3,230 |
| Other loans and receivables | 1,462 | 777 | 470 |
| Residential mortgage loans | 154,700 | 67,211 | 24,639 |
| Consumer loans | 217,923 | 102,752 | 40,782 |
| Total | 699,929 | 234,961 | 98,250 |



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The following table presents past due loans not impaired as of December 31, 2019 and 2018.

| | Past due but not impaired ^(*) | | | |
|------|--|--------------------------------|--------------------------------|--------------|
| | Up to 30 days | Over 30 days and up to 59 days | Over 60 days and up to 89 days | Over 90 days |
| | MCh\$ | MCh\$ | MCh\$ | MCh\$ |
| 2019 | 631,091 | 159,751 | 57,946 | — |
| 2018 | 538,950 | 145,127 | 37,371 | 410 |

(*) These amounts include installments that are overdue, plus the remaining balance of principal and interest on such loans.

(f) Assets Received in Lieu of Payment:

The Bank has received assets in lieu of payment totaling Ch\$12,523 million and Ch\$17,794 million as of December 31, 2019 and 2018, respectively, the majority of which are properties. All of these assets are managed for sale.

(g) Renegotiated Assets:

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

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

| | 2019 | 2018 |
|--|----------------|----------------|
| Financial Assets | MCh\$ | MCh\$ |
| Loans and advances to banks | | |
| Central Bank of Chile | — | — |
| Domestic banks | — | — |
| Foreign banks | — | — |
| Subtotal | — | — |
| Loans to customers, net | | |
| Commercial loans | 220,056 | 192,646 |
| Residential mortgage loans | 11,980 | 14,463 |
| Consumer loans | 366,339 | 362,562 |
| Subtotal | 598,375 | 569,671 |
| Total renegotiated financial assets | 598,375 | 569,671 |

The Bank evaluates allowances loan losses in two segments: individually assessed allowances loan losses and group assessed allowances loan losses, which are described in Note No. 2 letter (m).

(3) Market Risk:

Market Risk refers to the loss that the Bank could face due to a liquidity shortage to honor the payments or close financial transactions in a timely manner (Liquidity Risk), or due to adverse movements in the values of market variables (Risk Price).

(a) Liquidity Risk:

Liquidity Risk Measurement and Limits

The Bank manages the Liquidity Risk separately for each sub-category: Trading Liquidity Risk and Funding Liquidity Risk.

Trading Liquidity Risk is the inability to close, at current market prices, the financial positions opened mainly from the Trading Book (which is daily valued at market prices and the value differences instantly reflected in the Income Statement). This risk is controlled by establishing limits on the positions amounts of the Trading Book in accordance with what is estimated to be closed in a short time period. Additionally, the Bank incorporates a negative impact on the Income Statement whenever it considers that the size of a certain position in the Trading Book exceeds the reasonable amount, negotiated in the secondary markets, which would allow the exposure to be offset without altering market prices.

Funding Liquidity Risk refers to the Bank's inability to obtain sufficient cash to meet its immediate obligations. This risk is managed by a minimum amount of highly liquid assets called liquidity buffer, and establishing limits and controls of internal metrics, among which the Market Access Report ("MAR") stands out, which estimates the amount of funding that the Bank would need from wholesale financial counterparties, for the next 30 and 90 days in each of the relevant currencies of the balance sheet, to face a cash need as a result of the operation under business as usual conditions, that is, basically, rollover of the total loans portfolio, the output of a volatile part of the demand deposits accounts and of the retailers term deposits, and the expiration of all the wholesalers term deposits.

The use of MAR within year 2019 is illustrated below (LCCY = local currency; FCCY = foreign currency):

| | MAR LCCY + FCCY MMM\$ | | MAR FCCY MMUS\$ | |
|---------|--------------------------|-------------|--------------------|-------------|
| | 1 - 30 days | 1 - 90 days | 1 - 30 days | 1 - 90 days |
| Maximum | 3,352 | 5,498 | 1,999 | 3,254 |
| Minimum | 1,705 | 3,993 | 1 | 1,407 |
| Average | 2,621 | 4,841 | 1,052 | 2,479 |

The Bank also monitors the amount of assets denominated in local currency that is funded by liabilities denominated in foreign currency, including all tenors and the cash flows generated by derivatives payments to be made in foreign currency in the future. This metric is referred to as Cross Currency Funding. The Bank oversees and limits this amount in order to take precautions against not only Banco de Chile's event but also against a systemic adverse environment generated by a country risk event that might trigger lack of foreign currency funding.



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The use of Cross Currency Funding within year 2019 is illustrated below:

| | Cross Currency Funding MMUS\$ |
|---------|----------------------------------|
| Maximum | 3,339 |
| Minimum | 1,742 |
| Average | 2,640 |

Additionally, the Bank establishes thresholds that alert behaviors outside the expected ranges at a normal or prudent level of operation, in order to protect other dimensions of liquidity risk such as, for example, the maturities concentration of fund providers; the diversification of sources of funds either by type of counterparty or type of product, among others.

Likewise, the evolution over time of the Bank's financial ratios that can detect structural changes in its balance sheet characteristics is monitored, such as those presented in the following table and whose relevant use values during the year 2019 are shown below:

| | Liquid Assets/ Net Funding <30 days | Liabilities > 1 year/ Assets > 1 year | Deposits/ Loans |
|---------|--|--|--------------------|
| Maximum | 103% | 82% | 62% |
| Minimum | 82% | 76% | 58% |
| Average | 92% | 78% | 60% |

Moreover, some market index, prices and monetary decisions taken by the Central Bank of Chile are monitored to detect structural changes in market conditions that can trigger a liquidity shortage or even a financial crisis.

The Bank measures and controls the mismatch of cash flows under regulatory standards with the C46 index report, which represents the net cash flows expected over time as a result of the contractual maturity of almost all assets and liabilities. Additionally, the Commission for the Financial Market (hereinafter, "CMF") authorized Banco de Chile, among others, to report the adjusted C46 index. This allows the Bank to report, in addition to the regular C46 index, outflow behavior assumptions of certain specific elements of the liability, such as demand deposits and time deposits. In addition, the regulator also requires some rollover assumptions for the loan portfolio.

The CMF establish the following limits for the C46:

Foreign balance sheet items: 1-30 days C46 index < 1 x Tier-1 Capital
 All Currencies balance sheet items: 1-30 days C46 index < 1 x Tier-1 Capital
 All Currencies balance sheet items: 1-90 days C46 index < 2 x Tier-1 Capital

The use of this index in year 2019 is illustrated below:

| | Adjusted C46 All CCYs as part of Tier-1 Capital | | Adjusted C46 FCCY as part of Tier-1 Capital |
|------------------|--|-------------|--|
| | 1 - 30 days | 1 - 90 days | 1 - 30 days |
| Maximum | 0.56 | 0.79 | 0.42 |
| Minimum | 0.32 | 0.55 | 0.15 |
| Average | 0.49 | 0.69 | 0.28 |
| Regulatory Limit | 1.0 | 2.0 | 1.0 |

Additionally, the regulatory entities have introduced other metrics that the Bank uses in its management, such as the Liquidity Coverage Ratio ("LCR") and Net Stable Financing Ratio ("NSFR"), using assumptions similar to those used in the international banking. Only for the first one, a limit implementation calendar has been established and that during the year 2019 was with a minimum level of 60%. The evolution of the LCR and NSFR metrics during the year 2019 are shown below:

| | LCR | NSFR |
|------------------|--------------------|------|
| Maximum | 1.17 | 1.02 |
| Minimum | 0.88 | 0.97 |
| Average | 0.99 | 0.99 |
| Regulatory Limit | 0.6 ^(*) | N/A |

(*) This is the current minimum value for the year 2019 and that increases 0.1 annually until reaching 1.0 in the year 2023.



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The contractual maturity profile of the financial liabilities of Banco de Chile and its subsidiaries (consolidated basis), as of 2019 and 2018 year end, is as follows:

| | Up to 1 month | 1 to 3 months | 3 to 12 months | 1 to 3 years | 3 to 5 years | Over 5 years | Total |
|--|------------------|------------------|-------------------|-----------------|-----------------|-----------------|------------|
| | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ |
| Liabilities as of December 31, 2019 | | | | | | | |
| Current accounts and other demand deposits | 11,326,133 | — | — | — | — | — | 11,326,133 |
| Transactions in the course of payment | 352,121 | — | — | — | — | — | 352,121 |
| Obligations under repurchase agreements | 297,011 | 8,582 | — | — | — | — | 305,593 |
| Savings accounts and time deposits | 6,421,107 | 1,985,948 | 2,250,153 | 284,073 | 491 | 421 | 10,942,193 |
| Full delivery derivative transactions | 378,151 | 351,351 | 1,132,429 | 974,371 | 669,851 | 797,191 | 4,303,344 |
| Borrowings from financial institutions | 68,843 | 348,228 | 934,144 | 206,811 | — | — | 1,558,026 |
| Other financial obligations | 142,010 | 292 | 17,529 | 727 | 167 | — | 160,725 |
| Debt instruments issued in foreign currency other than USD | 178,310 | 190,329 | 576,309 | 2,091,841 | 2,081,579 | 5,017,172 | 10,135,540 |
| Total (excluding non-delivery derivative transactions) | 19,163,686 | 2,884,730 | 4,910,564 | 3,557,823 | 2,752,088 | 5,814,784 | 39,083,675 |
| Non-delivery derivative transactions | 501,461 | 839,534 | 1,461,804 | 796,805 | 738,830 | 1,650,402 | 5,988,836 |

| | Up to 1 month | 1 to 3 months | 3 to 12 months | 1 to 3 years | 3 to 5 years | Over 5 years | Total |
|--|------------------|------------------|-------------------|-----------------|-----------------|-----------------|------------|
| | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ |
| Liabilities as of December 31, 2018 | | | | | | | |
| Current accounts and other demand deposits | 9,584,488 | — | — | — | — | — | 9,584,488 |
| Transactions in the course of payment | 335,575 | — | — | — | — | — | 335,575 |
| Obligations under repurchase agreements | 292,231 | 1,440 | 5,137 | — | — | — | 298,808 |
| Savings accounts and time deposits | 5,344,294 | 1,981,221 | 3,152,103 | 373,398 | 619 | 132 | 10,851,767 |
| Full delivery derivative transactions | 351,496 | 190,643 | 648,870 | 582,628 | 536,506 | 592,303 | 2,902,446 |
| Borrowings from financial institutions | 97,661 | 268,795 | 946,950 | 183,206 | — | — | 1,496,612 |
| Other financial obligations | 92,896 | 730 | 4,857 | 18,406 | 366 | 35 | 117,290 |
| Debt instruments issued in foreign currency other than USD | 101,707 | 267,665 | 724,724 | 1,410,766 | 1,899,529 | 4,303,542 | 8,707,933 |
| Total (excluding non-delivery derivative transactions) | 16,200,348 | 2,710,494 | 5,482,641 | 2,568,404 | 2,437,020 | 4,896,012 | 34,294,919 |
| Non-delivery derivative transactions | 297,613 | 604,200 | 1,028,798 | 712,286 | 593,431 | 1,209,282 | 4,445,610 |

(b) Price Risk:

Price Risk Measurement and Limits

The measurement and management of Price Risk are carried out through the use of several metrics developed internally by the Bank, both for the Trading Book and for the Accrual Book (the Accrual Book includes all balance sheet items, even those of the Trading book but in such case these are reported at an interest rate adjustment period of one day, thus not generating accrual interest rate risk). In addition, the Bank reports metrics to regulatory entities according to the models defined by them.

The bank has established internal limits for the exposures of the Trading Book. In fact, FX positions (FX delta), Equity positions (Equity delta), interest rate sensitivities generated by the derivatives and debt securities portfolios (DV01 or also referred as to rho) and the FX volatility sensitivity (vega) are measured, reported and against their limits. Limits are established on an aggregate basis but also for some specific tenor points. The use of these limits is daily monitored, controlled and reported by independent control functions to the senior management of the bank. The internal governance framework also establishes that these limits must be approved by the board and reviewed at least annually.

The Bank measures and controls the risk for the Trading Book portfolios using the Value-at-Risk (VaR). The model uses a 99% confidence level and the most recent one-year observed rates, prices and yields data.

The use of VaR within year 2019 is illustrated below:

| | Value-at-Risk 99% one-day confidence level MCh\$ |
|---------|---|
| Maximum | 872 |
| Minimum | 176 |
| Average | 562 |

Additionally, the Bank performs measuring, limiting, controlling and reporting interest rate exposures and risks for the Accrual Book using internally developed methodologies based on the differences in the amounts of assets and liabilities considering the interest rate repricing dates. Exposures are measured according to the Interest Rate Exposure or IRE metric and their corresponding risks using to the Earnings-at-Risk or EaR metric.



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The use of EaR within year 2019 is illustrated below:

| | 12- months Earnings-at-Risk 99% confidence level 3 months defeasance period MCh\$ |
|---------|--|
| Maximum | 54,372 |
| Minimum | 45,023 |
| Average | 47,743 |

The regulatory risk measurement for the Trading Book (C41 report) is produced by utilizing guidelines provided by the Central Bank of Chile (hereinafter, "BCCh") and the CMF, which are adopted based on standardized BIS methodologies. The referred methodologies estimate the potential loss that the bank may incur considering standardized fluctuations of the value of market factors such as FX rates, interest rates and volatilities that may adversely impact the value of FX spot positions, interest rate exposures, and volatility exposures, respectively. In addition, correlation factors are included to represent non-parallel changes in the yield curve. The CMF does not set an individual limit for this particular risk, but a global one that includes this risk (also called Market Risk Equivalent or MRE) and the Credit Risk Weighted Assets.

The risk measurement for the Banking Book, according to normative guidelines (C40 report), as a result of interest rate fluctuations is carried out through the use of standardized methodologies provided by regulatory entities (BCCh and CMF). The report includes models for reporting interest rate gaps and standardized adverse interest rate fluctuations. In addition to this, the regulatory entity has requested banks to establish internal limits for this regulatory risk measurement. Limits must be established separately for short-term and long-term balance. The short-term risk limit should be expressed as a percentage of the Net Interest Margin or NIM plus the revenue collected from commissions that depend on the level of the interest rate; the long-term risk limit cannot exceed a specific percentage of the amount of effective equity.

In addition to the above, the Market Risk Policy of Banco de Chile enforces to perform daily stress tests for the Trading Book and monthly for the Accrual Book. The output of the stress testing process is monitored against corresponding trigger levels: in the case those triggers are breached, the senior management is notified in order to implement further actions, if necessary. In addition, the results during the month for the trading activities are controlled against defined loss levels and in case such levels are exceeded, senior management is also notified.

The following table illustrates the interest rate cash-flows of the Banking Book, considering the interest rate repricing dates on an individual basis, as of December 31, 2019 and 2018:

| | Up to 1 month | 1 to 3 months | 3 to 12 months | 1 to 3 years | 3 to 5 years | Over 5 years | Total |
|---|------------------|------------------|------------------|------------------|------------------|-------------------|-------------------|
| | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ |
| Assets as of December 31, 2019 | | | | | | | |
| Cash and due from banks | 2,310,055 | — | — | — | — | — | 2,310,055 |
| Transactions in the course of collection | 483,857 | — | — | — | — | — | 483,857 |
| Investments under resale agreements | 45,056 | — | — | — | — | — | 45,056 |
| Derivative under hedge-accounting treatment | 774 | 36,304 | 28,302 | 257,909 | 348,950 | 1,069,919 | 1,742,158 |
| Inter-banking loans | 876,508 | 98,673 | 167,287 | — | — | — | 1,142,468 |
| Customer loans | 3,179,665 | 2,524,282 | 6,473,441 | 6,979,231 | 3,980,097 | 10,744,559 | 33,881,275 |
| Available-for-sale instruments | 26,180 | 241,326 | 805,844 | 115,805 | 25,219 | 142,005 | 1,356,379 |
| Held-to-maturity instruments | — | — | — | — | — | — | — |
| Total Assets | 6,922,095 | 2,900,585 | 7,474,874 | 7,352,945 | 4,354,266 | 11,956,483 | 40,961,248 |

| | Up to 1 month | 1 to 3 months | 3 to 12 months | 1 to 3 years | 3 to 5 years | Over 5 years | Total |
|---|------------------|------------------|------------------|------------------|------------------|-------------------|-------------------|
| | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ |
| Assets as of December 31, 2018 | | | | | | | |
| Cash and due from banks | 844,173 | — | — | — | — | — | 844,173 |
| Transactions in the course of collection | 442,840 | — | — | — | — | — | 442,840 |
| Investments under resale agreements | 3,161 | — | — | — | — | — | 3,161 |
| Derivative under hedge-accounting treatment | 20 | 140,631 | 253,266 | 176,330 | 229,092 | 717,331 | 1,516,670 |
| Inter-banking loans | 1,262,749 | 79,199 | 133,689 | 24,337 | — | — | 1,499,974 |
| Customer loans | 2,305,334 | 2,311,297 | 5,784,455 | 8,402,372 | 3,923,096 | 9,721,138 | 32,447,692 |
| Available-for-sale instruments | 48,469 | 153,479 | 408,390 | 146,136 | 58,093 | 230,003 | 1,044,570 |
| Held-to-maturity instruments | — | — | — | — | — | — | — |
| Total Assets | 4,906,746 | 2,684,606 | 6,579,800 | 8,749,175 | 4,210,281 | 10,668,472 | 37,799,080 |



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| | Up to 1 month | 1 to 3 months | 3 to 12 months | 1 to 3 years | 3 to 5 years | Over 5 years | Total |
|--|-------------------|------------------|-------------------|------------------|------------------|------------------|-------------------|
| | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ |
| Liabilities as of December 31, 2019 | | | | | | | |
| Current accounts and other demand deposits | 11,382,462 | — | — | — | — | — | 11,382,462 |
| Transactions in the course of payment | 256,675 | — | — | — | — | — | 256,675 |
| Obligations under repurchase agreements | 9,068 | — | — | — | — | — | 9,068 |
| Savings accounts and time deposits | 6,421,107 | 1,985,948 | 2,250,153 | 284,073 | 491 | 421 | 10,942,193 |
| Derivative hedging instruments | 156 | 33,740 | 23,300 | 251,136 | 317,886 | 1,117,967 | 1,744,185 |
| Inter-banking loans | 60,331 | 348,228 | 934,144 | 206,811 | — | — | 1,549,514 |
| Debt instruments issued ^(*) | 178,310 | 190,329 | 576,309 | 2,091,841 | 2,081,579 | 5,017,172 | 10,135,540 |
| Other liabilities | 142,010 | 292 | 17,529 | 727 | 167 | — | 160,725 |
| Total Liabilities | 18,450,119 | 2,558,537 | 3,801,435 | 2,834,588 | 2,400,123 | 6,135,560 | 36,180,362 |

| | Up to 1 month | 1 to 3 months | 3 to 12 months | 1 to 3 years | 3 to 5 years | Over 5 years | Total |
|--|-------------------|------------------|-------------------|------------------|------------------|------------------|-------------------|
| | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ |
| Liabilities as of December 31, 2018 | | | | | | | |
| Current accounts and other demand deposits | 9,622,073 | — | — | — | — | — | 9,622,073 |
| Transactions in the course of payment | 226,580 | — | — | — | — | — | 226,580 |
| Obligations under repurchase agreements | 6,963 | — | — | — | — | — | 6,963 |
| Savings accounts and time deposits | 5,273,096 | 1,981,221 | 3,152,103 | 373,398 | 619 | 71,330 | 10,851,767 |
| Derivative hedging instruments | 115 | 144,525 | 243,151 | 187,522 | 222,201 | 715,536 | 1,513,050 |
| Inter-banking loans | 97,661 | 268,795 | 946,950 | 183,206 | — | — | 1,496,612 |
| Debt instruments issued ^(*) | 101,707 | 267,665 | 724,724 | 1,410,766 | 1,899,529 | 4,303,542 | 8,707,933 |
| Other liabilities | 92,896 | 730 | 4,857 | 18,406 | 366 | 35 | 117,290 |
| Total Liabilities | 15,421,091 | 2,662,936 | 5,071,785 | 2,173,298 | 2,122,715 | 5,090,443 | 32,542,268 |

(*) Amounts shown here are different from those reported in the liabilities report which is part of the liquidity analysis, due to differences in the treatment of mortgage bonds issued by the Bank in both reports.

Price Risk Sensitivity Analysis

The Bank uses stress tests as the main sensitivity analysis tool for Price Risk. The analysis is implemented for the Trading Book and the Accrual Book separately. The Bank has adopted this tool as it is considered more useful than fluctuations in business as usual scenario, such as VaR or EaR, given that:

- (i) The financial crisis show market factors fluctuations that are materially larger than those used in the VaR with 99% of confidence level or EaR with 99% of confidence level.
- (ii) The financial crisis also show that correlations between these fluctuations are materially different from those used in the VaR computation, since a crisis precisely indicates severe disconnections between the behaviors of market factors fluctuations respect to the patterns observed under normal conditions.
- (iii) Trading liquidity dramatically diminishes during financial distress and especially in emerging markets. Therefore, the overnight VaR number might not be representative of the loss for trading portfolios in such environment since closing exposures period may exceed one business day. This may also happen when calculating EaR, even considering three months as the closing period.

The impacts are determined by mathematical simulations of fluctuations in the values of market factors, and also, estimating the changes of the economic and / or accounting value of the financial positions.

In order to comply with IFRS 7.40, the following exercise was included illustrating an estimation of the impact of extreme but reasonable fluctuations of interest rates, swaps yields, FX rates and exchange volatility, which are used for valuing Trading and Accrual portfolios. Given that the Bank's portfolio includes positions denominated in nominal and real interest rates, these fluctuations must be aligned with extreme but realistic Chilean inflation changes forecasts.

The exercise is implemented in a simple way: Trading portfolios impacts are estimated by multiplying the sensitivities by the fluctuations obtained as the results of mathematical simulations over a two-week time horizon and using the maximum historical volatility of the last fifteen years in each of the market factors; Accrual portfolios impacts are estimated by multiplying cumulative gaps by forward interest rates fluctuations modeled over a three-month time horizon and using the maximum historical volatility of interest fluctuations but limited by maximum fluctuations and / or levels observed during the last fifteen years. It is relevant to note that the methodology might ignore some portion of the interest rates convexity, since it is not captured properly when large fluctuations are modeled. In any case, given the magnitude of the changes, the methodology may be reasonable enough for the purposes and scope of the analysis.

The following table illustrates the fluctuations resulting from the main market factors in the maximum stress test exercise, or more adverse, for the Trading Book.

The directions or signs of these fluctuations are those that correspond to those that generate the most adverse impact at the aggregate level.

| Average Fluctuations of Market Factors for Maximum Stress Scenario Trading Book | | | | | | |
|---|--------------------|--------------|--------------------|--------------|-----------------------------------|----------------------------------|
| | CLP Derivatives | CLP Bonds | CLF Derivatives | CLF Bonds | USD Offshore Libor Derivatives | Spread USD On/Off Derivatives |
| | (bps) | (bps) | (bps) | (bps) | (bps) | (bps) |
| Less than 1 year | 103 | 47 | 163 | 108 | -62 | -9 |
| Greater than 1 year | 38 | 69 | 92 | 123 | -73 | -2 |

bps = basis points



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The worst impact on the Bank's Trading Book as of December 31, 2019, as a result of the simulation process described above, is as follows:

| Most Adverse Stress Scenario P&L Impact Trading Book | | |
|---|---------|-----------------|
| MCh\$ | | |
| CLP Interest Rate | | (4,968) |
| Derivatives | (3,006) | |
| Debt instruments | (1,962) | |
| CLF Interest Rate | | (8,694) |
| Derivatives | (2,600) | |
| Debt instruments | (6,094) | |
| Interest rate USD offshore | | (1,963) |
| Domestic/offshore interest rate spread USD | | (50) |
| Total Interest rates | | (15,675) |
| Total FX | | (16) |
| Total FX Options | | 224 |
| Total | | (15,467) |

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The modeled scenario would generate losses in the Trading Book for approximately MCh\$15,500. In any case, such fluctuations would not result in material losses compared to Basic Capital (Tier-1) or to the P&L estimate for the next 12-months.

The impact on the Accrual Book for the next 12 months as of December 31, 2019, which does not necessarily mean a net loss / gain but a greater/lower net income from funds generation (resulting net interest rate generation), is illustrated below:

| Most Adverse Stress Scenario 12-Month Revenue Accrual Book | |
|---|------------------|
| MCh\$ | |
| Impact by Base Interest Rate shocks | (164,322) |
| Impact due to Spreads Shocks | (67) |
| Higher / (Lower) Net revenues | (164,389) |

The main negative impact on the Trading Book would occur as a result of a drastic increase in local interest rates. The lowest potential income in the next 12 months in the Accrual Book would occur in a scenario of sharp fall in inflation. In any case, the impacts would be less than the annual budgeted profits of the Bank.

(4) Requirements and Capital Management:

The main objectives of the Bank's capital management are to ensure compliance with regulatory requirements, maintain a solid credit rating and sound capital ratios. During 2019, the Bank has successfully met the required capital requirements.

As part of its Capital Management Policy, the Bank has established capital adequacy alerts, which are stricter than those required by the regulator, which are monitored on a monthly basis. During 2019, none of the internal alerts defined in the Capital Management Policy were activated.

The Bank manages capital by making adjustments in light of changes in economic conditions and the risk characteristics of its business. For this purpose, the Bank may modify the amount of dividend payments to its shareholders or issue equity instruments. The capital adequacy of the Bank is monitored using, among other measures, the indexes and rules established by the CMF.

Regulatory Capital

According to the Chilean General Banking Law, Banks must maintain a minimum ratio of 8%, net of required provisions, as a result of dividing the Equity by the sum of the Consolidated Weighted Assets by Risk. In addition, banks must maintain a minimum ratio of Basic Capital to Total Consolidated Assets of 3%, net of required provisions. As a result of the merger of Banco de Chile with Citibank Chile in 2008, the CMF established that the institution was obliged to maintain the first reason Less than 10%. In this way, the regulatory body ratified the validity of the minimum of 10% that it had already set in December 2001 by authorizing the merger by absorption of Banco Edwards into Banco de Chile.

Equity is determined from Capital and Reserves or Basic Capital with the following adjustments: (a) the balance of subordinated bonds issued with a maximum equivalent to 50% of the Basic Capital is added and weighted according to their term at maturity; (b) the additional provisions for loans are added, (c) the balance of the assets corresponding to goodwill or overpaid and investments in companies not included in the consolidation is deducted, and (d) the balance of noncontrolling interest is added.

Assets are weighted according to the risk categories, which are assigned a risk percentage that would reflect the amount of capital needed to support each of those assets. There are 5 risk categories (0%, 10%, 20%, 60% and 100%). For example, cash, deposits in other banks and financial instruments issued by the Central Bank of Chile have 0% risk, which means that, according to current standards, no capital is required to back these assets. Properties and equipment have a 100% risk, which means that they must have a minimum capital equivalent to 8% of the amount of these assets and in the case of the Bank of Chile 10%.

All derivative instruments traded outside of stock exchanges are considered in the determination of risk assets with a conversion factor over the notional values, thus obtaining the amount of exposure to credit risk (or "credit equivalent"). The contingent credits out of balance are also considered by a "credit equivalent", for their weighting.



Banco de Chile and Subsidiaries

The risk-weighted assets and TIER 1 and TIER 2 Capital, as of December 31, 2019 and 2018 are the following:

| | Consolidated assets | | Risk-weighted assets | |
|---|---------------------|-------------------|----------------------|-------------------|
| | 2019 MCh\$ | 2018 MCh\$ | 2019 MCh\$ | 2018 MCh\$ |
| Balance sheet assets (net of provisions) | | | | |
| Cash and due from banks | 2,392,166 | 880,081 | 38,250 | 13,084 |
| Transactions in the course of collection | 584,672 | 580,333 | 167,781 | 186,536 |
| Financial Assets held-for-trading | 1,872,355 | 1,745,366 | 462,177 | 134,412 |
| Investments under resale agreements | 142,329 | 97,289 | 142,329 | 97,289 |
| Derivative instruments (*) | 1,555,749 | 1,310,262 | 1,124,730 | 916,798 |
| Loans and advances to banks | 1,139,433 | 1,494,307 | 389,417 | 313,524 |
| Loans to customers, net | 29,334,052 | 27,307,223 | 25,668,329 | 24,102,808 |
| Financial assets available-for-sale | 1,357,846 | 1,043,440 | 323,160 | 356,568 |
| Financial assets held-to-maturity | — | — | — | — |
| Investments in other companies | 50,758 | 44,561 | 50,758 | 44,561 |
| Intangible assets | 58,307 | 52,061 | 58,307 | 52,061 |
| Property and equipment | 220,262 | 215,872 | 220,262 | 215,872 |
| Current tax assets | 150,665 | — | 150,665 | — |
| Leased assets | 357 | 677 | 36 | 68 |
| Deferred tax assets | 320,948 | 277,922 | 32,095 | 27,792 |
| Other assets | 862,968 | 673,380 | 862,968 | 673,380 |
| Subtotal | 40,042,867 | 35,722,774 | 29,691,264 | 27,134,753 |
| Off-balance-sheet assets | | | | |
| Contingent loans | 4,365,922 | 4,266,821 | 2,616,074 | 2,559,197 |
| Total | 44,408,789 | 39,989,595 | 32,307,338 | 29,693,950 |

(*) According to Chapter 12-1 of the Compilation of Standards, financial derivative contracts are presented as an equivalent credit risk for the purposes of calculating consolidated assets.

The amounts and ratios determined for the limit of basic capital and effective equity as of December 2019 and 2018, are:

| | As of December 31, | |
|---|--------------------|---------------|
| | 2019 MCh\$ | 2018 MCh\$ |
| Basic capital (*) | 3,528,222 | 3,304,152 |
| Effective equity | 4,569,090 | 4,129,999 |
| Total consolidated assets | 44,408,789 | 39,989,595 |
| Total consolidated assets weighted by credit risk | 32,307,338 | 29,693,950 |

(*) The Basic Capital corresponds to the equity of the owners of the Bank in the Consolidated Statement of Financial Position.

| | Ratio As of December 31, | |
|---|-----------------------------|-----------|
| | 2019 % | 2018 % |
| Basic capital / consolidated assets | 7.94 | 8.26 |
| Effective equity / consolidated assets weighted by risk | 14.14 | 13.91 |

During the year 2019, the CMF began the regulatory process for the implementation of the Basel III standards in Chile, in accordance with the established in Law No. 21,130 that modernizes the Banking Legislation. At the date of issuance of these Financial Statements, various regulatory proposals have been published, in order to receive comments for the identification of banks of systemic importance, methodologies for determining assets weighted by credit and operational risk, calculation of regulatory capital and additional basic capital requirements. The issuance period for all the regulations necessary to implement Basel III corresponds to December 1, 2020.

42. SUBSEQUENT EVENTS:

- a) On January 20, 2020, the subsidiary Banchile Administradora General de Fondos S.A. informed that during the Ordinary Session held that day, the Board of Directors appointed Mr. José Luis Vizcarra Villalobos as director, replacing Mr. Joaquín Contardo Silva, who presented resignation to the director position.
- b) On January 30, 2020, the Board of Directors of Banco de Chile agreed to convene an Ordinary Shareholders Meeting on March 26, 2020 in order to propose, among other matters, the following distribution of profits for the year ended on December 31, 2019:
 - i. Deduct and withhold from the net income of the year, an amount equivalent to the effect of inflation of the paid capital and reserves according to the variation of the Consumer Price Index that occurred between November 2018 and November 2019, amounting to Ch\$92,239,840,420, which will be added to retained earnings from previous periods.
 - ii. From the resulting balance, distribute in the form of a dividend 70% of the remaining liquid profit, corresponding to a dividend of Ch\$3.47008338564 to each of the 101,017,081,114 shares of the Bank, retaining the remaining 30%.

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Consequently, the distribution as a dividend that will be proposed will amount to 59.1% of the profits for the year ended December 31, 2019.

In Management's opinion, there are no others significant subsequent events that affect or could affect the Consolidated Financial Statements of Banco de Chile and its subsidiaries between December 31, 2019 and the date of issuance of these Consolidated Financial Statements.

Héctor Hernández G.
General Accounting Manager

Eduardo Ebensperger O.
Chief Executive Officer



ABOUT

this Report



GRI and
Global Compact Content Index

Banco de Chile



About this Report



This is Banco de Chile's sixth Sustainability Report. This is the first edition that is integrated with the bank's yearly Financial Report, published as an Annual Report.

This Annual Report has been prepared using the 2016 GRI standards to present the organization's economic, social and environmental performance, and regulatory requirements for its financial results.

This document presents Corporación Banco de Chile's performance between January 1 and December 31, 2019. The bank serves different customer segments through its brands Banco de Chile, Banco Edwards and Banco CrediChile. Subsidiaries are excluded unless otherwise indicated. The information on economic and financial performance included herein is consolidated data for Corporación Banco de Chile and thus includes subsidiaries. Figures and data from the past three years are included to help readers understand, compare and identify trends.

With regards to the information reported last year, there have not been any significant changes in size and structure at Banco de Chile. Changes in the ownership structure are detailed in the chapter on Corporate Governance. There have also not been any modifications to the bylaws, criteria for drafting the report or calculation methods applied. If any indicators have been modified in such a way, it will be expressly noted.

This Annual Report is also the bank's Communication of Progress on the Ten Principles of the UN Global Compact on Human Rights, Labor Relations, Environment and Anti-Corruption, to which Banco de Chile subscribed in 2017.

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- 102-2
- 102-10
- 102-45
- 102-48
- 102-49
- 102-50
- 102-51
- 102-52

Compliance with Principles for Defining Report Content



The content of this document was defined using the "core" option of the GRI standards on relevance or materiality, the sustainability context, completeness and stakeholder inclusiveness.

The following methodology was used to identify material (relevant) aspects:

Identification of Material Aspects

A. Materiality Results from Prior Year

Starting with the results of the 2018 materiality analysis, the Company then defined its vision for determining the relevance of each issue identified as material.

B. Review of DJSI 2019 Assessment

The bank also reviewed the results of the assessment performed on the organization by DJSI in 2019. That assessment represents the expectations of an important group of investors around the world that are incorporating environmental, social and corporate governance (ESG) variables into their analysis and investment decisions. This assessment was used as a point of reference since it provides insight on the vision and expectations of stakeholders that are very important to the bank as one of the issuers with the largest free float among the companies listed on Santiago Exchange.



Prioritization

A score of 1 to 4 (where 4 is "very relevant" and 1 is "irrelevant") was used to rank the economic, social and environmental impacts in terms of priority. The relevance allocated by the Company was crossed with the vision of its stakeholders to create the materiality ranking. (See Materiality Ranking).

Validation

The results of the materiality process were validated by both the Corporate Affairs and Sustainable Development Department and the Institutional Relations and Public Policy Department.

Those aspects and their respective scopes are listed below:

| Materiality Ranking | | |
|---------------------|--|---------------|
| 1 | Anti-corruption | Social |
| 2 | Training and development | Labor |
| 3 | Market presence | Economic |
| 5 | Diversity and equal opportunity | Labor |
| 6 | Labor relations | Labor |
| 7 | Climate change / emissions | Environmental |
| 8 | Unfair competitive practices | Economic |
| 9 | Cybersecurity | Customers |
| 10 | Green products and services | Environmental |
| 11 | Economic performance | Economic |
| 13 | Promoting economic and social development | Social |
| 14 | Energy | Environmental |
| 15 | Inputs | Environmental |
| 16 | Occupational health and safety | Labor |
| 17 | Employment and quality of employment | Labor |
| 18 | Customer satisfaction | Customers |
| 19 | Managing the environmental impact of transport | Environmental |
| 20 | Customer privacy | Customers |
| 12 | Financial education and inclusion | Social |
| 21 | Waste | Environmental |
| 22 | Freedom of association | Human Rights |
| 23 | Non-discrimination | Human Rights |
| 24 | Social and economic regulatory compliance | Social |
| 25 | Providing information to customers about products and services | Customers |
| 27 | Procurement practices | Economic |
| 28 | Social impact of its products/services | Customers |
| 27 | Marketing and advertising practices | Customers |
| 28 | Indirect economic impact | Economic |



Aspects Relevant to the Bank's Operations

The material aspects reported herein are those elements for which the process of identifying, prioritizing and validating the economic, social and environmental elements of the bank's operations resulted in ratings of very high, high and medium importance. The scope—whether the potential impact (positive and/or negative) of each material aspect would be limited to the organization or also affect surroundings—was also measured.

Those aspects and their respective scopes are listed below:



| Material Issues | Impact Within the Organization | Impact Outside the Organization |
|--|--------------------------------|---------------------------------|
| Diversity and equal opportunity | ● | |
| Training and education | ● | |
| Labor relations + freedom of association and collective bargaining | ● | ● |
| Occupational health and safety | ● | ● |
| Employment + non-discrimination | ● | |
| Customer privacy (customer information / cybersecurity) | ● | ● |
| Product and service labeling (Providing information about products and services) | ● | ● |
| Regulatory compliance (socioeconomic) | ● | ● |
| Emissions (climate change) + environmental management of impact of transport | ● | ● |
| Energy | ● | |
| Waste | ● | ● |
| Materials (supplies) | ● | |
| Green products and services | ● | ● |
| Local communities (promoting economic and social development) | | ● |
| Procurement practices | ● | ● |
| Supplier environmental assessment | ● | ● |
| Supplier social assessment | ● | ● |
| Financial education and inclusion | ● | ● |
| Economic performance | ● | ● |
| Indirect economic impact | | ● |
| Market presence | ● | ● |
| Anti-corruption | ● | ● |
| Unfair competitive practices | ● | ● |



Compliance with Principles on Information Quality

The preparation of this document was led by the Corporate Affairs and Sustainable Development Department in conjunction with the Institutional Relations and Public Policy Department. An external consultant specializing in GRI standards was hired to ensure the clarity, precision, frequency, balance, comparability and verifiability of the report contents, which were provided by the organization's different areas with special attention given to traceability. Each of the organization's economic, social and environmental performance indicators was elaborated based on data and technical calculations using procedures recognized by national standards and aligned with internationally accepted standards. This year, the Company decided not to submit the report for external assurance.

Corporate Contact Information

This document reports on the organization's most relevant aspects in terms of governance, performance and perspectives in 2019. It aims to promote interaction and dialog with the bank's main stakeholders. Interested individuals and organizations may directly contact:

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GRI and Global Compact Content Index

| Standard GRI | Contents | | Page Number / URL Direct Response | Reasons for Omission | Principle Compact Global |
|-------------------------------|---------------------------|--|--|----------------------|--------------------------|
| | No. | Title | | | |
| General Disclosures | | | | | |
| GRI 102: 2016 General content | 1. Organizational Profile | | | | |
| | Disclosure 102-1 | Name of the organization | 8 | | |
| | Disclosure 102-2 | Activities, brands, products and/or services | 8 and 318 | | |
| | Disclosure 102-3 | Location of headquarters | 8 | | |
| | Disclosure 102-4 | Location of operations | 8 | | |
| | Disclosure 102-5 | Ownership and legal form | 12 and 15 | | |
| | Disclosure 102-6 | Markets served | 8, 23, 77 to 84 | | |
| | Disclosure 102-7 | Scale of the organization | 8, 22 to 27 | | |
| | Disclosure 102-8 | Information on employees and other workers | 24 and 93 | | P.6 |
| | Disclosure 102-9 | Supply chain | 27 | | |
| | Disclosure 102-10 | Major changes in the organization and its supply chain | During the period, there were no significant changes. | | |
| | Disclosure 102-11 | Precautionary principle or approach | No explicit guideline available | | |
| | Disclosure 102-12 | External initiatives | 21 | | |
| | Disclosure 102-13 | Membership in associations | 21 | | |
| | 2. Strategy | | | | |
| | Disclosure 102-14 | Statement from senior decision-makers of the organization | 4 to 6 | | |
| | 3. Ethics and integrity | | | | |
| | Disclosure 102-16 | Values, principles, standards, and norms of behavior | 29 and 33 | | P.10 |
| | Disclosure 102-17 | Mechanisms for advice and concerns about ethics | 50 to 53 | | P.10 |
| | 4. Governance | | | | |
| | Disclosure 102-18 | Governance structure | 30 and 32 | | |
| | Disclosure 102-22 | Composition of highest body of governance and its committees | 30, 38 to 42 | | |
| | Disclosure 102-23 | Chair of the highest governance body | 32 | | |
| | Disclosure 102-28 | Performance evaluation process for highest governance body | The board conducts a self-assessment of its performance annually using a previously established scope and rating methods. | | |
| | Disclosure 102-29 | Identification and management of economic, environmental and social impact | Regarding the designation of executives responsible for economic, environmental and social issues, while there is no specific policy or procedure, the board is informed of projects related to sustainability and the Commitment to Chile strategic priority at annual meetings with the Corporate Affairs and Sustainable Development Department and the Financial Reporting and Control Division. | | |

GRI 102: 2016 General Content

| Standard GRI | Contents | | Page Number / URL Direct Response | Reasons for Omission | Principle Compact Global |
|---------------------------|----------|---|---|----------------------|--------------------------|
| | No. | Title | | | |
| General Disclosures | | | | | |
| Disclosure 102-30 | | Effectiveness of risk management processes | In terms of corporate risk, when analyzing a company and its projects, the bank performs an evaluation of the effects the financing could have on the corporation, mainly to identify any outstanding lawsuits with the community and whether the company has the required environmental permits. Evidence of this evaluation is explicitly included in risk analysis reports. 54 to 60 | | |
| Disclosure 102-31 | | Evaluation of economic, environmental and social topics | 88 | | |
| Disclosure 102-35 | | Remuneration policies | 32 and 33 | | |
| 5. Stakeholder Engagement | | | | | |
| Disclosure 102-40 | | List of stakeholder groups | 20 | | |
| Disclosure 102-41 | | Collective bargaining agreements | 122 | | |
| Disclosure 102-42 | | Identifying and selecting stakeholders | 20 | | |
| Disclosure 102-43 | | Approach to conflicts of interest | 20 | | |
| Disclosure 102-44 | | Key topics and concerns raised | 20 and 319 | | |
| 6. Reporting practice | | | | | |
| Disclosure 102-45 | | Entities included in the consolidated financial statements | 318 | | |
| Disclosure 102-46 | | Process for defining content of reports and coverage of topic | 319 and 321 | | |
| Disclosure 102-47 | | List of material topics | 320 | | |
| Disclosure 102-48 | | Restatements of information | 318 | | |
| Disclosure 102-49 | | Changes in reporting | 318 | | |
| Disclosure 102-50 | | Reporting period | 318 | | |
| Disclosure 102-51 | | Date of most recent report | 318 | | |
| Disclosure 102-52 | | Reporting cycle | Annual | | |
| Disclosure 102-53 | | Contact point for questions regarding the report | 322 | | |
| Disclosure 102-54 | | Claims of reporting in accordance with the GRI standards | 319 | | |
| Disclosure 102-55 | | GRI Content Index | 323 to 329 | | |
| Disclosure 102-56 | | External assurance | 322 | | |

| Standard GRI | Contents | | Page Number / URL Direct Response | Reasons for Omission | Principle Compact Global |
|--|------------------|--|---|----------------------|--------------------------|
| | No. | Title | | | |
| Material issues | | | | | |
| Economic performance | | | | | |
| GRI 103: Management approach 2016 | Disclosure 103-1 | Explanation of the material topic and its boundary | 321 | | |
| | Disclosure 103-2 | The management approach and its components | 72 | | |
| | Disclosure 103-3 | Evaluation of the management approach | 72 | | |
| GRI 201: Economic performance 2016 | Disclosure 201-1 | Direct economic value generated and distributed | 72 and 73 | | |
| | Disclosure 201-2 | Financial implications and other risks and opportunities for the organization's activities due to climate change | 131 | | |
| | Disclosure 201-4 | Financial assistance received from government | 74 | | |
| Indirect economic impact | | | | | |
| GRI 103: Management approach 2016 | Disclosure 103-1 | Explanation of the material topic and its boundary | 321 | | |
| | Disclosure 103-2 | The management approach and its components | 74 | | |
| | Disclosure 103-3 | Evaluation of the management approach | 74 | | |
| GRI 203: Indirect economic impact 2016 | Disclosure 203-2 | Significant indirect economic impact | 74 | | |
| Procurement practices | | | | | |
| GRI 103: Management approach 2016 | Disclosure 103-1 | Explanation of the material topic and its boundary | 321 | | |
| | Disclosure 103-2 | The management approach and its components | 150 | | |
| | Disclosure 103-3 | Evaluation of the management approach | 150 | | |
| GRI 204: Procurement practices 2016 | Disclosure 204-1 | Proportion of spending on local suppliers | 151 | | |
| Anti-corruption | | | | | |
| GRI 103: Management approach 2016 | Disclosure 103-1 | Explanation of the material topic and its boundary | 321 | | |
| | Disclosure 103-2 | The management approach and its components | 50 to 53 | | |
| | Disclosure 103-3 | Evaluation of the management approach | 50 to 53 | | |
| GRI 205: Anti-corruption 2016 | Disclosure 205-2 | Communication and training about anti-corruption policies and procedures | 33, 50 to 53, 114 | | |
| | Disclosure 205-3 | Confirmed incidents of corruption and actions taken | 50 | | |
| Unfair competitive practices | | | | | |
| GRI 103: Management approach 2016 | Disclosure 103-1 | Explanation of the material topic and its boundary | 321 | | |
| | Disclosure 103-2 | The management approach and its components | www.bancochile.cl/Nuestro Banco/Gobierno Corporativo/English/Code of Professional Conduct | | |
| | Disclosure 103-3 | Evaluation of the management approach | | | |

| Standard GRI | Contents | | Page Number / URL Direct Response | Reasons for Omission | Principle Compact Global |
|---|------------------|---|---|----------------------|--------------------------|
| | No. | Title | | | |
| Material issues | | | | | |
| GRI 206: Unfair competitive practices 2016 | Disclosure 206-1 | Legal actions for anti-competitive behavior, anti-trust, and monopoly practices | During the period covered by this report, there were no incidents of this type. | | |
| Energy | | | | | |
| GRI 103: Management approach 2016 | Disclosure 103-1 | Explanation of the material topic and its boundary | 321 | | P.8 and 9 |
| | Disclosure 103-2 | The management approach and its components | 124 and 125 | | |
| | Disclosure 103-3 | Evaluation of the management approach | 124 and 125 | | |
| GRI 302: Energy 2016 | Disclosure 302-1 | Energy consumption within the organization | 125 | | |
| | Disclosure 302-2 | Energy consumption outside of the organization | 125 | | |
| Emissions | | | | | |
| GRI 103: Management approach 2016 | Disclosure 103-1 | Explanation of the material topic and its boundary | 321 | | P.7, 8 and 9 |
| | Disclosure 103-2 | The management approach and its components | 126 | | |
| | Disclosure 103-3 | Evaluation of the management approach | 126 | | |
| GRI 305: Emissions 2016 | Disclosure 305-1 | Direct (Scope 1) GHG emissions | 127 | | |
| | Disclosure 305-2 | Energy indirect (Scope 2) GHG emissions | 127 | | |
| | Disclosure 305-3 | Other indirect (Scope 3) GHG emissions | 127 | | |
| Effluents and Waste | | | | | |
| GRI 103: Management approach 2016 | Disclosure 103-1 | Explanation of the material topic and its boundary | 321 | | P.8 |
| | Disclosure 103-2 | The management approach and its components | 128 | | |
| | Disclosure 103-3 | Evaluation of the management approach | 128 | | |
| GRI 302: Effluents and waste 2016 | Disclosure 306-2 | Waste by type and disposal method | 129 | | |
| Supplier environmental assessment | | | | | |
| GRI 103: Management approach 2016 | Disclosure 103-1 | Explanation of the material topic and its boundary | 321 | | |
| | Disclosure 103-2 | The management approach and its components | 151 and 152 | | |
| | Disclosure 103-3 | Evaluation of the management approach | 151 and 152 | | |
| GRI 308: environmental assessment Supplier 2016 | Disclosure 308-1 | New suppliers that were screened using environmental criteria | 152 | | |

| Standard GRI | Contents | | Page Number / URL Direct Response | Reasons for Omission | Principle Compact Global |
|--|------------------|---|-----------------------------------|----------------------|--------------------------|
| | No. | Title | | | |
| Material issues | | | | | |
| Employment | | | | | |
| GRI 103: Management approach 2016 | Disclosure 103-1 | Explanation of the material topic and its boundary | 321 | | P.6 |
| | Disclosure 103-2 | The management approach and its components | 90 and 105 | | |
| | Disclosure 103-3 | Evaluation of the management approach | 90 | | |
| GRI 301: Employment 2016 | Disclosure 401-1 | New employee hires and employee turnover | 96 and 97 | | |
| | Disclosure 401-2 | Benefits provided to full-time employees that are not provided to temporary or part-time employees | 100 to 104 | | |
| Labor/management relations | | | | | |
| GRI 103: Management approach 2016 | Disclosure 103-1 | Explanation of the material topic and its boundary | 321 | | P.3 |
| | Disclosure 103-2 | The management approach and its components | 121 | | |
| | Disclosure 103-3 | Evaluation of the management approach | 121 | | |
| GRI 402: Labor/management relations 2016 | Disclosure 402-1 | Minimum notice periods regarding operational changes | 121 | | |
| Occupational health and safety | | | | | |
| GRI 103: Management approach 2016 | Disclosure 103-1 | Explanation of the material topic and its boundary | 321 | | |
| | Disclosure 103-2 | The management approach and its components | 117 and 118 | | |
| | Disclosure 103-3 | Evaluation of the management approach | 117 and 118 | | |
| GRI 403: Occupational health and safety 2016 | Disclosure 403-1 | Workers representation in formal joint management-worker health and safety committees | 120 | | |
| | Disclosure 403-2 | Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities | 119 | | |
| Training and education | | | | | |
| GRI 103: Management approach 2016 | Disclosure 103-1 | Explanation of the material topic and its boundary | 321 | | P.6 |
| | Disclosure 103-2 | The management approach and its components | 108 to 110 | | |
| | Disclosure 103-3 | Evaluation of the management approach | 108 to 110 | | |
| GRI 404: Training and education 2016 | Disclosure 404-1 | Average hours of training per year per employee | 111 | | |
| | Disclosure 404-2 | Programs for upgrading employee skills and transition assistance programs | 4108 and 109, 114 | | |
| | Disclosure 404-3 | Percentage of employees receiving regular performance and career development reviews | 112 | | |

| Standard GRI | Contents | | Page Number / URL Direct Response | Reasons For Omission | Principle Compact Global |
|--|------------------|--|---|----------------------|--------------------------|
| | No. | Title | | | |
| Material issues | | | | | |
| Diversity and equal opportunity | | | | | |
| GRI 103: Management approach 2016 | Disclosure 103-1 | Explanation of the material topic and its boundary | 321 | | P.6 |
| | Disclosure 103-2 | The management approach and its components | 90 and 107 | | |
| | Disclosure 103-3 | Evaluation of the management approach | 90 and 107 | | |
| GRI 405: Diversity and equal opportunity 2016 | Disclosure 405-1 | Diversity of governance bodies and employees | 94 and 95, 107 | | |
| | Disclosure 405-2 | Ratio of basic salary and remuneration of women to men | 106 | | |
| Non-discrimination | | | | | |
| GRI 103: Management approach 2016 | Disclosure 103-1 | Explanation of the material topic and its boundary | 321 | | P.6 |
| | Disclosure 103-2 | The management approach and its components | 90, 107, 139 | | |
| | Disclosure 103-3 | Evaluation of the management approach | 90, 107, 139 | | |
| GRI 406: Non-discrimination 2016 | Disclosure 406-1 | Incidents of discrimination and corrective actions taken | During the period covered by this report, there were no incidents of this type. | | |
| Freedom of Association and Collective Bargaining | | | | | |
| GRI 103: Management approach 2016 | Disclosure 103-1 | Explanation of the material topic and its boundary | 321 | | P.3 |
| | Disclosure 103-2 | The management approach and its components | 90 | | |
| | Disclosure 103-3 | Evaluation of the management approach | 90 | | |
| GRI 407: Freedom of Association and Collective Bargaining 2016 | Disclosure 407-1 | Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk | During the period covered by this report, there were no incidents of this type. | | |
| Local communities | | | | | |
| GRI 103: Management approach 2016 | Disclosure 103-1 | Explanation of the material topic and its boundary | 321 | | P.1 |
| | Disclosure 103-2 | The management approach and its components | 134 to 136 | | |
| | Disclosure 103-3 | Evaluation of the management approach | 134 to 136 | | |
| GRI 413: Local communities 2016 | Disclosure 413-1 | Operations with local community engagement, impact assessments, and development programs | 134 to 148 | | |
| Supplier social assessment | | | | | |
| GRI 103: Management approach 2016 | Disclosure 103-1 | Explanation of the material topic and its boundary | 321 | | P.2 and 3 |
| | Disclosure 103-2 | The management approach and its components | 150 and 151 | | |
| | Disclosure 103-3 | Evaluation of the management approach | 150 and 151 | | |
| GRI 414: social assessment Supplier 2016 | Disclosure 414-1 | New suppliers that were screened using social criteria | To date, the bank does not have these types of procedures, but it hopes to implement them in the medium term. | | |

| Standard GRI | Contents | | Page Number / URL Direct Response | Reasons for Omission | Principle Compact Global |
|--|------------------|---|---|----------------------|--------------------------|
| | No. | Title | | | |
| Material issues | | | | | |
| Marketing and Labeling | | | | | |
| GRI 103: Management approach 2016 | Disclosure 103-1 | Explanation of the material topic and its boundary | 321 | | |
| | Disclosure 103-2 | The management approach and its components | 87 and 88 | | |
| | Disclosure 103-3 | Evaluation of the management approach | 87 and 88 | | |
| GRI 417: Marketing and Labeling 2016 | Disclosure 417-2 | Incidents of non-compliance concerning product and service information and labeling | During the period covered by this report, there were no incidents of this type. | | |
| Customer privacy | | | | | |
| GRI 103: Management approach 2016 | Disclosure 103-1 | Explanation of the material topic and its boundary | 321 | | |
| | Disclosure 103-2 | The management approach and its components | 87 | | |
| | Disclosure 103-3 | Evaluation of the management approach | 87 | | |
| GRI 418: Customer privacy 2016 | Disclosure 418-1 | Substantiated grievance concerning breaches of customer privacy and losses of customer data | 87 | | |
| Socioeconomic Compliance | | | | | |
| GRI 103: Management approach 2016 | Disclosure 103-1 | Explanation of the material topic and its boundary | 321 | | |
| | Disclosure 103-2 | The management approach and its components | www.bancochile.cl/Nuestro Banco/Gobierno Corporativo/English/Code of Professional Conduct | | |
| | Disclosure 103-3 | Evaluation of the management approach | www.bancochile.cl/Nuestro Banco/Gobierno Corporativo/English/Global Compliance | | |
| GRI 419: Socioeconomic compliance 2016 | Disclosure 419-1 | Non-compliance with laws and regulations in the social and economic area | During the period covered by this report, there were no incidents of this type. | | |

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