QUIÑENCO S.A.

ANNUAL REPORT 2012

In Memoriam

"What drives me every day and makes me stay late at the office?
What drives me is contributing to my country in the generation of employment. My motto and my driver is the generation of employment".

"One must always make decisions and be bold. If after a while you realize the decision was bad, you must change it. However, you should never refrain from making it".

"Globalization is another sign of the degree of maturity reached by Quiñenco. Chilean businessmen must look to the world and dare to make investments beyond our borders, as has been the case in past years".

Guillermo Luksic Craig
1956 – 2013

Company Identification

Open-stock Company incorporated as "Forestal Quiñenco S.A.", by public deed on January 28, 1957, and modified by public deed on April 15, 1957, both in the Valparaíso Notary Office of Mr. Carlos Calderón Cousiño. The incorporation of the company and the approval of its bylaws were authorized by Decree No. 5,981 of the Ministry of Finance dated July 3, 1957, registered on page 624 No. 430 of the Valparaíso Register of Commerce of 1957, and it was published in the Official Gazette No. 23,806 on July 27, 1957. The company transferred its domicile to Santiago by a reform of its bylaws, which is set forth in public deed on March 25, 1966, granted before the Valparaíso Notary office of Mr. Rafael Luis Barahona Stahr, modified by public deed on April 13, 1966, granted before the Santiago Notary Office of Mr. Eduardo González Abbott. Such reform was approved by Resolution No. 383 of the Ministry of Finance dated May 18, 1966, which was registered on page 634 No. 387 of the Valparaíso Register of Commerce of 1966 and on page 3,787 No.1,952 of the Santiago Register of Commerce of 1966 and it was published In the Official Gazette No.26,481 on June 11, 1966. The company changed its name to "Quiñenco S.A." and agreed on a new revised text of its bylaws by a reform set forth in public deed on October 11, 1996, granted before the Santiago Notary Office of Mr. René Benavente Cash. An abstract of this reform was registered on page 26,437 No. 20,473 of the Santiago Register of Commerce of 1996 and was published in the Official Gazette on October 29, 1996. The last modification was set forth in public deed on October 14, 2011, granted before the Santiago Notary Office of Mr. René Benavente Cash. An abstract of this reform was registered on page 61,557 No. 45,264 of the Santiago Register of Commerce of 2011 and it was published in the Official Gazette No. 40,089 on October 19, 2011.

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2012

ANNUAL REPORT

QUIÑENCO S.A.


Time is
priceless

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Sustained growth through the years

5 YEAR FINANCIAL HIGHLIGHTS

		2012	2011	2010	2009	2008
CONSOLIDATED RESULTS						
INDUSTRIAL SECTOR						
Revenues from regular activities	Millions Ch$	1,653,895	1,055,401	304,632	254,128	264,380
Gross profit		219,119	166,587	85,229	73,264	58,610
Consolidated net income (loss) industrial sector		31,264	(15,416)	181,264	74,066	170,267
BANKING SECTOR						
Total net operating revenues		1,157,215	1,101,373	957,589	803,109	949,178
Operational result		523,158	487,271	412,164	296,583	375,983
Consolidated net income banking sector		395,179	349,612	302,561	213,060	233,712
Consolidated net income		426,443	334,196	483,825	287,126	403,979
Net income attributable to non-controlling interests		286,800	246,230	192,219	131,726	151,977
Net income attributable to the owners of the controller		139,643	87,966	291,606	155,401	252,002
Earnings per share attributable to the controller (1)	Ch$	104.34	76.85	254.77	135.77	220.17

		2012	2011	2010	2009	2008
FINANCIAL POSITION						
Assets industrial sector	Millions Ch$	2,871,142	2,477,997	2,224,654	1,862,740	2,024,774
Assets banking services		23,252,873	21,740,945	18,200,363	17,457,601	18,585,569
Total assets		26,124,014	24,218,941	20,425,018	19,320,341	20,610,343
Liabilities industrial sector		1,085,741	880,116	575,559	546,942	648,808
Liabilities banking services		21,449,801	20,284,941	17,123,683	16,499,779	17,751,185
Total liabilities		22,535,542	21,165,057	17,699,242	17,046,721	18,399,994
Equity attributable to the controller's owners		1,893,720	1,559,940	1,520,552	1,268,964	1,212,365
Non-controlling participations		1,694,753	1,493,945	1,205,223	1,004,655	997,985
Total equity		3,588,473	3,053,885	2,725,775	2,273,620	2,210,350
Current ratio (Current assets/current liabilities) (2)	Times	1.73	2.10	3.11	1.90	1.61
Leverage (Total liabilities /equity) (2)	Times	0.57	0.56	0.38	0.43	0.54
EBITDA (3)	Millions Ch$	47,025	38,104	12,539	11,941	22,411

(1) Calculated using the weighted average number of shares.
(2) Excludes assets and liabilities of the banking sector.
(3) Reported on an industrial sector basis and excluding other gains (losses).

OTHER INFORMATION

Number of shareholders	1,313	1,362	1,382	1,429	1,507
Number of shares	1,344,577,775	1,144,665,020	1,144,577,775	1,144,577,775	1,144,577,775

NAV / SHARE PRICE EVOLUTION

as of December 31, 2012 • NAV MUS$6,858 • Market Cap MUS$4,314
Share price in Ch$

MUS$ 6,858

The net value of Quiñenco's assets as of December 31, 2012.

Solidity

For Quiñenco, the year 1957 marks the start of a successful business journey.
Time goes by bringing with it new challenges and consolidating yesterday's significant goals.
Each gear wheel in our clock meets its function in an accurate manner, bringing times of well-being for our shareholders.

Letter from the Chairman

DEAR SHAREHOLDERS:

It is my pleasure to share with you the results obtained by the Quiñenco group during the 2012 fiscal year.

During 2012 we successfully coped with the challenges we faced with the incorporation of three new companies to the group, CSAV, SM SAAM and Enex, which encompass three relevant and diverse sectors of the economy. We are very pleased with the results, which are the consequence of a clear strategic definition, excellence in the execution of the plans and the commitment of the whole human group involved. The year started with successful incursions in the financial markets with Quiñenco's capital increase of US$500 million and bonds placed in the amount of US$200 million, in addition to a capital increase of US$1,200 million of CSAV, after which Quiñenco's stake in such company reached 37.4%. We worked intensively through the year in pursuing the objectives set within a highly competitive local environment and a less favorable and more uncertain international market scenario. The valuable contribution of the new investments and our existing assets, together with a consistent corporate strategy and solid financing structure have enabled us to obtain the excellent annual results, with net profits of Ch$139,643, growing 58.7% as compared to the previous year.

In 2012, CCU faced a greater level of competition in most of its businesses in Chile. Inflationary pressures in Argentina implied greater distribution, marketing and remuneration costs. CCU addressed these challenges by means of strategic growth, cost and expense control and a strong focus on innovation, once again achieving peak sales of 19.8 million hectoliters in 2012. Within the strategic growth it is worth noting the expansion to Uruguay, through the acquisition of bottled mineral water and soft drink operations of the brands Nativa and Nix. In addition, 51% of Manantial in Chile was acquired, dedicated to the sale of bottled purified water to homes and offices.

CCU obtained net profits of Ch$114,433 million in 2012, 6.8% lower than the previous year, due mainly to a non-recurring gain recorded in 2011 resulting from the settlement of insurance policies related to the earthquake of 2010. However, gross profits grew by 11.7% driven by higher sales in all business segments, partially offset by greater distribution costs in Chile and Argentina and currency hedges.

Banco de Chile, in turn, has remained as the most profitable institution of the Chilean financial system with a return on equity of 23.2% in 2012. In addition, it is the bank with highest market capitalization with a value of US$14.500 million at the closing of the year. An excellent financial performance enabled it to obtain an international risk rating of A+ by Standard and Poor's, facilitating the access to new financing sources. Thus, during 2012 Banco de Chile was the first institution in Latin America to issue short-term debt in the United States through negotiable instruments, by opening a credit line of US$1,000 million. It also successfully entered the debt markets of Hong Kong and Peru. In order to face its rapid growth with solidity, increase the liquidity of the stock and strengthen its position in front of future capital requirements, Banco de Chile undertook a capital increase of US$530 million in 2012, which was successfully completed in March of 2013.

Banco de Chile also ranked first in net income in the financial system, with profits for Ch$465,850 million, 8.6% higher than 2011. The increase is due mainly to the growth of loans in the most profitable segments, retail banking and SMEs (small and medium size companies), and greater cash balances in current accounts and demand deposits together with a greater nominal interest rate. On the other hand, an increase in provisions due to credit risk, which responds to the growth of funds sold and a moderate increase in the risk level, and higher operational expenses partially counteracted the positive effects mentioned above.

The subsidiary Madeco recorded significant progress in all its business units during 2012, although it faced challenges such as the high competitiveness of the Chilean market and a lower level of activity in the northern hemisphere. The flexible packaging unit expanded to Colombia, through the purchase of Empaques Flexa, thus consolidating its presence in the region. The aluminum and PVC profile unit resumed its historic activity levels, resulting from a segmented commercial strategy and a

combination of local and imported supply. The brass mills business unit implemented a productive process that contributes flexibility, speed and greater quality, with important energy savings. Lastly, I would like to outline the subscription of a modification to the agreement between Madeco and Nexans in 2011, which allows Madeco to have a 28% stake in the French multinational, thereby consolidating its position as principal shareholder and long-term partner.

Net income reached Ch$25,860 million in 2012, substantially higher than the Ch$9,329 reported in 2011. Operating income recorded an increase of 178.4%, due mainly to the revaluation of its investment in Nexans upon changing its accounting from financial asset to the equity method, as it became its principal shareholder in 2012. The positive variations of its flexible packaging, aluminum and PVC profile units were partially offset by the brass mills unit, which reported a decrease in its results due to a contraction in the export market. It should be noted that Nexans obtained earnings of €27 million in 2012, reversing the loss of €178 million in the previous year.

During the last management period Enex successfully implemented its brand renewal and repositioning plan, renovating more than 70% of its service stations. In addition, at year-end, 15 new service stations were under construction, including a new on-the-road service station format, which will be operational in the first half of 2013. Within the industrial customer segment, Enex's volume grew by 10%, much higher than the 2.4% of the industry, through the restructuring of its business lines.

In 2012 Enex obtained very positive results, with net profits in the amount of Ch$28,387 million, significantly higher than the Ch$3,028 of the previous year. An important growth was recorded in the volume dispatched reaching 2.3 million m3, almost doubling the dispatch of the previous period. In addition, the income tax credit stemming from the merger of Enex with its parent company significantly contributed to the profits obtained in the year.

The deep restructuring implemented in CSAV since mid-2011 was successfully completed in 2012. The operating level of the company was

"The valuable contribution of the new investments and our existing assets, coupled with a consistent corporate strategy and a solid financing structure have enabled us to obtain excellent results for the year."

significantly reduced and the focus was placed on the most profitable services, especially those relating to Latin America and some other emerging markets with growth potential. The Company's own fleet increased from 8% to 37% of the total capacity and new joint operations were established with the main shipping companies in the world, whereby CSAV now operates all its services by means of joint ventures. The changes implemented have translated into greater operating efficiency and a competitive cost structure, achieving operational balance, which reflects in the positive results obtained over the last two quarters of the year.

In consequence, in 2012 CSAV improved its final results by 74.9%, with a net loss of US$314 million, resulting from a significant change in its operational performance. Revenues went down by 28.4%, in response to the operational downsizing. Likewise, the costs decreased by 39.8% reflecting not only a lower volume transported but also higher operational efficiency, which resulted in positive gross profits. The restructuring also implied reducing the size of the operation, lowering the administrative expenses by 6.5%, which contributed to the operating loss reduction.

After its successful division, SM SAAM has established itself as an independent company, and has set the objective of doubling the cash generation of its three divisions for 2017. In 2012 its subsidiary SAAM started to operate the Mazatlán Terminal in Mexico and partnered with two Colombian groups to operate Buenavista Port and to develop a comprehensive, large-scale logistic center, both in Cartagena de Indias. The tugboat area will have a fleet of 126 units including eight which were under construction at year-end, to be sent to Brazil, Mexico and Peru. The logistic area opened up a dockyard in Navegantes, Santa Catarina, Brazil to store and to repair containers, and purchased lots in order to provide logistic support in Iquique and Santiago.

In 2012, SM SAAM obtained net profits of US$60 million, due mainly to the good operational performance of its subsidiary SAAM. SAAM's three main business areas, namely tugboats, logistics and ports, contributed to this positive result, which yielded gross profits of US$111 million. It is also worth mentioning the results of SAAM's related companies, also present in these three business lines with a contribution of US$22 million. In total, considering the consolidated subsidiaries and the proportional contribution of the related companies, SM SAAM's EBITDA was US$154 million in 2012.

As a corporate center, Quiñenco has benefited from the positive results of its diversified investment portfolio in six relevant sectors of the economy, expanding its horizons beyond Chile and Latin America. At the closing of 2012, Quiñenco maintained an outstanding liquidity position, favored by the constant flow of dividends from its operational companies and an adequate debt/equity structure, in keeping with its financing policy. Hence, we have solid grounds to continue driving the profitable growth of the companies that are already part of the group and to look for new business opportunities in a dynamic and challenging environment.

I would like to express my sincere acknowledgement to our shareholders for the trust deposited on us, and to all of the people who form part of the Quiñenco team for their dedication and commitment, which have been fundamental to achieving the successful growth of the past years and the excellent results I have the satisfaction of presenting.

GUILLERMO LUKSIC CRAIG
CHAIRMAN

Board of Directors

GUILLERMO LUKSIC CRAIG
CHAIRMAN
Company Board Member

ANDRONICO LUKSIC CRAIG
VICE CHAIRMAN
Company Board Member

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Company Board Member
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London School of Economics, England

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Commercial Engineer,
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Universidad de Chile

HERNAN BÜCHI BUC*
DIRECTOR
Civil Mining Engineer,
Universidad de Chile

MATKO KOLJATIC MAROEVIC*
DIRECTOR
Commercial Engineer,
Universidad Católica de Chile
ICAME Certificate in Marketing
Management,
Stanford University, USA

CORPORATE GOVERNANCE

Quiñenco's corporate governance practice is carried out by the Board of Directors, the Directors' Committee and the Chief Executive Officer. Quiñenco's Board of Directors is comprised of seven members, who are chosen for three years. The current Board was chosen at the 2010 Annual Shareholders' Meeting.

Quiñenco has permanent commitment to the highest standards of corporate governance, according to the statutes and legal regulations in force in Chile, in particular the Law of Open Stock Corporations and the Securities' Law. An ethics code has been adopted that is applicable to all employees, so as to promote honest and ethical behavior that avoids all types of conflicts of interest and transmits our principle of transparency and respect for the rights of others.

Development

Each business has its own time; this is why at Quiñenco we manage our investments in keeping with their pace. Thus, we seek the right moment to have all of our activities develop in synchrony.

Quiñenco's Profile

QUIÑENCO S.A.

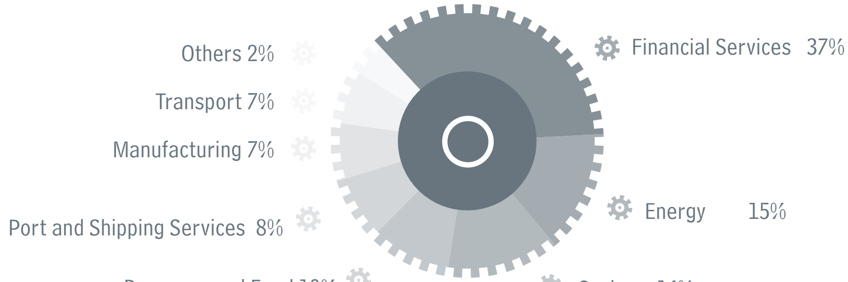
- FINANCIAL SERVICES
- BEVERAGE AND FOOD
- MANUFACTURING
- ENERGY
- TRANSPORT
- PORT AND SHIPPING SERVICES

QUIÑENCO is one of the largest and most diversified business conglomerates in Chile. It manages assets of approximately US$56.8 billion with investments in leading companies of the financial, food and beverage, manufacturing, energy, transport and port and shipping services sectors, which altogether employ more than 32,780 people in Chile and abroad. In 2012, the aggregate sales of the Group's companies amounted to more than US$12.1 billion and its market capitalization reached US$4.3 billion at year-end.

Quiñenco's S.A. shares, founded in 1957, are traded on the Chilean stock exchanges. In February of 2012, the Company concluded a capital increase of Ch$250 billion, approved in the Extraordinary Shareholders' Meeting held in October of 2011 in order to concur to the capital increase of Compañía Sud Americana de Vapores S.A. (CSAV), among other investments. The operation was materialized through the issue of 200 million new shares.

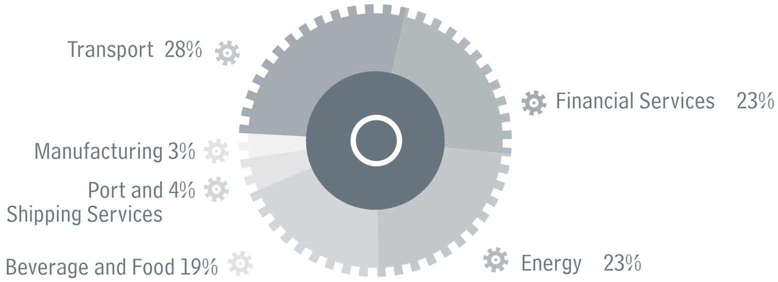
INVESTMENTS BY SECTOR

MCh$2,231,777 as of December 31, 2012
(Book value at corporate level)



AGGREGATE INCOME BY SECTOR

in 2012



Corporate strategy

Quiñenco creates value for its shareholders and for society through the sustainable development of the companies it invests in. When investing, Quiñenco privileges the development of brands and franchises for mass consumption where it is possible to generate synergies and economies of scale by complementing businesses and distribution networks. Another important part of its corporate strategy is its alliances with world-class partners, who contribute their experience, knowledge and resources to the growth of joint businesses.

Quiñenco's value creation system is based on the excellent management of its investments. As a holding company, it works together with the administration of its companies to define long-term strategies, oversee operational and financial management, and structuring major mergers and acquisitions. In this way it boosts the management and growth capacity of each of the group's companies, generating synergies and achieving a high level of efficiency.

US$56.8 billion

Assets of a select group of companies, leaders in their respective industries, managed by Quiñenco.

US$670 million

Cash on a corporate level as of December 31, 2012.

The central axis of its business model consists in developing each of the companies it invests in to increase the return for Quiñenco from dividends and eventual divestments. During 2012, US$ 163 million were collected in dividends on a corporate level. Over the last 15 years, the holding has demonstrated its capacity to generate value, obtaining earnings of US$2.1 billion for its shareholders resulting from divestments for close to US$4.8 billion. The generation of these resources is fundamental when it comes to financing new acquisitions and backing the development of subsidiaries.

Main assets

Quiñenco participates in the financial sector via LQ Inversiones Financieras (LQIF), in which it holds an equal stake with Citigroup. LQIF controls 59.9% of the voting rights in Banco de Chile, entity whose market capitalization amounted to approximately US$14.5 billion, which turns it into the largest bank of the country, in addition to being the leader in terms of profitability and net operating income in 2012.

In the industrial sector, Quiñenco controls 55.4% of Madeco, a leading manufacturing group in the cable industry through the French multinational Nexans, flexible packaging, aluminum and PVC profiles, and brass mills.

In the beverage and food sector, the holding participates in Compañía Cervecerías Unidas (CCU) via IRSA, a company where it holds an equal stake with its partner Heineken. IRSA owns 66.1% of CCU, company with operations in Chile, Argentina and, since 2012, also in Uruguay.

US$12.1 billion

Aggregate revenues of the Group's companies in 2012.

Since May of 2011, Quiñenco owns Empresa Nacional de Energía Enex S.A. (Enex), date in which the holding purchased the assets in Chile from the English-Dutch group Shell. During 2012 it boosted the positioning of the brand through the remodeling of its service stations and through an improved business portfolio of its industrial customers.

In February of 2012, Quiñenco raised its participation in CSAV to 37.44% through the subscription of a capital increase. After redesigning its business model, in the third quarter of 2012 the Company was able to reverse seven consecutive quarters of losses.

As part of CSAV's division, Quiñenco acquired a 37.44% stake in the new company Sociedad Matriz SAAM S.A. (SM SAAM). Through this new company, Quiñenco controls SAAM, leading company in Latin America in the delivery of comprehensive services to shipping companies, and to importers and exporters in all stages of the load transport process.

History

1957
- Forestal Quiñenco S.A. is created to exploit eucalyptus forests to produce wood props for the underground tunnels in coal mines.

1960's
- Purchase of Forestal Colcura S.A.
- Acquisition of Empresas Lucchetti S.A., expanding the Group's activities to the food business.

1970's
- Hoteles Carrera S.A. is purchased by the Company, thus diversifying the business portfolio.

1980's
- Entry to the financial sector through the purchase of shares in Banco O'Higgins and Banco Santiago.
- Expansion to the industrial business by taking control of Madeco.
- Control of Compañía de Cervecerías Unidas S.A. (CCU) with the German Schörghuber Group.
- Quiñenco acquires a majority stake in VTR S.A., thus entering the telecommunications sector.

1993
- Establishment of OHCH in a joint venture with Banco Central Hispanoamericano.





1957
- January 10: Lucila Godoy Alcayaga, better known as Gabriela Mistral, Chilean poetess and winner of a Nobel Literature Prize in 1945, dies in New York at the age of 67.
- March 6: Ghana proclaimed its independence from the United Kingdom, being the first country in the sub-Saharan Africa to conquer this status.
- September 24: Inauguration of the Barcelona F.C. stadium called Camp Nou, the stadium with the largest capacity in Europe.
- November 3: The Soviet Union sends, for the first time in history, a living creature to Space. It was the dog Laika, aboard the Sputnik II.

1960's
- May 22, 1960: Chile is struck by one of the worst natural disasters: the Valdivia earthquake with a magnitude of 9.5 degrees in the Ritcher scale, the largest recorded so far in history.
- August 13, 1961: Construction of the Berlin Wall, an icon of the Cold War that separated the Federal German Republic from the Democrat German Republic for 28 years.
- August 28, 1963: Martin Luther King Jr.'s speech "I have a dream" becomes an icon of the Movement for the Civil Rights in the United States.
- July 20, 1969: Neil Armstrong, American astronaut on the Apollo 11 spacecraft was the first person to walk on the moon. The historic event was broadcasted globally.

1970's
- In 1971 Intel creates 4004, the first chip microprocessor which soon after became commercially available.
- October 21, 1971: Chilean poet Pablo Neruda was awarded the Nobel Literature Prize.
- March 29, 1974: Discovery of the Terracotta army, a collection of more than 8,000 terracotta real-size sculptures of warriors and horses, buried in battle formation with the first Emperor of China, Qin Shi Huang to protect him in his afterlife.
- August 16, 1977: Music world mourns death of who was considered the king of rock'n roll, Elvis Presley, at age 42.

1980's
- July 25, 1984: The Russian astronaut Svetlana Savítskaya becomes the first woman to perform a space walk, remaining outside of the station for 3 hours and 35 minutes.
- March 3, 1985: An earthquake of 7.8 degrees Richter hit the country, the epicenter being located in the Valparaíso Region.
- April 26, 1986: Nuclear accident at the nuclear power station of Chernobyl, Ucrania. It is considered one of the largest environmental disasters in history.
- 28 years after the construction of the Berlin Wall it was torn down by the Berlin citizens the night of November 9, 1989. This milestone is considered to be the end of the Cold War.

1993
- January 1: After 74 years of history, Czechoslovakia is divided giving rise to two new states, the Czech Republic on the West and Slovakia on the East.
- The European Economic Community eliminates the commercial barriers and creates a single European market.
- January 13: Signature of the Chemical Weapons Convention in Paris, an arms control agreement that outlaws the production, storage and use of chemical weapons.
- Nelson Mandela and Frederik W. de Klerk are awarded the Nobel Peace Prize for their struggle in favor of racial equity in South Africa.
- The First Summit of World Leaders of the APEC, Asia Pacific Economic Cooperation Forum is held in Blake Island, United States.

1995
- Quiñenco forms a strategic alliance with SBC Communications Inc. to boost VTR in the telecommunications sector.
- Banco Santiago comes under the control of OHCH.

1996
- Quiñenco is established as the financial and industrial parent company, while Antofagasta Holdings becomes the center of mining and railway investments.

1997
- Quiñenco makes a Public Share Offering on the New York and Santiago stock exchanges, raising US$279 million.
- VTR sells 100% of Startel S.A., a mobile telephony company, to CTC.

1998
- VTR.S.A. divests VTR Larga Distancia S.A.
- Quiñenco forms Habitaria S.A. together with the Spanish construction company Ferrovial Inmobiliaria, entering the real estate development sector.

1999
- Quiñenco sells its stake in the banking holding company OHCH and subsequently buys 51.2% of Banco de A. Edwards and 8% of Banco de Chile.
- In the telecommunications sector, Quiñenco sells its participation in VTR Cable to the UIH Latin America group.
- Purchase of a 14.3% stake in Entel S.A.

2000
- LQ Inversiones Financieras S.A. (LQIF) is established as a subsidiary of Quiñenco to strengthen the group's financial activities.

1995
- March 22: The Russian cosmonaut Valeri Polyakov gains the record for the longest single spaceflight in human history, staying in space for 437 days.
- More than 170 countries commit to expand the Treaty for the Nonproliferation of Nuclear Weapons indefinitely and subject to no conditions; this treaty restricts the possession of nuclear weapons.
- November 16: The member states of UNESCO approve the Declaration of Principles on Tolerance; in addition, 1995 is declared the United Nations' Year for Tolerance.
- December 15: The member countries of the European Union agree on the creation of the Euro as the common European currency.

1996
- In Constitutional Assembly, South Africa permanently embraces a post-apartheid constitution.
- NASA scientists discover apparent fossils of microscopic life forms in a meteorite originating from Mars. This milestone becomes the first scientific evidence on the possibility of life having existed on Mars.
- July 5: Birth of the Dolly sheep, first cloned mammal to be created from an adult cell.
- Intel Corporation and the Energy Department announced the development of high-speed equipment, able to perform more than one trillion calculations per second.

1997
- July 1: Hong Kong, in the hands of Great Britain since 1841, goes back to China as a special administrative region in the southern part of the country.
- Subscription of the Kyoto Protocol on climate change, international agreement whose purpose is to reduce the greenhouse effect of gas emissions.
- The start of the Southeast Asian economic crisis unveiled with the collapse of the Hong Kong stock exchange which extended to other markets, causing a global impact.
- The IBM supercomputer Deep Blue beats the World Chess Champion Garry Kasparov.

1998
- Signature of the European Council Protocol in Paris that bans the cloning of human beings; first international legal text on the matter.
- The European Southern Observatory (ESO) commissioned the new Antu telescope in Chile.
- Larry Page and Sergey Brin founders of Google Inc. launched their web search engine on September 27.

1999
- January 1: The Euro was introduced in the world financial markets as an account currency.
- April 18: In the Vatican, Pope John Paul II canonized Marcelino Champagnat, founder of the Marist Brothers Congregation.
- United States gives the control of Panama Canal back to this country after the Torrijos – Carter Treaty of 1977.
- The world's population exceeds 6 billion inhabitants.

2000
- There is concern for the "millennium error" or "Y2K", software problem leading computers to go back to January 1, 1900 after December 31, 1999. Finally this did not happen.
- The dot-com bubble bursts in the stock markets and thousands of Internet sites go bankrupt.
- September 6: the largest hole in the ozone layer ever is reported at 29.9 million kms[2].
- Microsoft launches its Windows 2000 operating system.

2001

- Quiñenco buys 52.7% of the voting shares in Banco de Chile, thus becoming its controller.
- Quiñenco divests 8% stake in Entel S.A.
- Quiñenco sells 39.4% of shares in Plava Laguna d.d., a tourist resort on the Croatian coast.

2002

- Banco de Chile merges with Banco de A. Edwards, giving rise to what was the country's largest financial institution at the time.

2003

- Heineken buys 50% of IRSA, the consortium in control of CCU.
- Quiñenco sells the Hotel Carrera in Santiago.

2004

- Quiñenco sells Lucchetti Chile S.A.
- Purchase of Calaf through a joint venture with CCU.
- Purchase of 11.4% in Almacenes París.

2005

- Quiñenco sells its participation in Almacenes París.

2006

- The process of delisting Quiñenco shares from the NYSE begins, as does the termination of its ADR program, with the process coming to a conclusion in early 2007.

2001

- Jimbo Wales and Larry Sanger from the U.S.A. create the free on-line encyclopedia Wikipedia.
- A study on the human genome confirms that the human being has slightly over 30,000 genes.
- April 28: The American millionaire Dennis Tito becomes the first space tourist.
- September 11: Passenger airlines were hijacked by members of the Jihad Al Qaeda terrorist network so that they could be flown into the WTC and Pentagon in suicide attacks in the New York and the Washington DC areas.

2002

- March 28: "Mars Odyssey" finds signs of large water ice deposits on Mars.
- The Treaty on Open Skies enters into force; it establishes a program of unarmed aerial surveillance flights over the entire territory of its participants, signed in 1992.
- June 11: United States recognized the Italian Antonio Meucci as the inventor of the telephone rather than Alexander Graham Bell.

2003

- February 1: The space shuttle Columbia disintegrated during its re-entry to the Earth's atmosphere, resulting in the death of its seven crew members.
- February 1: The Treaty of Nice comes into force; its main purpose was to reform the institutional structure to withstand the expansion of the European Union.
- March 20: Start of the Iraq War when troops led by the United States invaded this country in the Middle East.
- April 24: Researchers were able to complete the human genome sequence.
- October 19: The Pope John Paul II beatified Mother Teresa of Calcutta, founder of the Missionaries of Charity congregation in Calcutta.

2004

- Mark Zuckerberg founds Facebook, the social network, which now has 1 billion users around the world.
- French and Swiss astronomers locate the farthest known galaxy, Abell 1835 IR1916, located 13,230 million light-years away.
- March 11: Bombings against four commuter trains in Madrid, Spain by Jihad terrorists killed 191 people.
- Ireland was the first country to implement a nationwide ban on smoking at public places.
- December 26: 9.1 Richter earthquake and tsunami hit Southeast Asia, killing more than 200,000 people.

2005

- February 16: The Kyoto Protocol comes into force without the support of United States and Australia; the purpose of the protocol is to reduce greenhouse effect gas emissions.
- Steve Fossett sets a world record upon completing the first non-stop and solitary flight around the world on the Global Flyer Virgin Atlantic.
- April 2: Pope John Paul II passed away at the Vatican and 17 days later, Cardinal Joseph Ratzinger is elected as the new Pope and adopted the name Benedict XVI.
- July 7: Four suicide attacks in London which targeted civilians using the public transport system, three aboard London underground trains and a fourth on a double-decker bus. The attacks killed 52 people.

2006

- Year of students' protests in Chile, called the "Penguin Revolution" which led the government to introduce changes in the country's educational system.
- The International Astronomical Union published a new definition of the term "planet", which excludes Pluto, thus reducing to eight the number of planets in the solar system.

2007
- Quiñenco and Citigroup announce their alliance in the financial sector.
- Quiñenco increases its capital by Ch$65,000 million.
- Sale of 2.8% stake in Entel.

2008
- Merger of Banco de Chile and Citibank Chile.
- The sale of Madeco's cable unit to the French producer Nexans is completed and Madeco thus becomes Nexans' largest single shareholder with an 8.9% stake.

2009
- Quiñenco sells its remaining shares in Entel, equivalent to a 2.9% stake in the company.

2010
- Quiñenco sells 100% of its stake in Telsur to GTD Manquehue for Ch$57,000 million.
- Citigroup exercised its two options for an additional 17.04% of the shares in LQIF, the consortium that controls Banco de Chile, increasing its participation to 50% for a total of US$1 billion.

2011
- Quiñenco enters the energy sector through the purchase of Shell's assets in Chile.
- Madeco increases its participation in the French multinational cable manufacturer Nexans from 9.0% to 19.86% after subscribing an agreement that allows it to reach a 20% stake.
- Expansion to the transport industry through the purchase of 20.6% of the shares in Compañía Sud Americana de Vapores S.A.

2012
- Quiñenco increased its capital by Ch$250 billion.
- Quiñenco increases its participation in CSAV to 37.44%.
- As part of CSAV's division, Quiñenco acquires a 37.44% stake in SM SAAM, owner of the port and shipping services company SAAM.
- Madeco and Nexans subscribe an amendment to their Agreement, allowing Madeco to reach a 28% stake in the French multinational company in order to consolidate its position as principal shareholder. At December, Madeco held a 22.4% stake in Nexans.






2007
- January 1: Ban Ki-Moon starts his mandate as the Secretary-General of the United Nations.
- July 6: World celebrates the centenary of the Mexican painter Frida Khalo.
- August 4: Launching of the robotic spacecraft Phoenix on a space exploration mission on Mars.
- Two independent groups publish on Science and Cell magazines that they had generated stem cells from human fibroblasts, which is deemed to be one of the most significant milestones in this field.
- Al Gore and UNO's intergovernmental Group on Climate Change obtained the Nobel Peace Prize.

2008
- Raúl Castro, current President of Cuba starts opening up the country to the world derogating some prohibitions on Cubans such as the access to hotels and the purchase of mobile phones.
- May 2: Eruption of Chaitén volcano in Chile.
- Gold price on the NYSE achieves one thousand dollars per ounce for the first time.
- November 4: Barack Obama becomes the first Afro-American to be elected President of the United States.

2009
- G-20, the forum for cooperation and consultation on matters relating to the international financial system decides to set up a fund to assist countries that face more difficulties as a result of the crisis.
- North Korea conducted an underground nuclear test, the second since 2006, which was condemned worldwide.
- The World Health Organization raised the alert level to phase six for swine flu, turning it into the first pandemic of the XXIst century.

2010
- February 27: An 8.8 Richter scale earthquake devastated Chile, with epicenter in Cobquecura; it was the sixth strongest quake ever recorded.
- April 8: In Prague, Czech Republic, the Presidents of the United States and Russia, Barack Obama and Dmitri Medvédev entered into the historic treaty START III aimed at reducing nuclear weapons.
- October 3: Purported discovery of the first extra-solar planet, Gliese 581g which could potentially host life situated 20 light-years from Earth.
- October 13: 33 Chilean miners are rescued from San José underground mine after 69 days in the Northern Atacama desert.

2011
- March 11: 9.0 Richter scale earthquake devastates Japan, causing a tsunami that triggered a nuclear accident at Fukushima plant.
- April 19: Fidel Castro definitely resigns the presidency and his brother Raúl Castro becomes the first secretary of the Communist Party in Cuba.
- May 1: The President of the United States, Barack Obama announces that Osama Bin Laden, the founder and leader of Al-Qaeda died during a military operation in Pakistan.
- UNESCO admits Palestine as full member.
- The scientific laboratory Curiosity, the most sophisticated robotic rover built to date is launched on a mission to Mars from the Kennedy Space Center.

2012
- January 30: An extraordinary summit of the European Union is conducted in Brussels to adopt measures aimed at reactivating growth and employment and at preventing serious recession of the European economies.
- Eurozone unemployment hits record of 10.7%.
- Scientists create the so-called synthetic DNA, a new molecule able to store and to propagate genetic information.
- August 25: Death of Neil Armstrong, first man to walk on the moon, sent on the Apollo 11 in 1969.

- Board of Directors
  - Chief Executive Officer
    - Strategy and Performance Control
    - Legal Counsel
    - Administration, Finance and Human Resources
    - Business Development
  - Internal Auditing

Organization

1. CHIEF EXECUTIVE OFFICER
Francisco Pérez Mackenna
Commercial Engineer, Universidad Católica de Chile
MBA, University of Chicago, USA

2. STRATEGY AND PERFORMANCE CONTROL MANAGER
Martín Rodríguez Guiraldes
Commercial Engineer, Universidad Católica de Chile
MBA, University of California at Los Angeles (UCLA), USA

3. CHIEF COUNSEL
Manuel José Noguera Eyzaguirre
Attorney, Universidad Católica de Chile

4. ADMINISTRATION, FINANCE AND HUMAN RESOURCES MANAGER
Luis Fernando Antúnez Bories
Industrial Civil Engineer, Universidad Católica de Chile
MBA, Georgia State University, USA

5. BUSINESS DEVELOPMENT MANAGER
Felipe Joannon Vergara
Commercial Engineer, Universidad Católica de Chile
MBA, The Wharton School, University of Pennsylvania, USA

6. INVESTOR RELATIONS MANAGER
Pilar Rodríguez Alday
Commercial Engineer, Universidad Católica de Chile

7. ATTORNEY
Davor Domitrovic Grubisic
Attorney, Universidad de Chile

8. GENERAL ACCOUNTANT
Oscar Henríquez Vignes
Certified Public Accountant, Universidad de Chile
Postgraduate degree in Tax Planning, Universidad Católica de Chile
Master's degree in Tax Administration and Management, Universidad Adolfo Ibáñez

9. PERFORMANCE CONTROL MANAGER AND INTERNAL AUDITOR
Pedro Marín Loyola
Commercial Engineer, Universidad Católica de Chile
M.S. Finance, London School of Economics, England

10. DEPUTY DEVELOPMENT MANAGER
Macario Valdés Raczynski
Commercial Engineer, Universidad Católica de Chile
MBA, Haas School of Business, UC Berkeley, USA

11. DEPUTY DEVELOPMENT MANAGER
Diego Bacigalupo Aracena
Industrial Civil Engineer, Universidad Católica de Chile
MBA, MIT Sloan School of Management, USA

2012 Results

QUIÑENCO presents its financial statements according to IFRS. To better understand Quiñenco's results, the financial statements separate the results of banking activities from non-banking activities (industrial sector). In addition, in compliance with another IFRS requirement, four business sectors have been defined: Manufacturing, Financial, Energy and Other.

Quiñenco includes the profits and losses of more than 40 companies in its financial statements for each period. Though it consolidates its operations with the majority of its investments, with Banco de Chile, Madeco and Enex being its main operative companies, the profits and losses from other investments that are important to Quiñenco in terms of their size and impact on its financial results during any period, such as CCU, CSAV, and SM SAAM, for example, are not consolidated with the company. Quiñenco's proportional share in these cases is included in non-operational results.

Quiñenco obtained net profits of Ch$139,643 million in 2012, 58.7% higher than the previous year. This growth was due mainly to the larger contribution by the group's companies during 2012. It is worth mentioning the positive variation in the contribution of the Group's most recent investments, namely, Enex, CSAV and SM SAAM, as well as the positive performance of Banco de Chile, Banchile Seguros de Vida (Banchile Vida) and Madeco. Only CCU decreased its contribution, mostly due to an extraordinary gain recorded in 2011, although its business units had a good performance. At a corporate level, the group recorded lower financial revenues, resulting from a reduction in the cash funds available, and higher financial costs relating to the placement of Quiñenco's bonds by mid 2011 and early in 2012. In addition, losses from exchange rate differences were recorded due to a loan granted to CSAV in dollars, and from indexation adjustments due to a greater level of indebtedness in Unidades de Fomento.

Quiñenco reported consolidated revenues in the industrial sector of Ch$1,653,895 million in 2012, 56.7% higher than the previous year due to the incorporation of the energy sector on May 31, 2011. Enex's revenues amounted to Ch$1,340,623 million in 2012, up by 83.2% as compared to 2011. Madeco's revenues, in turn, went down by 2.4%, due mostly to lower sales volumes of the brass mills unit resulting from the downturn in the volume of exports and a lower copper price. For its part, the drop in revenues of the brass mills unit was partially offset

by higher revenues in the packaging and aluminum and PVC profiles units. The revenues yielded by the flexible packaging unit went up thanks to the growth in Peru and Argentina, in addition to the incorporation of Colombia since mid 2012. The profiles unit showed an increase in its sales volumes resulting from a segmented commercial strategy and the positive cycle in the construction sector.

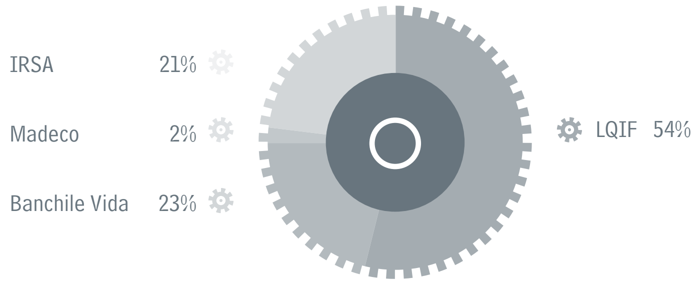
Operating income from industrial activities went up from Ch$17,721 million in 2011 to Ch$64,044 million in 2012, mostly reflecting the contribution of Madeco, followed by Banchile Vida and Enex. Madeco's operational results increased by 178.4% due mainly to the revaluation of its investment in Nexans upon changing its accounting from financial asset to the equity method, as it became its principal shareholder in 2012. The flexible packaging unit, and to a lower extent the aluminum and PVC profiles unit, also contributed to the growth. In turn, the brass mills unit recorded a reduction in its operational results due to lower sales. Banchile Vida's operational results grew by 141.9% mainly as a result of the increase in gross profits. Lastly, Enex's operational results amounted to Ch$7,613 million, mainly due to revenues from the sale of fuels, in addition to dividends received from Sonacol by Ch$3,502 million.

CCU's contribution fell by 6.1% to Ch$37,500 million, due mainly to earnings relating to the claim settlement in 2011, which offset the 11.7% increase in gross profits, thus reflecting greater sales in all its business segments.

The investment in CSAV brought about losses of Ch$59,351 million due to the loss recorded by said company adjusted by the effect of the fair value determined at Quiñenco for this investment. Such adjustment amounted to Ch$377 million for the year 2012 and to Ch$957 million for the period July-December 2011, also posted in 2012. CSAV's net loss improved by 74.9% as a result of the restructuring implemented that allowed a reduction in the volumes transported and increasing the gross margin, lowering the costs thanks to greater operational efficiencies. Administrative expenses also decreased as a result of the downsizing.

DIVIDENDS RECEIVED

MCh$78,246 (corporate level)



PROFIT CONTRIBUTION BY SECTOR AND SEGMENT

	Quiñenco's ownership[1]	2012 MCh$	2011 MCh$
INDUSTRIAL SECTOR			
MANUFACTURING SEGMENT			
Madeco	55.4%	27,868	12,146
FINANCIAL SEGMENT			
LQIF Holding	50.0%	(20,489)	(16,005)
ENERGY SEGMENT			
Enex	100.0%	28,387	3,028
OTHER			
CCU[2]	33.1%	37,500	39,921
CSAV	37.4%	(59,351)	(70,181)
SM SAAM	37.4%	8,542	-
Quiñenco and other[3]	-	8,806	15,674
Other sub-total		(4,503)	(14,586)
Consolidated Net Income, Industrial Sector		31,264	(15,416)
BANKING SECTOR			
FINANCIAL SEGMENT			
Banco de Chile	19.9%[4]	465,851	428,806
Subordinated Debt	-	(73,709)	(81,295)
Others	-	3,037	(2,101)
Consolidated Net Income, Banking Sector		395,179	349,612
Consolidated Net Income		426,443	334,196
Net income attributable to non-controlling interests		286,800	246,230
Net income attributable to the Controller's Owners		139,643	87,966

NET INCOME ATTRIBUTABLE TO THE CONTROLLER'S OWNERS BY SEGMENT	2012 MCh$	2011 MCh$
Manufacturing	14,174	4,656
Financial	108,451	96,187
Energy	28,387	3,028
Others	(11,370)	(15,904)
Net income attributable to the Controller's Owners	139,643	87,966

1. Direct and /or indirect.
2. Corresponds to Quiñenco's equity participation in CCU's results, according to the equity method.
3. Includes Banchile Seguros de Vida and Quiñenco, as well as intermediate companies.
4. Corresponds to Quiñenco's economic rights as of December 31, 2012. As of December 2011 Quiñenco had economic rights of 19.8% in Banco de Chile.

The investment in SM SAAM contributed direct profits of Ch$8,542 million for the first time as a result of the Ch$28,860 million gain of SM SAAM, adjusted by the effect of the fair value determined for this investment at Quiñenco. In 2012 this adjustment amounted to Ch$2,264 million. SM SAAM's net profits are due mainly to the good performance of its subsidiary SAAM in its three business segments, tugboats, port terminals, and logistics.

The industrial sector's profits were Ch$31,264 million in 2012 versus a loss of Ch$15,416 million in the previous period, due mainly to the larger contribution of its operating companies Enex, Banchile Vida, CSAV, Madeco and SM SAAM, partially offset by the lower performance on the part of CCU. In addition, in 2012 the company recorded lower financial income, higher financial costs and losses due to exchange rate differences and indexation adjustments at a corporate level.

For its part, the banking sector earned Ch$395,179 million in 2012, a 13% increase over the year before, reflecting the positive result obtained by Banco de Chile during the period thanks to a significant increase in the activity of its commercial units despite the higher credit risk provisions and greater operational costs, which enabled the bank to lead in terms of net profits and profitability. In addition, a reduction was recorded in the interest accrued on the subordinated debt held with the Central Bank.

The flow of dividends received on a corporate level from its subsidiaries LQIF, IRSA, Madeco and other companies was Ch$78,246 million, a 64.4% increase over the previous year. In 2012, Banco de Chile maintained its dividend payment rate at 70% of net profits. The sustained flow of dividends and the funds obtained from the sale of investments has allowed it to keep a low level of debt, thus strengthening Quiñenco's financial position, with debt in the industrial sector totaling Ch$740,892 million.

COMPOSITION OF THE INDUSTRIAL SECTOR'S DEBT

Industrial sector	2012 MCh$	2011 MCh$
Corporate level (1)	309,987	211,458
Madeco	96,968	84,552
LQIF holding	261,841	177,850
Enex (2)	72,096	75,123
Total Debt Industrial Sector	740,892	548,983

(1) Does not include IRSA's debt of Ch$ 7,375 million in 2012 (Ch$ 14,066 million in 2011), where Quiñenco holds a stake of 50%.
(2) Includes Inv. Río Aurum debt of Ch$ 71,856 million in 2011, guaranteed by Quiñenco.

Corporate Social Responsibility

The commitment to promote, within their business scope, progress of every group of individuals they establish relations with, forms part of the mission of each company in the Quiñenco Group, in the understanding that producing and distributing valuable solutions for their clients generates returns for their shareholders, room for growth for their workers, and wellbeing for the community, fostering a sustainable better quality of living.

Each one of Quiñenco's subsidiaries develops Corporate Social Responsibility actions in a permanent and structured way, with emphasis in the country's main needs.

Consumer Education

The Group's companies take on the duty of informing the consumers on the proper use of their products and services. Consequently, programs such as "Educar en Familia" (Educating Families) were developed in the food and beverage area, totaling 60,000 families, 610 schools and more than 1,000 monitors trained in 2012 to disseminate the importance of preventing alcohol consumption in underage and to encourage a moderate consumption among adults. Similarly, in transport-related areas, the company in conjunction with the authorities developed a campaign "Manéjate por la vida: usa cinturón de seguridad" ("Drive your life: use the safety belt"), under which explanatory booklets were handed out to drivers and passengers across the country.

Internationalization of SMEs (small and medium size companies)

Within the framework of an alliance with an international foundation since 2010, the Group's financial area created the internationalization program for SMEs in 2012 to increase the number of companies that conduct foreign trade transactions. At present, only 3% of the SMEs take advantage of the Free Trade Agreements in force. The purpose for 2013 is to have 350 new companies engage in this kind of transactions through the year.

Solidarity

Just as it has been doing for 34 years, the Quiñenco Group supported the work of Foundation Teletón and, especially, the Teletón campaign, where the group not only contributes money but also infrastructure and the work of more than 9,000 collaborators who collect donations coming from the whole country.

During 2012 the Group also continuously supported foundations such as Hogar de Cristo, María Ayuda and Coanil, among others

Education of excellence

Committed with providing excellent-quality educational opportunities to all the country's children, the Group has been working since 2004 with Fundación Astoreca to support children from zones with high levels of poverty in the Metropolitan Region. In the 2012 SIMCE test, the two schools subsidized by the group obtained scores very similar to those obtained by private schools' students.

Similarly, the Group's companies partnered the program "Elige Educar" (Choose to Educate) initiative aimed at improving the quality of education that seeks to turn teaching into an attractive professional alternative and to retain highly talented and enthusiastic people. This foundation has set itself the goal to have all students enrolled to be among the 30% of best students, as well as to promote the teaching profession so that it ranks amongst the five professions with highest social valuation in Chile.

Sports and self-improvement

The Group's companies support the development of sports activities in several disciplines both on a professional and amateur level. Through its companies and brands, it promotes the development of tournaments and contests, and supports teams and athletes. This is the case of two tennis players, one of whom participated for the first time in an Olympics summit after classifying to the London 2012 Paralympics Games, while the other ranks third on a national basis and thirty-sixth on a world level in the wheelchair tennis ranking.

With the purpose of fostering activities that promote the rehabilitation and the integration of handicapped children and young people, the Group has organized wheelchair tennis tournaments for 15 consecutive years, convening more than 50 handicapped tennis players from countries such as Argentina, Peru, Ecuador, Brazil, Colombia, Australia and Spain.

Culture

During this past year, the Group took a step forward in its objective of "Approaching art to the People", challenge it engaged in 18 years ago, aimed at disseminating the work of consecrated as well as emerging artists. In 2012, the art gallery implemented with this purpose developed six curatorial exhibitions and five exhibitions with social focus. The success of its cultural offer reflected in a new increase in the number of visitors, totaling 8,600 people over the year.

Within the scope of culture and in alliance with Teletón, SuperArte was organized, an artistic exhibition where children and young people treated at Teletón share their talent and creativity with the public through a colorful urban intervention. This time, the initiative was simultaneously conducted in six cities.

Environmental care

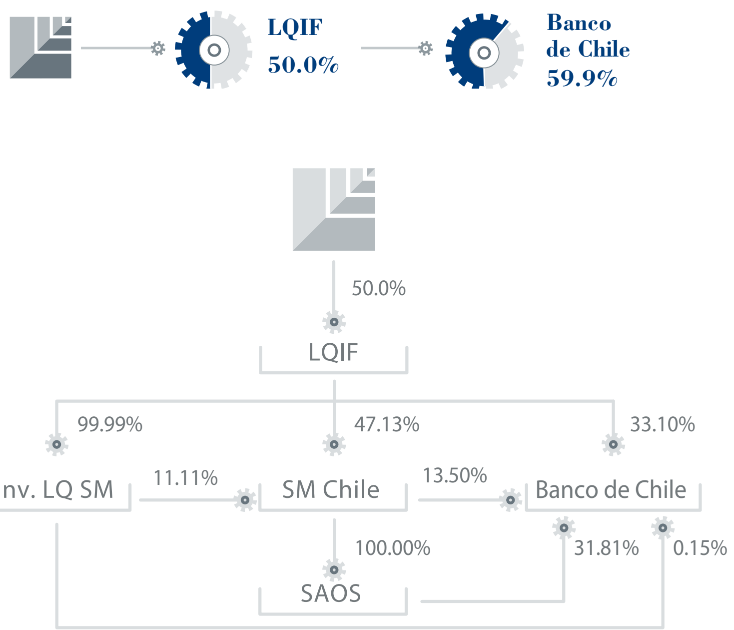
Upon adopting new technologies, energy efficiency is regarded by industrial companies as a relevant factor. It is worth mentioning that in 2012 one of the Group's companies implemented an innovative system that significantly reduces the use of electric energy required to produce copper tubes.

Quality of life at work

Recognizing that the work of our collaborators is essential to succeed, the Group's companies seek to create a pleasant and challenging work environment that makes them grow both professionally and personally and that enables them to stand out in a culture where respect, meritocracy and pride of pertaining to the organization are highly valued.

LQIF
LQ INVERSIONES FINANCIERAS

Financial Services



LQ INVERSIONES FINANCIERAS S.A. (LQIF) is the company through which Quiñenco channels its investments in the financial sector. It is a closed stock company created in 2000 as a subsidiary of Quiñenco. Since 2001, its main asset has been its stake in Banco de Chile, which at the close of 2012 corresponded to 59.9% of voting rights.

Citigroup became a partner in LQIF in 2008 as part of a strategic alliance, acquiring a 32.96% stake by contributing its assets in Chile. Banco de Chile and Citibank Chile merger became effective on January 1, 2008. In April, 2010, Citigroup increased its stake to 50% by exercising two options for 8.52% of LQIF each, in keeping with the Shareholders' Agreement signed with Quiñenco upon creating the partnership.

At the end of 2012 Banco de Chile made a capital increase of US$530 million. LQIF's Board of Directors agreed to exercise its preferred option to subscribe Banco de Chile's shares during the regular public offering period and waive the subscription option it was allowed to as a result of its stake in SAOS.

Time is priceless

We turn time into our best asset

LQIF's PARTICIPATION IN BANCO DE CHILE

As of December 31	2012
Voting rights	59.9%
Economic rights	39.8%
Property	
SM Chile	58.2%
Banco de Chile	33.3%

The Quiñenco group has vast and successful experience in the Chilean financial sector with the following milestones: the merger between Banco Santiago and Banco O'Higgins in 1997; the sale of the resulting institution to Banco Santander Central Hispano (BSCH) in 1999; the acquisition of Banco Edwards in 1999 and of Banco de Chile in 2001 and finally the merger with Citibank Chile in 2008, which gave rise to the largest bank in the country controlled by Chilean capital.

2012 Results

LQIF obtained net profits of Ch$216,903 million in 2012, a 12.8% increase over the previous year. This was due mainly to the 8.6% increase in Banco de Chile's results for the period driven by the growth of the main businesses of the bank, despite higher credit risk provisions. Similarly, the interest on Banco de Chile's Subordinated Debt decreased as compared to the previous period due to the lower inflation rate in 2012. In addition, LQIF holding company's operational results were similar to those of 2011, due to the termination in December of 2011 of the amortization of certain intangible assets generated from the merger with Citibank and lower administrative costs, which offset the extraordinary gain recorded in 2011, as a result of an extraordinary payment of the Subordinated Debt from the sale of the subscription rights for SAOS in Banco de Chile's capital increase for that year. LQIF holding reported lower losses from indexation adjustments reflecting the favorable effect of a lower inflation rate on financial obligations denominated in Unidades de Fomento, in addition to a reduction in the obligations denominated in such unit, which was offset by an increase in deferred income taxes, lower financial revenues and an increase in financial costs, reflecting a higher level of debt.

Banco de Chile

Financial Services

BANCO DE CHILE is the most profitable institution in the Chilean financial system, with an average return on equity of 23.2% at December 2012 and the largest bank in the country in terms of market capitalization, which amounted to US$14.5 billion as at such date.

Through its brands Banco de Chile, Edwards - Citi, CrediChile and Banchile, the Bank offers a broad range of products and services to all market segments, servicing 1.8 million customers through its 8 subsidiaries and a network of 434 branch offices and 1,915 automatic teller machines throughout the country.

Banco de Chile's shares are traded on the local stock exchanges and the main stock exchange markets around the world. The bank has an ADS (American Depositary Shares) program on the New York Stock Exchange (NYSE) and it also trades its shares on the Madrid and London Stock Exchanges.

2012 Performance

Keeping the focus on the retail segment, Banco de Chile grew its Retail banking and SME customer base by 4%, showing an increase of 0.8% in

At the right time

The response and the support our customers need

housing loans market share, adding close to 200,000 new credit cards and raising its market share in purchases made with these payment means.

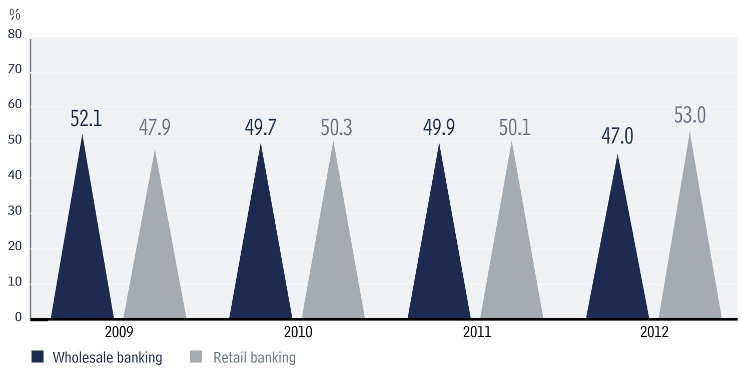
Its good financial performance was ratified upon improving its international risk rating to "A+" by S&P in June. The new rating was very useful in its efforts to diversifying its financing sources and opening new debt markets.

During 2012, the Bank was the first institution in Latin America to issue short-term debt in the United States through negotiable instruments (Commercial Papers), by opening a facility for US$1 billion. In addition it was the first to place long-term bonds in the Hong Kong and Peruvian markets, which were warmly welcomed by local and foreign investors that reflected in the excellent financial conditions. At the closing of the period, the Bank had placed approximately US$600 million in these markets.

Banco de Chile also made significant progress toward becoming a relevant point of reference for Chilean entrepreneurs. With this purpose, it set up Banca Microempresa, a specialized business area that through the CrediChile network of branch offices provides services and financial advisory to small

DISTRIBUTION OF LOANS

As of December 31 of each year



sized companies. At the closing of 2012, this project already had 40 domestic service platforms.

At the end of 2012, the Bank made a capital increase of US$530 million aimed at supporting its organic growth, strengthening its position in the face of future capital requirements and increasing the free float of the share to a level equivalent to more than 17% of the total shares. In March of 2013 it successfully completed this capital increase.

23.2%

First place in return on equity in the financial system in 2012

2012 Results

Banco de Chile reported net profits of Ch$465,850 million in 2012, an 8.6% increase over 2011, ranking first within the Chilean financial system in terms of net profits. These positive results were achieved within a low inflation and a highly competitive environment, particularly in the wholesale segment, due to the Bank's strategy of focusing on the retail banking segment, increasing operating efficiency and maintaining an effective cost control.

Operational revenues went up by 9.7% to Ch$1,342,039 million in 2012. Such improvement is due mainly to a 13.8% increase in the average balance of loans, particularly to the retail banking segment; a higher balance in current accounts and demand deposits, higher revenues from commercialization activities and a loss recorded in 2011 from the sale of a delinquent portfolio. The above was partially offset by the unfavorable effect of a lower inflation rate on the bank's net asset position in UF, a flatter yield curve that reduced the possibility of gains due to financial mismatch and a negative effect from currency hedging arrangements.

Credit risk provisions totaled Ch$188,190 million, 50.7% up from the previous year. This variation is mainly attributable to the release of provisions relating to the sale of the above-mentioned delinquent portfolio in 2011; the increase in the volume of loans; the rise in the retail banking segment as compared to the wholesale segment; and a moderate deterioration in the credit quality. This decline, which is based on social rather than economic factors, led the bank to undertake a more careful risk management strategy and to reinforce collection activities. Such increases were partially offset by greater countercyclical provisions during the previous period.

Operational expenses were up by 3.3% to Ch$633,819 million as compared to 2011, mainly due to higher distribution network, information technology and marketing campaign related expenses, aimed at improving the brand recognition and at the launching of new products. In addition, the implementation of a new online current account platform implied greater expenses during the period. Excluding the non-recurring expenses

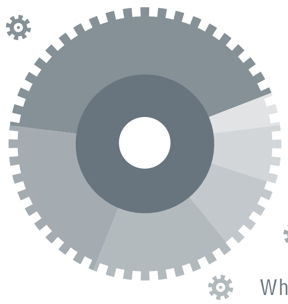
Banco de Chile maintained its leadership and grew its retail banking business

associated to the collective bargaining process carried out in 2011, personnel expenses also recorded an increase due to greater headcount and higher remuneration levels.

In summary, the growth in operational revenues for the period was partially offset by higher provisions and greater operational expenses, as mentioned above. In addition, the bank recorded lower income taxes due to the positive effect of the increase in deferred income taxes. These factors brought about the higher net profits recorded.

CONTRIBUTION TO PROFITS BY BUSINESS AREA*

MCh$ 465,850 in 2012



* Before taxes
** Includes consolidation adjustments

2012 Milestones

- Leadership in terms of net income and return on equity.
- The private bank with the best risk rating in Latin America.
- Pioneers in issuing debt in international markets.
- Highest market capitalization amongst Chilean banks.

Un mundo de sabores CCU

Food and Beverage

CCU
33.1%

COMPAÑIA CERVECERIAS UNIDAS S.A. (CCU) is a diversified producer of alcoholic and non-alcoholic beverages with operations in Chile, Argentina and since 2012, in Uruguay.

CCU is the largest beer producer in Chile and the second most important player in this industry in Argentina. In Chile, it is the largest mineral water and juice bottler; the main pisco distributor and the second largest producer of wine and soft drinks. In addition, it participates in rum, other liquors and snack business, and through the purchase of 51% of Manantial in December, in the sale of bottled purified water to homes and offices, activity internationally known as HOD (home and office delivery).

The company holds license contracts with the multinationals Heineken, Anheuser-Busch, PepsiCo, Paulaner, Schweppes, Guinness, Nestlé S.A. and Pernod Ricard. It has also developed own brands among which it is worth outlining beers Cristal and Escudo, Bilz & Pap in the soft drink category and the wines of VSTP (Viña San Pedro Tarapacá).

Time is an ally

We combine time and experience to achieve our full potential

2012 Performance

During 2012, CCU conducted two relevant operations within its strategic growth plan. In September, it acquired 100% of the shares of the Uruguayan companies Marzurel S.A., Milotur S.A., Coralina S.A., in addition to the control of Andrimar S.A., that own the assets of the business developed in Uruguay for the production and commercialization of bottled mineral waters under the brand Nativa and the manufacturing and the sale of soft drinks under the brand Nix. This investment provides CCU with a platform to develop a multi-category business in that country, where it also started to import beer from CCU Argentina.

In December, the subsidiary Aguas CCU-Nestlé Chile S.A. acquired 51% ownership in Manantial S.A., partnership that will enable it to develop a new business category where it had little presence, corresponding to offices and homes directly served by the company.

In its more traditional business, CCU placed special emphasis on innovation to which end it conducted a series of initiatives. Among them, the launching of Cristal Light; the Cristal 1.2 lt. returnable bottle; long neck ultra-light bottle in the brands Cristal, Escudo, Royal and Lemon Stones and the multi-pack cans (8 pack Cristal Light, 18 pack Escudo and Cristal) in line with the objective of reducing the costs and providing greater flexibility to address the seasonality of the demand.

Innovation was also present in the non-alcoholic segment with the launching of Frugo pineapple, Watt's clear pear and two new flavors in Gatorade, fresandía (strawberry-water melon) and coolblue. CUU also issued a limited edition of Bilz & Pap retro.

In the wine industry, the participation of Viña San Pedro Tarapacá (VSPT) in Chile's domestic market reached 26.7%, 2.1 percentage points up from the previous year. Its position also improved in the export market, with an increase of 1.1 percentage points upon reaching a quota of 13.1% in 2012. In Chile, VSPT is the leader in the domestic market of fine wines with an estimated participation of 24.9%. At an international level, one of the most relevant wine contests, Decanter World Wine Awards 2012, the winners of

19.8 million hectoliters

New historical peak sales

the award in the category "International Trophy" were 1865 Single Vineyard Sauvignon Blanc 2011 of Viña San Pedro and Leyda Reserva Syrah 2012 of Viña Leyda.

2012 Results

CCU had a positive performance of its business units in 2012 although it faced greater competition in most of its business segments. Consolidated revenues grew by 10.9% to Ch$1,075,690 million due to a 7.9% increase in the volumes sold, reaching a new record of 19.8 million hectoliters in addition to 4.4% higher average prices. All business segments showed growth in sales volumes, with the non-alcoholic beverages and liquors leading, followed by wine and beer in Chile, except for CCU Argentina which recorded a slight decrease.

Operational results went down by 9.8% to Ch$176,710 million in 2012 despite the 11.7% increase in gross margins driven by the growth in sales due mainly to the gain of Ch$13,289 million in 2011 from the settlement of the claim associated to the earthquake of 2010 and to greater administrative and sales costs resulting from higher distribution costs in Chile and Argentina. Losses from currency hedging arrangements and a non-recurring loss from the sale of a site of Viña San Pedro Tarapacá in 2011 also contributed to a lesser extent to the operational result. The EBITDA reached Ch$235,948 million, 1.9% down from 2011.

In non-operational terms, CCU recorded a loss of Ch$15,600 million in 2012, a 1.5% decrease as compared to the loss reported in 2011, due mainly to a lower inflation rate in 2012 that generated lower losses from indexation adjustments reflecting the favorable effect on financial obligations denominated in Unidades de Fomento. For their part financial costs went up reflecting a greater debt level in Argentina.

CCU's net profits in 2012 amounted to Ch$114,433 million, 6.8% down for the previous period due mainly to the negative variation in the operational result over the period due to a non-recurring gain recorded in 2011, partially offset by higher non-operational results and lower income taxes.

CCU expands its operations to Uruguay and develops a new business line (HOD)

MARKET SHARE

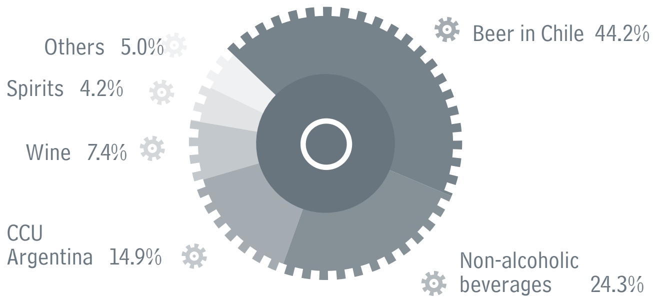
As of December 31	2012
Beer in Chile	78.8%
Beer in Argentina	23.1%
Soft drinks	25.2%
Mineral waters (1)	57.8%
Fruit juice(2)	53.1%
Pisco	55.7%
Domestic wine	26.7%
Export wine	13.1%
Rum	20.6%

(1) Only Cachantun and Perrier

(2) Bottled fruit juices

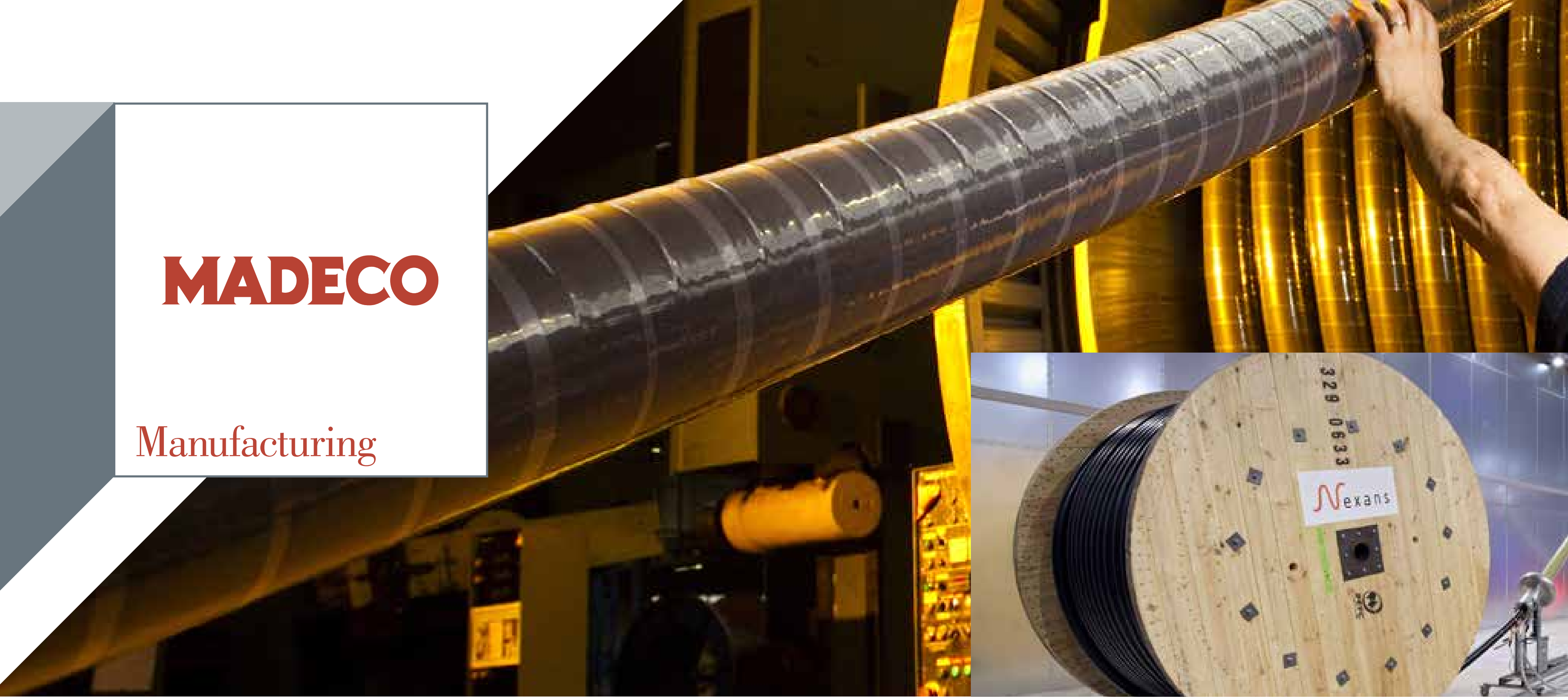
EBITDA BY BUSINESS AREA

MCh$235,948 in 2012



2012 Milestones

- Expansion of the operations to Uruguay with the purchase of Nativa (mineral waters) and Nix (carbonated soft drinks).
- Purchase of 51% of Manantial S.A. dedicated to the HOD business (Home and Office Delivery), through the subsidiary Aguas CCU-Nestlé Chile.
- 10.9% increase in revenues totaling more than MCh$1,000,000.



MADECO

Manufacturing

Madeco
55.4%

MADECO S.A., one of the groups with the most tradition in Chile is part of the Quiñenco holding since 1980. It operates internationally through four business units: cables, flexible packaging, aluminum and PVC profiles and brass mills.

With a participation of 22.41% at December of 2012, Madeco is the largest individual shareholder of the French multinational Nexans, a world leader in the cable industry with presence in more than 40 countries offering high-technology solutions.

In November of 2012, Nexans and Madeco modified the agreement subscribed in March of 2011 to allow Madeco's stake to reach 28% and consolidate its position as the principal shareholder and a long-term partner.

In the flexible packaging business, Madeco is the leader in Latin America through its subsidiary Alusa, company that owns manufacturing plants in Chile (Alusa), Argentina (Aluflex), Peru (Peruplast), and Colombia (Empaques Flexa).

The aluminum and PVC profiles business unit (Indalum) leads the Chilean market in aluminum profile solutions (doors and windows), with a 45% market

Time is development

We use new technologies in keeping with the new times

share and also participates in the PVC segment with a 15%. The brass mills unit (Madeco Mills) is the leader in the local market with a 56% market share.

2012 Performance

During 2012, the flexible packaging unit consolidated its position as a regional company upon acquiring the company Empaques Flexa of Colombia. It completed the purchase of US$35 million in equal stakes with Nexus Capital Partners III, Peruvian investment fund that is also Alusa's partner in its Peruvian subsidiary.

The aluminum and PVC profiles unit recovered its historic performance levels due to a segmented commercial strategy and a supply chain that combines imported and locally purchased products within a context of a positive cycle in the construction sector. In addition, growth and profitability were also favored by the higher participation of PVC products, the productive efficiencies achieved as well as the savings in the purchase of raw material and inputs, and the organizational restructuring.

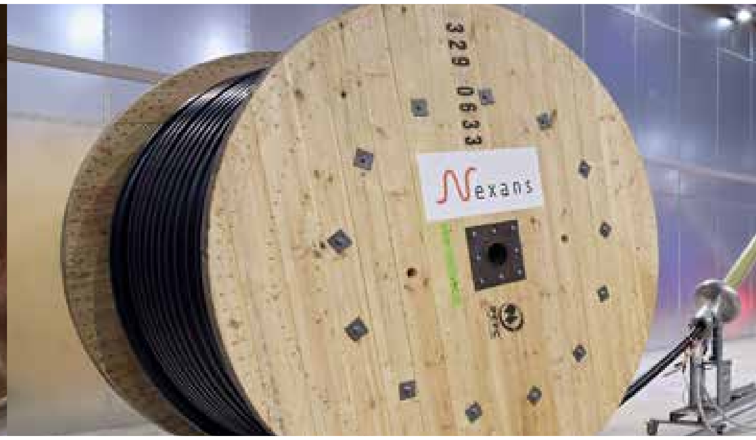
During the last quarter, the brass mills unit implemented a productive process that contributes flexibility, speed and environmental gains through the lower use of energy, added to products of higher quality at a competitive cost, which will allow Madeco to participate in other markets, such as cooling tubes.

As the industry's world leader, Nexans allocated €75 million to Research and Development in 2012. A total of 600 researchers, engineers and technicians form part of the four research centers owned by the Company. Last year, it presented 78 patents, thus totaling a portfolio that consists of 600 patented products.

In order to strengthen its presence in the high value-added industry segment, Nexans completed the purchase of AmerCable in February of 2012, one of the main American cable producers for the mining, oil and gas (onshore and offshore) and renewable energy industries. Likewise, in August it increased its participation in Shandong Yanggu Nueva Rihui to 75%, one of the largest electrical cable manufacturers in China.

€ 7.2 billion

Nexan's revenues in 2012



2012 Results[1]

Madeco's revenues were down by 2.4% as compared to 2011, due mainly to lower sales in the brass mills unit resulting from a downturn in the export market and a lower copper price. This reduction was partially offset by greater sales from the flexible packaging unit, the growth in Peru and Argentina and the incorporation of the new operation in Colombia, together with the aluminum and PVC profile unit, resulting from its commercial strategy and the positive cycle in the construction sector.

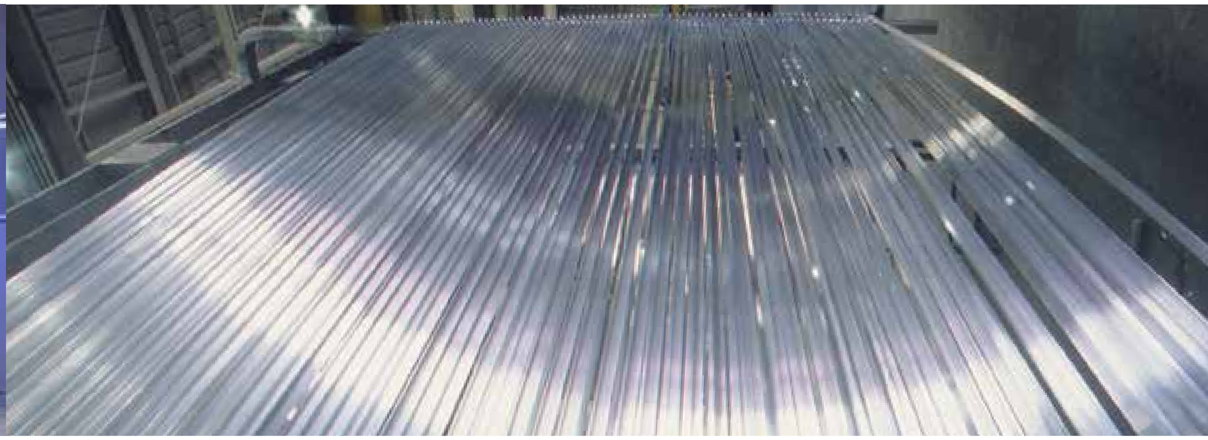
The operational result achieved was Ch$44,054 million, significantly higher than in 2011, due mainly to the revaluation of the investment in Nexans upon changing its accounting entry from financial asset to the equity method, due to the significant influence of Madeco in such company starting in 2012. The positive performance of flexible packaging and profiles also contributed to the increase in operational results, which was partially offset by the operational loss experienced by the brass mills unit as a result of the lower sales.

However, in non-operational terms, Madeco recorded a loss of Ch$5,607 million, 47.8% higher than the previous year. This variation is mostly explained by an increase in financial costs, due to the debt acquired to finance the new investments and a slightly negative recognition of the investment in Nexans. It should be mentioned that Nexans obtained net profits of €27 million in 2012, reversing the loss of €178 million in 2011. Madeco adjusted its results to reflect the fair value accounting of its investment in Nexans, generating a negative result of Ch$757 million.

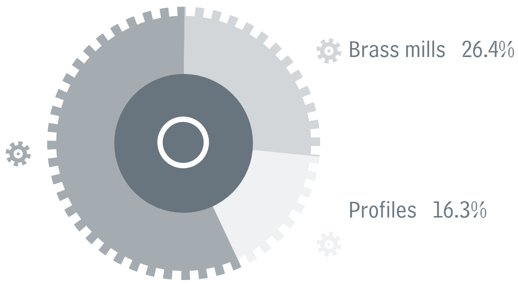
In 2012 Madeco obtained net profits in the amount of Ch$25,860 million due mainly to higher operational results, partially counteracted by the lower non-operational results mentioned above and greater income taxes mainly as a result of deferred taxes for the revaluation of Madeco's investment in Nexans.

1 The analysis of Madeco's results is based on its Financial Statements prepared in Quiñenco's functional currency. Madeco's functional currency, in addition to certain accounting entry classifications is different from that of Quiñenco's.

Madeco increased its regional expansion and stake in Nexans



REVENUE COMPOSITION
MCh$ 205,778 in 2012



MARKET SHARE
as of December 31, 2012

	Flexible packaging	Brass mills	Profiles
Chile	26%	56%	45% (aluminum) 15% (pvc)
Argentina	6%	7%	-
Peru	51%	-	-
Colombia	7%	-	-

2012 Milestones

- Signature of the agreement that allows Madeco to increase its stake in Nexans to 28%.
- Purchase of a flexible packaging company in Colombia.
- Implementation of an innovative production process for copper tubes.

ENEX
MOVEMOS CHILE

Energy

Enex
100%

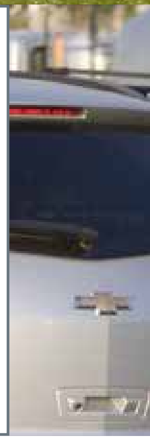
EMPRESA NACIONAL DE ENERGIA ENEX S.A. (Enex), participates in the Chilean oil industry through the sale of fuels, lubricants, asphalts and chemicals, encompassing different markets, among which the retail segment stands out with a network of 296 service stations under the Shell brand, and service to industrial customers, mainly from the transport, mining and electric generation sectors.

With a 13.5% market share in the total fuels market and 17.7% market share in the service station segment, Enex is the second most important industry player in Chile. Within the service station segment, its market share reaches 19.3% in gasoline and 15.6% in diesel oil, in agreement with information provided by the Superintendence of Electricity and Fuel, SEC.

Enex additionally participates in other companies relating to its business line: it holds a 50% stake in Asfaltos Conosur, owner of an asphalt import terminal located in Greda Alta in the Valparaíso Region, and a second terminal in Mejillones, which is under restoration; 20% in DASA, company that operates an asphalt storage and dispatch plant located beside the Aconcagua Refinery; 33% in SIAV, company

Time is service

We contribute time and energy to move Chile



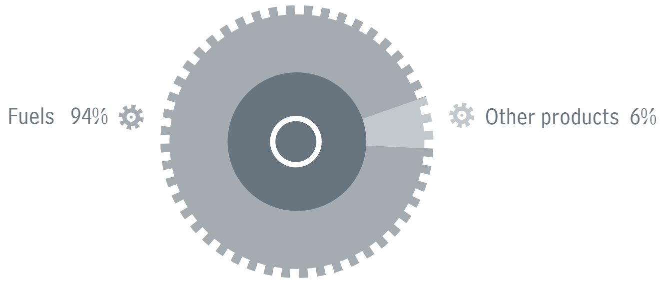
that stores the fuel for aircrafts at the Santiago International Airport; 14.94% in Sonacol, company that transports fuel through pipelines to the central zone of the country and 19.26% in Sonamar, company that rents vessels for liquid bulk transportation. Also, jointly with other industry operators, it holds a stake in the ownership of 12 fuel storage plants.

2012 Performance

In 2012, Enex consolidated its transition from a company inserted in a global organization with services and areas integrated to its parent company to a local and totally independent company.

As of year-end, the plan to renew and to reposition the brand in the retail market showed a considerable progress with 72% of the service stations with their image renewed. The results of this plan and the programs associated to service quality and promotions enabled Enex to increase by 0.4 percentage points its market share during this period, reaching 17.7%.

COMPOSITION OF SALES VOLUME
2.3 million m³ in 2012



MCh$1,340,000

Revenues in 2012 were 83.2% up from the previous year

At the closing of 2012, 15 new service stations were under construction, among which it is worth noting the implementation of the first new on-the-road service station that will start its operation during the first half of 2013.

In the industrial customer market, Enex restructured its business lines based on the segments most significant to its activity, which allowed it to grow 10% in the volume of fuels sold to this segment, number which is four times higher than the growth of the diesel oil industry (2.4%) over this period.

In the market of lubricants, it supplemented its portfolio of products through the launching of Krynex antifreeze and coolant line and the incorporation of AdBlue additive for EURO IV and V diesel engines, and Rhenus lubricants.

In order to optimize its infrastructure and logistic chain, Enex acquired a stake in a new fuel storage plant located in Mejillones, implemented an Operational Control Center, expanded the capacity of clinical laboratories and developed a direct fuel import program.

2012 Results

In 2012, Enex's revenues amounted to Ch$1,340,623 million, 83.2% higher than the previous period. This increase is in part due to the fact that 2011 corresponds to only seven months of operations, but it also reflects the higher than market growth in the volume of deliveries, reaching 2.3 million cubic meters. 94% of dispatches corresponded to fuel.

The operational result totaled Ch$7,613 million, recording lower than sales growth, due mainly to the negative impact on net margins of the inventory sales valued at historical average value within a context of downward prices. Such operational result includes Ch$3,502 million in dividends from Sonacol.

The new strategic plan enabled Enex to grow in revenues and market share

The non-operational result was a loss of Ch$2,547 million, due mainly to the financial costs associated with bank debt, partially offset by financial revenues and earnings from related companies.

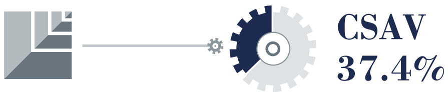
The net profit for the period was Ch$28,387 million. The income tax credit due to the goodwill arising from the merger between Enex and its parent company, coupled with the growth at operational level, significantly contributed to the bottom line.

2012 Milestones

- Higher market share in the retail business, reaching 17.7%.
- Higher than market growth in fuel sales to industrial customers.
- 72% of the service stations completely remodeled.
- Incorporation of Krynex, Adblue and Rhenus brands to the industrial product portfolio.

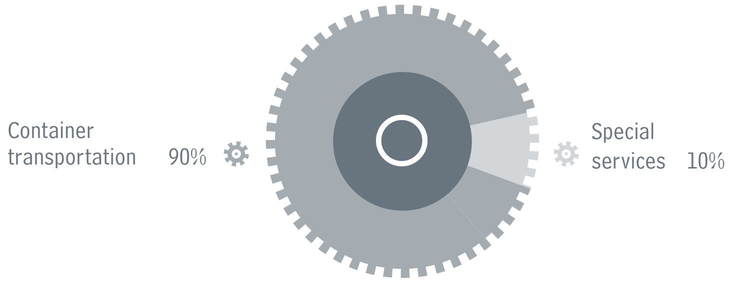
CSAV
SudAmericana de Vapores

Transport



COMPAÑIA SUD AMERICANA DE VAPORES (CSAV) is a global company based in Chile that has consolidated itself as the most important shipping company in Latin America and one of the 20 largest in the world, measured in terms of capacity. Founded in 1872, it is a stock company that trades its shares since 1893. It specializes mainly in container transport, although it offers other special services such as refrigerated, vehicle and bulk cargoes.

COMPOSITION OF 2012 CONSOLIDATED REVENUES



Time is movement

We contribute knowledge and infrastructure to be on time

Quiñenco entered CSAV's property in 2011. In February 2012, it subscribed US$547 million of a US$1,200 million-worth capital increase, reaching a stake of 37.44% in the company.

CSAV operates 30 line services across the five continents, with approximately 2 million TEUs carried in 2012. At the closing of the year, the fleet operated by CSAV is made up of 53 container vessels. In addition, the company had 25 subleased and 5 non-operated vessels.

The company operates through a commercial network with presence in more than 80 countries around the world, generating close to 85% of its total revenues with own shipping companies.

2012 Performance

During 2012, CSAV completed the profound restructuring process undertaken in the second quarter of 2011. The company reduced the size of its operations, focusing mainly on the most profitable routes, particularly in Latin America and the Caribbean, where CSAV has competitive advantages, and in some emerging markets with high growth expectations.

With the receipt of eight vessels during 2011 and 2012, CSAV completed an own fleet of 16 container ships, which accounts for 37% of the total fleet in terms of capacity, a significant improvement as compared with the 8% it maintained in early 2011.

Similarly, CSAV established joint operations with some of the world's main shipping companies, such as MSC and CMA-CGM, which allow it to obtain significant economies of scale in the operation of larger capacity vessels. CSAV currently operates 100% of its load in consortiums, as compared to a 30% prior to the restructuring process, thus reaching greater operational efficiency and a competitive cost structure.

37%

Own fleet at the end of 2012

2012 Results

CSAV's results in 2012 are the reflection of the new business model. Revenues were down by 28.4% to US$3,432 million, as a result of the lower volumes carried by container vessels. Net profits amounted to US$43 million, which compares positively to the US$835 million loss recorded in 2011, due to a significant cost reduction resulting from a greater operational efficiency.

CSAV reported an operational loss of US$191 million, accounting for an improvement of 82.7% as compared to the previous year, reflecting the higher gross margin as well as a 6.5% reduction in administrative and sales costs in keeping with the organizational downsizing. In addition, the year 2012 includes compensations received, while the year 2011 recorded a loss from the sale of a ship.

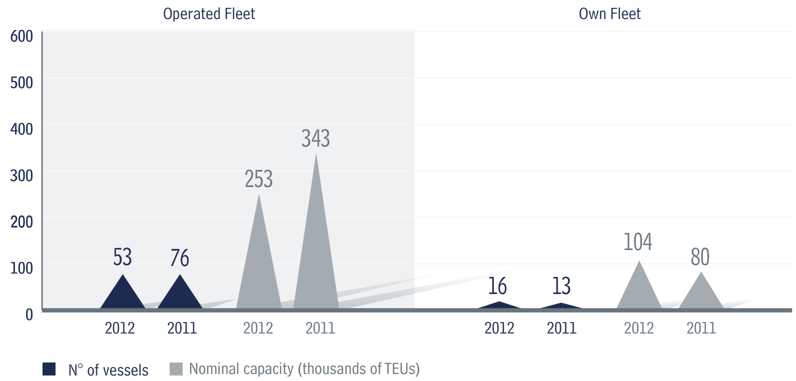
The non-operational result was a loss of US$49 million in 2012, higher than the US$11 million loss of the previous period. This variation is due mostly to exchange rate differences, lower profits from related companies and higher financial costs.

Loss from discontinued operations amounted to US$126 million after tax, 41.6% lower than that of 2011. This result corresponds to onerous contracts from subleased vessels and to cost provisions associated to excess fleet.

The new business model enabled CSAV to reverse the operational losses

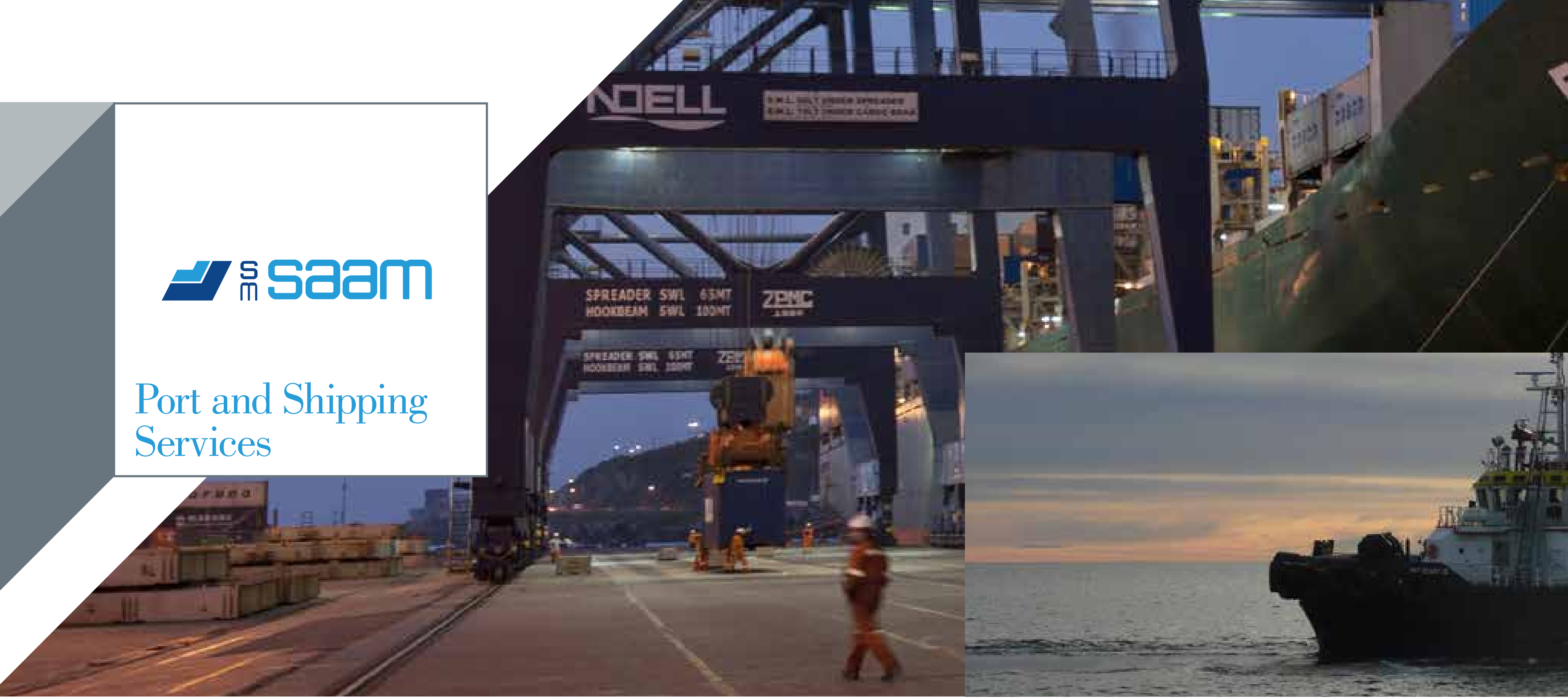
The final result for 2012 was a loss of US$314 million, a 74.9% increase as compared to 2011 driven by higher operational performance, lower losses from discontinued operations and an income tax credit resulting from the new corporate tax rate in force in Chile. The above was partially counteracted by a lower non-operational result.

CONTAINER SHIPPING SERVICES



2012 Milestones

- Profound restructuring.
- Capital increase of US$1,200 million.
- Operational downsizing.
- All services are now offered through joint operations.
- The company obtained profits in the second half of 2012 after seven quarters of negative numbers.



SM SAAM

Port and Shipping Services

SM SAAM 37.4% — SAAM 100.0%

SOCIEDAD MATRIZ SAAM S.A. (SM SAAM) is the company through which Quiñenco participates in SAAM, a company based in Chile that has become the Latin American leader in the delivery of comprehensive services to shipping companies, importers and exporters in the whole cargo movement process.

With presence in 12 countries and 64 ports from the United States to the Patagonia, SAAM provides ship and cargo services through three main business areas: Port Terminals, Tugboats and Logistic Services.

SM SAAM was established on February 15, 2012 as a result of the splitting of Compañía Sud Americana de Vapores. Its shares started to trade on the Chilean stock exchanges on March 1, 2012. In its initial public offering, the market assigned SM SAAM an approximate value of US$1,200 million, which remained relatively stable throughout the year. This good performance enabled the company to be incorporated to the IPSA (main Share Price Index) in 2013, which includes the 40 most heavily traded stocks of the Chilean market.

On time

Because punctuality is part of our service efficiency

2012 Performance

Toward 2017, SAAM expects to double the cash flow generation (EBITDA) of the three company divisions. To such end, it set itself the three following main objectives: maintain its position as the main port operator in South America; uphold its leadership in the United States and consolidate as the fourth largest global tugboat operator; increase the services provided to the oil and gas industries and integrate logistic services throughout the supply chain in the main markets of Latin America.

Within this context, in November SAAM started to operate the Maritime Terminal Mazatlán, on the Pacific coast of Mexico, through a 20-year term concession agreement that may be extended for another 12 years, which represents a great potential due to the upcoming inauguration of a highway that will give access to the northern industrial zone of the country. Likewise, it partnered with the Colombian groups ABOCOL and COMPAS to commercially operate Buenavista Port and to develop a comprehensive, large-scale logistic center, both in Cartagena de Indias.

In 2012, SAAM's fleet, including its subsidiaries and related companies totaled 126 tugboats in Latin America, eight of which were under construction. Five of them will be dedicated to cover the operations in Brazil, two in Mexico and one in Peru.

In the Logistic area, the company opened up a dockyard in Navegantes, Santa Catarina, Brazil to store and to repair containers, which provides services to CSAV and to other shipping companies that operate in the region. In order to anticipate future needs, it purchased lots to provide logistic support in Iquique and Santiago.

2012 Results

In 2012 SM SAAM obtained positive results, mainly reflecting the good operational performance of its subsidiary SAAM.

SAAM's revenues amounted to US$448 million in 2012, corresponding to tugboats (40.1%), logistic services (38.6%) and ports (21.3%). The

11
Port Terminals

126
Own Tugboats

3,185,000 m^2
Support areas and warehouses for logistic services

operational result was US$59.2 million, due mainly to the gross income from the tugboat area, followed by logistic and ports, partially offset by administrative and sales costs from SAAM, in addition to SM SAAM costs associated to its public offering.

SM SAAM's operational result was US$18.4 million in 2012, including the results of SAAM's related companies also present in the three business areas, mostly in ports and logistic services with a contribution in the amount of US$22.2 million. In total, considering the consolidated affiliates and the proportional contribution from related companies, SM SAAM's EBITDA was US$153.8 million in 2012. The non-operational result includes net financial costs and losses resulting from exchange rate differences.

SM SAAM's net profits amounted to US$59.5 million in 2012. The positive contribution of the three business areas, both on a consolidated basis and through its related companies was partially counteracted by income tax for the period.

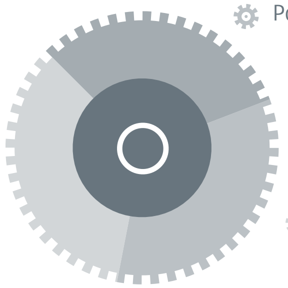
With new port operations in Mexico and Colombia, SAAM consolidated its leadership in Latin America

BUSINESSES IN:

64
PORTS

12
COUNTRIES

EBITDA BY BUSINESS*
MUS$153.8 in 2012



* Includes non-consolidated operations at their proportional value

2012 Milestones

- SAAM began operations in the Mazatlan maritime terminal on the Pacific coast of Mexico.
- Record of TEUs of cargo moved at the San Antonio International Terminal, totaling more than one million in 2012.
- Association with the Colombian groups ABOCOL and COMPAS to provide comprehensive port and logistic services in Cartagena de Indias, Colombia.
- SAAM began the operation of two tugboats in Puerto Cortés, Honduras, strengthening its presence in Central America incorporating a new country in the region.

Corporate Affairs

Dividend Policy

Quiñenco's Board of Directors will inform at the Annual Shareholders' Meeting to be held on April 30, 2013, that it has agreed to determine as its dividend policy the distribution of a definite cash dividend of at least 30% of the net profits for the period.

Dividends Paid

Dividend	Date	Dividend per share*	Total dividend *	Corresponding to year
No. 27 and 28	05-09-11	Ch$127.38586	ThCh$145,803,024	2010
No. 29 and 30	05-07-12	Ch$32.71133	ThCh$43,982,927	2011

* Historical figures

Shareholders

As of the close of 2012, subscribed and paid-in capital was divided into 1,344,577,775 shares. The twelve largest shareholders as of December 31, 2012 are:

Corporate ID	Shareholder	No. of shares	%
77.636.320-0	Andsberg Inversiones Ltda.*	504,866,002	37.55
59.039.730-k	Ruana Copper A.G. Agencia Chile*	255,946,677	19.04
78.306.560-6	Inmobiliaria e Inversiones Río Claro S.A.*	145,267,860	10.80
96.536.010-7	Inversiones Consolidadas S.A.*	129,988,779	9.67
84.177.300-4	Celfin Capital S.A. Corredora de Bolsa	100,404,904	7.47
76.884.110-1	Inversiones Río Claro Ltda.*	35,879,355	2.67
96.684.990-8	Moneda S.A.	19,692,103	1.46
96.871.750-2	Inversiones Salta S.A.*	19,121,268	1.42
98.000.100-8	A.F.P. Habitat S.A.	17,482,915	1.30
98.000.400-7	A.F.P. Provida S.A.	14,706,970	1.09
98.001.000-7	A.F.P. Cuprum S.A.	14,168,604	1.05
97.004.000-5	Banco de Chile on behalf of non-resident third parties	10,137,029	0.75
	Total	1,267,662,466	94.27

* Companies related to the Luksic group

Other Information as of 12.31.2012

No. of shares subscribed and paid-in	1,344,577,775
No. of shareholders	1,313

The shares issued and paid-in by Quiñenco S.A. are 81.3% the property of the companies Andsberg Inversiones Ltda., Ruana Copper A.G. Agencia Chile, Inversiones Orengo S.A., Inversiones Consolidadas S.A., Inversiones Salta S.A., Inmobiliaria e Inversiones Río Claro S.A. and Inversiones Río Claro Ltda. The Luksburg Foundation indirectly holds 100% of the social rights over Andsberg Inversiones Ltda., 100% of the social rights over Ruana Copper A.G. Agencia Chile and 99.76% of the shares in Inversiones Orengo S.A.

Andrónico Luksic Craig and family control 100% of the shares in Inversiones Consolidadas S.A. and Inversiones Salta S.A. Guillermo Luksic Craig and family control 100% of the shares in Inmobiliaria e Inversiones Río Claro S.A and Inversiones Río Claro Ltda. The company's controllers do not have a joint action agreement.

Transactions by the Company's Majority Shareholders

Year: 2012	Type of Transaction	No. of shares	Total amount traded ThCh$	Unit price Ch$
Andsberg Inversiones Ltda.	Purchase	113,557,125	141,946,406	1,250
Inversiones Río Claro Ltda.	Purchase	26,944,847	33,681,059	1,250

The majority shareholders did not engage in any share transactions in 2011.

Transactions by the Company's Managers and Main Executives

Year: 2012	Type of Transaction	No. of shares	Total amount traded ThCh$	Unit price Ch$
Luis Fernando Antúnez Bories (Executive)	Purchase	16,955	21,194	1,250

The company's managers and main executives did not engage in any share transactions in 2011.

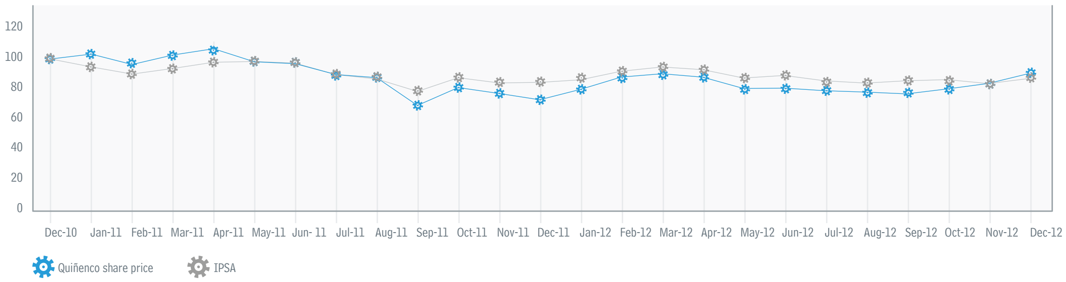
Stock Market Information

The following table shows quarterly statistics of transactions on the Santiago Stock Exchange over the last two years:

Period	Number of shares traded	Total amount traded (*) ThCh$	Average price (*) Ch$
2012			
1st Quarter	54,869,104	71,865,296	1,309.76
2nd Quarter	17,952,045	25,438,369	1,417.02
3rd Quarter	7,565,717	10,014,468	1,323.66
4th Quarter	8,200,025	11,631,483	1,418.47
2011			
1st Quarter	8,537,726	14,362,840	1,682.28
2nd Quarter	17,222,879	29,821,771	1,731.52
3rd Quarter	10,434,497	14,979,257	1,435.55
4th Quarter	16,843,316	21,201,647	1,258.76

(*) Historical figures

Share Price Trend Quiñenco vs. IPSA



Source: Monthly closing prices, Santiago Stock Exchange.

Property

The Quiñenco group's central offices are located in Santiago's El Golf sector on the street Enrique Foster Sur No. 20, Las Condes, where it owns and operates in approximately 2,500 m2 of offices.

Insurance Policies

Quiñenco has insurance policies with first class insurance firms for all of its relevant assets, buildings, machinery and vehicles, among others. The policies cover damages from fire, earthquakes and other contingencies.

Investment Policy

The majority of Quiñenco's resources are allocated to companies under its control, either directly or indirectly with a strategic partner. This policy does not exclude the possibility of making investments in additional companies or adding businesses that are related to those it already runs, so as to strengthen the group's growth potential.

The parent company is continually seeking investment opportunities in companies oriented toward the consumer market with well-known brands and in industries that it has experience in. In the past Quiñenco has formed alliances with strategic partners who contribute knowhow, financing and experience to the business. The company has not approved an investment plan.

Financing Policy

Quiñenco finances its activities and investments with the dividends and profit distributions from the companies that it participates in and with the funds obtained from the sale of assets and/or the issue of debt and equity.

The Company privileges long-term financing to maintain a financial structure that is in keeping with the liquidity of its assets and whose maturity profiles are compatible with the generation of cash flow.

Risk Factors

Quiñenco, its subsidiary companies and affiliates face the inherent risks of the markets and the economies that they participate in, both in Chile as well as abroad. These risks are reflected in the prices, costs and sales volumes of the products and services provided and commercialized.

Quiñenco is exposed to product price risks related mainly to its subsidiaries' inventories.

The Company mainly develops its business in Chile. For this reason, its operational results and financial position are to a great degree dependent on the general level of domestic economic activity. The Chilean economy is estimated to have grown by 5.6% in 2012. There is no certainty regarding how much the economy will grow in the future. The factors that could have an adverse effect on the Company's businesses and the results of their operations include future slowdowns in the Chilean economy, a return to high inflation and currency fluctuations.

In addition to its operations in Chile, some of the Company's industrial businesses also operate in and export to Argentina, Peru and other countries in Latin America and the rest of the world that have on various occasions been characterized by volatile economic, political and social conditions that are often unfavorable. The Company's business, results and assets can be affected in a significant and adverse way by events related to inflation, interest rates, currency fluctuations, government policies, price and salary controls, currency control regulations, taxes, expropriation, social instability and other political, economic or diplomatic events that might affect the countries that the Company operates in.

It is Quiñenco's opinion that its businesses face significant competition in the industries that they operate in. This is reflected in the prices, costs, and sales volumes of the products and services produced and commercialized by Quiñenco's businesses. While the Company expects - based on its past experience and its records - its businesses to be capable of continuing to successfully compete in their respective areas, there is no certainty that the competition will not continue to grow in the future, including a potential continued trend toward consolidation in some industries. Increased competition could impact the profit margins and operational results of Quiñenco's businesses, which could as a result cause significant adverse effects on the flow of dividends that Quiñenco receives from its businesses.

The Company, its subsidiaries, and the companies it has a participation in have historically required significant amounts of capital to finance their operations and to expand their businesses, which means that the management and expansion of their current businesses is directly related to access to capital. In the past, Quiñenco and its subsidiaries have satisfied their needs for capital with flows generated internally and/or by issuing debt or capital. However, there is no certainty regarding future availability of capital for the needs and growth expectations of Quiñenco, its subsidiary companies, and those it participates in. The impossibility of raising capital would hinder Quiñenco's capacity to expand its existing businesses and to undertake additional business ventures, and it could have a significant adverse effect on the Company's financial position and results.

In its condition as a holding company, Quiñenco's profits and its capacity to fulfill obligations to service debt and pay dividends mainly depend on the reception of dividends and distributions from its subsidiary companies, its equity investments and related companies. The payment of dividends on the part of these subsidiaries is under certain circumstances subject to restrictions and contingencies. In addition, Quiñenco's level of profit has depended on the occasional sale of assets or investments. There is no certainty that Quiñenco will be able to continue counting on the dividends or distributions by its subsidiaries and the companies it participates in, or that it will be able to generate profits from the sale of investments as it has done in the past.

Another risk factor has to do with interest rates. Part of the debt owed by Quiñenco or its subsidiaries is subject to variable interest rates, which could have a negative impact on the company during periods when said rates increase. There is also another risk involving foreign currency exchange rates, due to the fact that a percentage of the debt owed by the Company or its subsidiaries could be exposed to the risk of currency fluctuations.

A significant part of the Company's businesses are publicly traded companies whose capital value can vary depending on fluctuations in their market value. The value of the capital of Quiñenco's investments could be affected by drops in the Chilean and other countries' securities markets, such as the New York Stock Exchange, where CCU and Banco de Chile shares are traded. In addition, Quiñenco and its businesses could experience low transaction volumes, which could have a negative effect on the price and the liquidity of the shares.

In addition, the market value of the Chilean companies' shares is to a certain degree affected by the economic and market conditions in other countries with emergent and developed markets. While the economic conditions in those countries could vary significantly from the economic conditions in Chile, investors' reactions to the events in any of these countries could have an adverse effect on the market value of Chilean securities. There cannot be any certainty regarding whether or not the Chilean stock market will grow or maintain its profits, and that the market value of the Company's shares might not suffer adverse effects from events elsewhere.

Directors' Committee

Quiñenco S.A.'s Directors' Committee (the "Committee") was constituted at the Board of Directors Session held on May 6, 2010, during which the following Directors were appointed:

- Mr. Matko Koljatic Maroevic, independent director;
- Mr. Gonzalo Menéndez Duque, director related to the controller; and
- Mr. Hernán Büchi Buc, director related to the controller.

PERSONNEL QUIÑENCO AND SUBSIDIARIES

as of December 31, 2012

Company	Executives	Professionals and technical staff	Other workers	Total
Quiñenco	11	15	13	39
Banco de Chile	523	6,006	8,052	14,581
Madeco	59	702	2,169	2,930
Enex	11	423	88	522
Other Subsidiaries	12	52	19	83
Total	616	7,198	10,341	18,155

Affiliates	Total employees
CCU	6,480
CSAV	4,211
SM SAAM	3,936

Mr. Matko Koljatic Maroevic presides over the Committee, which met seven times during 2012.

Its sessions have been regularly attended by the Chief Executive Officer Mr. Francisco Pérez Mackenna, Chief Financial Officer Mr. Luis Fernando Antúnez Bories and Chief Counsel Mr. Manuel José Noguera Eyzaguirre.

During the fiscal year 2012 the Committee dedicated itself to discussing the issues indicated in Article 50 bis of the Corporations Law, following a predetermined calendar and having undertaken the following activities:

1. It examined the reports by external auditors. In Session No. 106 on March 27, 2012, the Committee was presented with the external auditors' report corresponding to fiscal year ended December 31, 2011, the balance sheet and the remaining financial statements as of that date, by management, which had already pronounced itself favorably toward them, prior to being presented to shareholders for approval. Likewise, in session No. 107, held on August 31, 2012, the Committee received the Limited Review Report on Quiñenco S.A. and Subsidiaries' Intermediate Consolidated Financial Statement as of June 30, 2012. In addition, in Session No. 110, on December 6, 2012, the Committee received the Internal Control Report that the independent auditors send to management.

2. In Session No. 105 on March 1, 2012 it proposed the auditors Ernst & Young Limitada to the Board so they could examine the company's accounting, inventory, balance sheet and other financial statements corresponding to fiscal year 2012 and give their professional and independent opinion on them. Likewise, in the event that an agreement cannot be reached with said company or it cannot provide its services, the company KPMG Auditores Consultores was proposed. At the same session the Committee also proposed hiring the following risk rating companies: (a) on a domestic level, Feller-Rate Clasificadora de Riesgo Limitada and ICR Compañía Clasificadora de Riesgo Limitada, and (b) on an international level, the company Standard & Poor's.

3. In Session No. 110 on December 6, 2012 it examined the remuneration system and compensation plans for managers and main executives.

4. It gave the Board a favorable report on the hiring of the external auditing firm Ernst & Young Limitada to provide the following professional services:

a) in Session N° 104 on January 5, 2012 to undertake the review and the analysis of the accounting mechanisms applied to the merger between Empresa Nacional de Energía Enex S.A. and its parent company Inversiones Río Aurum S.A., given that such merger had the particular characteristic of a parent company being absorbed by its subsidiary. Also, the drafting of a merger report for the purposes indicated above; and

b) in Session N° 105 on March 1, 2012, to undertake the accounting review and the impairment testing of the related company Compañía Sud Americana de Vapores S.A. and Sud Americana Agencias Aéreas y Marítimas S.A., task that also involved determining the fair value and the goodwill of those companies.

The aforementioned services are not part of the external audit that Ernst & Young Limitada was commissioned to do on Fiscal Year 2012 and they are not forbidden. After analyzing them, in each case the Committee resolved that said consulting work did not entail the risk of a loss of independence.

5. In Session No. 110 on December 6, 2012, the Committee received the report on the execution of the internal audit plan for 2012.

6. In Session No. 108 on September 6, 2012 the Committee examined the background information on the hiring of the related company Banchile Asesorías Financieras S.A. as one of the placement agents for the purchase of 660,474,972 shares issued by the subsidiary Madeco S.A., considering the payment of a success fee of US$50,000 in the event of materializing the purchase of at least 11.1% of the company's shares or of US$30,000 in the event of materializing the purchase of at least 5% of the above-mentioned shares. After analyzing the information the Committee resolved that said price conditions were in line with the prevailing market conditions at the time of approval and agreed to issue a favorable report in connection with said hiring.

The Committee did not incur any expenses during 2012 and did not consider it necessary to make any sort of recommendations to the company's shareholders.

Board Remunerations

In keeping with what was agreed at the Company's Annual Shareholders' Meeting, the amounts paid to the Directors in 2012 for per diem, profit sharing and other remunerations, respectively, were as follows:

Guillermo Luksic Craig ThCh$1,919, ThCh$95,003 and ThChM$710,881; Andrónico Luksic Craig ThCh$479, ThCh$95,003 and ThCh$594,550; Jean-Paul Luksic Fontbona ThCh$1,438, M$95,003 and M$0; Hernán Büchi Buc ThCh$3,354, M$120,762 and ThCh$0; Gonzalo Menéndez Duque ThCh$3,595, ThCh$120,838 and M$0; Matko Koljatic Maroevic ThCh$3,595, M$120,838 and M$0; and Fernando Cañas Berkowitz ThCh$3,595, ThCh$95,003 and ThCh$0. In addition the board members Hernán Büchi Buc, Gonzalo Menéndez Duque, and Matko Koljatic Maroevic received remunerations to compensate their service on the Directors' Committee in 2012 for a total of ThCh$6,258, M$6,829 and ThCh$6,829, respectively.

Expenses for Consulting Services to the Board of Directors

The Board's expenditure on consulting services totaled ThCh$ 46,642 in 2012.

Remuneration of Managers and Main Executives

The remunerations paid to the company's managers and principal executives during 2012 for salaries and performance bonuses totaled ThCh$5,285,439.

Incentives Plan

As of December 31, 2012 there was no long-term incentive plan for the Company's executives.

Severance Payments

In 2012, no severance payments were made to the Company's main executives.

Consolidated Financial Statements

As of December 31, 2012 and 2011

Contents

Figures expressed in:

Thousands of Chilean Pesos - (ThCh$)
Millions of Chilean Pesos - (MCh$)

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Report of Independent Auditors

To the
Shareholders and Directors of
Quiñenco S.A.:

We have audited the accompanying consolidated financial statements of Quiñenco S.A. and affiliates, which comprise the consolidated statements of financial position as of December 31, 2012 and 2011, and the consolidated comprehensive income statement, the consolidated statement of changes in equity and the consolidated statement of cash flows for the years then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in conformity with International Financial Reporting Standards; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free of 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 did not audit the financial statements of the associates Compañía Cervecerías Unidas S.A., Habitaria S.A., Foods Compañía de Alimentos CCU S.A., Sociedad Inversiones Aviación SIAV Ltda., SM SAAM S.A., Compañía Sud Americana de Vapores S.A. and Nexans S.A. as of December 31, 2012, nor the financial statements of the subsidiaries Compañía Cervecerías Unidas S.A., Habitaria S.A., Foods Compañía de Alimentos CCU S.A., Sociedad Inversiones Aviación SIAV Ltda., and Asfaltos Cono Sur S.A. as of December 31, 2011. These investments are recorded in the financial statements using the equity method and show total assets of ThCh$791,086,142 and ThCh$270,827,223 as of December 31, 2012 and 2011, respectively, and net accrued losses of ThCh$10,073,579 and ThCh$25,028,173 for the years then ended, respectively. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for these associates, is based solely on the report of the other auditors. We conducted 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 misstatement.

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 auditors' 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 entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. 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.

Building a better working world

Opinion

In our opinion, based on our audits and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Quiñenco S.A. and affiliates as of December 31, 2012 and 2011 and the results of their operations and their cash flows for the years then ended, in accordance with standards issued by the Superintendency of Securities and Insurance as described in Note 2.

Emphasis of Matter

The indirect subsidiary Banco de Chile is regulated by the Superintendency of Banks and Financial Institutions ("SBIF"), which has established a plan to gradually convert from Chilean generally accepted accounting principles ("Chilean GAAP") to International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). The Superintendency of Securities and Insurance ("SVS") has allowed companies with investments in banking subsidiaries, in preparing their consolidated financial statements as of December 31, 2012 and 2011, to use the information provided by such affiliates without making adjustments to comply with IFRS. Likewise, the SVS has established that any differences will be quantified in the financial statements to the extent the calculation is possible. Consequently, in Note 2 (b) of these consolidated financial statements, the differences between the SBIF standards and IFRS have been disclosed but not quantified. As of December 31, 2012 and 2011, we audited the financial statements of Banco de Chile and issued an unqualified opinion in accordance with the Compendium of Accounting Standards issued by the SBIF.

Eduardo Rodríguez B.

ERNST & YOUNG LTDA.

Santiago, Chile, March 26, 2013

Consolidated Statements of Financial Position

(Translation of consolidated financial statements originally issued in Spanish – see Note 2)

Assets Non-banking businesses	**Note**	**12/31/2012** **ThCh$**	**12/31/2011** **ThCh$**
Current assets			
Cash & cash equivalents	3	254,129,748	72,199,222
Other current financial assets	4	80,701,481	54,766,559
Other current non-financial assets	5	20,569,822	17,731,660
Trade debtors & other accounts receivable	6	136,833,092	137,856,723
Accounts receivable from related companies, current	7	4,104,704	134,353,204
Inventory	8	107,251,100	99,344,835
Current tax assets		14,599,893	13,888,291
Total current assets other than assets or groups of assets for disposal classified as held for sale or as held for distribution to the owners		618,189,840	530,140,494
Non-current assets other than assets or groups of assets for disposal classified as held for sale	9	5,104,349	2,184,897
Non-current assets or groups of assets for disposal classified as held for sale or as held for distribution to the owners		5,104,349	2,184,897
Total current assets		623,294,189	532,325,391
Non-current assets			
Other financial assets, non-current	10	88,477,247	275,968,851
Other non-financial assets, non-current	11	11,886,551	12,789,829
Accounts receivable, non-current		1,177,760	1,096,103
Accounts receivable from related companies, non-current	7	585,232	571,226
Investments booked using the equity method	12	814,805,990	342,141,199
Intangible assets other than goodwill	13	207,650,121	212,674,854
Goodwill	14	864,212,768	860,968,749
Property, plant & equipment	17	216,470,444	198,595,783
Investment properties	18	8,804,681	8,855,395
Deferred tax assets	19	33,776,696	32,009,477
Total non-current assets		2,247,847,490	1,945,671,466
Total non-banking services assets		2,871,141,679	2,477,996,857
Banking services assets			
Cash & bank deposits	39.5	684,924,459	881,147,190
Operations pending settlement	39.5	396,610,650	373,640,526
Trading instruments	39.6	192,723,255	301,770,496
Repurchase agreements & loans of securities	39.7	35,099,676	47,980,881
Financial derivative contracts	39.8	329,498,204	385,687,175
Due by banks	39.9	1,343,321,994	648,424,886
Customer loans & accounts receivable	39.10	18,326,136,622	16,993,301,484
Investment instruments available for sale	39.11	1,264,439,922	1,468,897,597
Investments in related companies	39.12	13,933,040	15,417,686
Intangible assets	39.13	34,288,966	35,516,296
Property, plant & equipment	39.14	205,189,430	207,887,384
Current taxes	39.15	2,683,809	1,407,209
Deferred taxes	39.15	127,143,466	116,282,214
Other assets	39.16	296,879,266	263,583,484
Total banking services assets		23,252,872,759	21,740,944,508
Total assets		26,124,014,438	24,218,941,365

The accompanying Notes 1 to 40 form an integral part of these consolidated financial statements.

Consolidated Statements of Financial Position

(Translation of consolidated financial statements originally issued in Spanish – see Note 2)

Equity and liabilities Non-banking businesses	Note	ThCh$ 12/31/2012	ThCh$ 12/31/2011
Current liabilities			
Other financial liabilities, current	20	162,237,771	71,573,486
Trade creditors & other accounts payable	21	124,806,181	120,037,510
Accounts payable to related companies, current	7	122,103	258,425
Other provisions, current	22	12,450,530	13,353,452
Current tax liabilities		6,361,125	5,120,295
Provisions for employee benefits, current	23	7,242,906	9,695,551
Other non-financial liabilities, current	24	46,835,548	33,654,305
Total current liabilities other than liabilities included in groups of assets for disposal classified as held for sale		360,056,164	253,693,024
Total current liabilities		360,056,164	253,693,024
Non-current liabilities			
Other financial liabilities, non-current	20	578,705,898	478,367,051
Other long-term provisions	22	17,111,493	16,277,525
Deferred tax liabilities	19	59,811,113	51,737,989
Provisions for employee benefits, non-current	23	21,791,723	21,236,705
Other non-financial liabilities, non-current	25	48,264,602	58,803,247
Total non-current liabilities		725,684,829	626,422,517
Total non-banking business liabilities		1,085,740,993	880,115,541
Banking services liabilities			
Current accounts and other demand deposits	39.17	5,399,848,402	4,830,588,620
Operations pending settlement	39.5	159,218,473	155,424,373
Repurchase agreements	39.7	226,396,014	223,201,947
Time deposits & other loans	39.18	9,610,686,877	9,280,608,020
Financial derivative contracts	39.8	380,322,171	429,913,404
Due to banks	39.19	1,108,680,229	1,690,937,343
Debt instruments issued	39.20	3,273,931,881	2,388,342,033
Subordinated obligation with Banco Central de Chile		483,194,548	533,860,872
Other financial obligations	39.21	159,031,818	182,869,597
Current taxes	39.15	25,898,858	4,532,775
Deferred taxes	39.15	27,629,580	23,213,378
Provisions	39.22	292,779,647	274,608,827
Other liabilities	39.23	302,182,309	266,839,902
Total banking services liabilities		21,449,800,807	20,284,941,091
Total liabilities		22,535,541,800	21,165,056,632
Equity			
Issued capital	27	855,336,413	655,423,658
Accumulated earnings		836,932,656	756,776,025
Share premium	27	50,151,431	21,811
Other reserves	27	151,299,061	147,718,716
Equity attributable to owners of the controller		1,893,719,561	1,559,940,210
Non-controlling interests		1,694,753,077	1,493,944,523
Total equity		3,588,472,638	3,053,884,733
Total equity & liabilities		26,124,014,438	24,218,941,365

The accompanying Notes 1 to 40 form an integral part of these consolidated financial statements.

Consolidated Statements of Comprehensive Income

(Translation of consolidated financial statements originally issued in Spanish – see Note 2)

Statement of income Non-banking businesses	**Note**	**01/01/2012 12/31/2012 ThCh$**	**01/01/2011 12/31/2011 ThCh$**
Income from ordinary activities	28 a)	1,653,895,018	1,055,401,400
Cost of sales		(1,434,776,088)	(888,814,051)
Gross margin		219,118,930	166,587,349
Other income by function		9,632,958	15,119,861
Distribution costs		(5,716,368)	(5,636,081)
Administrative expenses		(183,826,409)	(149,298,249)
Other expenses by function	28 b)	(11,196,609)	(10,024,592)
Other gains	28 c)	36,031,087	972,724
Net income from operating activities		64,043,589	17,721,012
Financial income		21,253,894	22,617,599
Financial costs	28 d)	(31,449,941)	(19,966,352)
Participation in earnings of associates & joint ventures booked using the equity method	12	(13,328,992)	(29,573,876)
Exchange differences		(3,099,726)	3,755,712
(Loss) from indexation adjustments		(12,243,753)	(10,981,328)
Net income (loss) before taxes		25,175,071	(16,427,233)
Charge for income taxes	19	6,088,829	1,010,844
Net income (loss) from continuing operations		31,263,900	(15,416,389)
Net income (loss) from discontinued operations	9	-	-
Net income (loss) from non-banking businesses		31,263,900	(15,416,389)

Banking services			
Interest & indexation income		1,661,465,421	1,494,766,173
Interest & indexation expense		(705,256,123)	(621,013,696)
Net interest & indexation income		956,209,298	873,752,477
Fee income	39.26	372,761,708	367,966,700
Fee expense	39.26	(65,509,498)	(59,192,902)
Net fee income	39.26	307,252,210	308,773,798
Net gain from financial operations	39.27	24,744,959	26,926,383
Net exchange gain (loss)	39.28	35,135,920	(7,973,679)
Other operating income	39.33	22,061,568	24,735,103
Allowance for credit risk	39.29	(188,188,644)	(124,840,856)
Total net operating income		1,157,215,311	1,101,373,226
Staff remuneration & expenses	39.30	(312,239,160)	(317,180,025)
Administrative expenses	39.31	(247,456,607)	(229,917,665)
Depreciation & amortization	39.32	(30,957,764)	(30,711,281)
Impairment	39.32	(898,173)	(631,266)
Other operating expenses	39.34	(42,506,008)	(35,662,178)
Total operating expenses		(634,057,712)	(614,102,415)
Operating income		523,157,599	487,270,811
Income (loss) from investments in related companies	39.12	(229,405)	3,300,409
Interest on subordinated debt with Banco Central de Chile		(73,709,381)	(81,295,137)
Net income before income tax		449,218,813	409,276,083
Income tax	39.15	(54,039,788)	(59,663,975)
Income from continuing operations		395,179,025	349,612,108
Banking services net income		395,179,025	349,612,108
Consolidated net income		426,442,925	334,195,719

Net income attributable to owners of the controller		139,642,577	87,965,846
Net income attributable to non-controlling interests		286,800,348	246,229,873
Consolidated net income		426,442,925	334,195,719

The accompanying Notes 1 to 40 form an integral part of these consolidated financial statements.

Consolidated Statements of Comprehensive Income

(Translation of consolidated financial statements originally issued in Spanish – see Note 2)

	01/01/2012 12/31/2012 ThCh$	01/01/2011 12/31/2011 ThCh$
Statement of comprehensive income		
Earnings	426,442,925	334,195,719
Components of other comprehensive income, before taxes		
Translation differences		
Gains (losses) from currency translation differences, before taxes	(5,252,532)	22,962,515
Other comprehensive income (loss), before taxes, currency translation differences	(5,252,532)	22,962,515
Financial assets available for sale		
Gains (losses) for new measurements of financial assets available for sale, before taxes	26,967,840	(40,561,295)
Other comprehensive income (loss), before taxes, currency translation differences	26,967,840	(40,561,295)
Cash flow hedges		
Gains from cash flow hedges, before taxes	5,081,136	938,119
Other comprehensive income, before taxes, cash flow hedges	5,081,136	938,119
Other comprehensive income, before taxes, (losses) from investments in equity instruments	(4,556,645)	-
Participation in other comprehensive income of associates & joint ventures booked using the equity method	(12,170,739)	(3,451,632)
Other components of other comprehensive income, before taxes	10,069,060	(20,112,293)
Income taxes related to components of other comprehensive income		
Income tax related to currency translation differences of other comprehensive income	(1,807,112)	1,303,866
Income tax related to financial assets available for sale of other comprehensive income	(6,375,065)	6,608,048
Income tax related to cash flow hedges of other comprehensive income	(175,735)	(192,189)
Sum of income taxes related to components of other comprehensive income	(8,357,912)	7,719,725
Other comprehensive income	1,711,148	(12,392,568)
Total comprehensive income	428,154,073	321,803,151
Comprehensive income attributable to:		
Owners of the controller	141,353,725	75,573,278
Non-controlling interests	286,800,348	246,229,873
Total comprehensive income	428,154,073	321,803,151

The accompanying Notes 1 to 40 form an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows

(Translation of consolidated financial statements originally issued in Spanish – see Note 2)

Statement of cash flows Cash flows provided by (used in) operating activities	**01/01/2012 12/31/2012 ThCh$**	**01/01/2011 12/31/2011 ThCh$**
Non-banking services		
Classes of collections from operating activities		
Proceeds of sales of assets & provision of services	1,811,807,867	1,008,282,307
Proceeds of royalties, quotas, commissions & other ordinary income	424,029	9,903
Proceeds of premiums, annuities & other policy benefits	254,209,938	118,854,492
Proceeds from other operating activities	192,691,123	117,731,037
Classes of payments		
Payments to suppliers of goods & services	(1,903,706,069)	(1,080,286,271)
Payments to & on behalf of employees	(54,449,459)	(39,972,938)
Other payments for operating activities	(253,077,100)	(121,743,466)
Net cash flow provided by operating activities	47,900,329	2,875,064
Income taxes refunded (paid)	1,744,142	(43,428,060)
Other cash inflows	913,013	3,307,134
Net cash flow provided by (used in) non-banking services operating activities	50,557,484	(37,245,862)
Banking services		
Consolidated earnings for the year	392,720,434	347,150,124
Charges (credits) to income not involving cash movement:		
Depreciation & amortization	31,855,937	31,342,547
Allowances for credit risk	226,882,598	147,129,119
Adjustment to market value of trading instruments	931,481	(1,241,515)
Net income from investment in related companies with significant influence	467,905	(3,054,404)
Net gain on sales of assets received in lieu of payment	(5,673,977)	(5,918,319)
Gain on sales of property, plant & equipment	(318,116)	(1,312,446)
Write-offs of assets received in payment	2,599,579	3,494,884
Other charges not involving cash movement	51,511,039	9,152,576
Net change in accrued interest, indexation & fees on assets & liabilities	4,048,838	(60,590,415)
Changes in assets & liabilities that affect operating cash flows:		
Net (increase) in due from banks	(695,376,137)	(298,022,819)
(Increase) in customer loans & accounts receivable	(1,529,338,155)	(3,056,032,756)
Net decrease in trading instruments	52,892,049	9,203,092
Increase in current account and other demand deposits	575,773,365	447,626,042
Increase (decrease) in repurchase agreements & loans of securities	(15,277,312)	196,821,128
Increase in time deposits & other loans	300,256,791	1,531,618,880
Increase in due to banks	119,780,930	14,843,773
Increase (decrease) in other financial obligations	(16,511,685)	11,491,317
Loans from Banco Central de Chile	20,240	91,302
Loans repaid to Banco Central de Chile (long term)	(56,135)	(105,831)
Foreign loans received at long term	325,247,140	805,594,111
Repayment of long-term foreign loans	(1,026,564,235)	(446,447,987)
Other long-term loans drawn	1,525,866	3,894,244
Repayments of other long-term loans	(7,362,853)	(9,811,109)
Provision for payment of subordinated obligation with Banco Central de Chile	73,709,381	81,295,137
Other	(6,445,050)	(8,201,080)
Sub total net cash flow (used in) banking services operating activities	(1,142,700,082)	(249,990,405)
Total net cash flow (used in) operating activities	(1,092,142,598)	(287,236,267)

The accompanying Notes 1 to 40 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

(Translation of consolidated financial statements originally issued in Spanish – see Note 2)

Cash flows provided by (used in) investing activities	Note	01/01/2012 12/31/2012 ThCh$	01/01/2011 12/31/2011 ThCh$
Non-banking services			
Proceeds of loss of control of subsidiaries or other businesses		-	12,605,147
Cash flows used to take over subsidiaries & other businesses		(371,117,613)	(485,432,335)
Cash flows used in the purchase of non-controlling interests		(18,101,721)	(119,661,388)
Other proceeds from sale of equity or debt instruments of other entities		298,993,448	722,838,621
Other payments to acquire equity or debt instruments of other entities		(341,423,911)	(397,340,978)
Loans to related companies		-	(123,976,300)
Proceeds of sale of property, plant & equipment		1,847,184	18,974,780
Purchases of property, plant & equipment		(33,720,274)	(15,343,821)
Purchases of intangible assets		(10,559)	(579,947)
Payments received from related companies		126,098,743	-
Dividends received		23,691,838	22,215,227
Interest received		22,796,735	17,745,416
Income taxes (paid)		-	(288,756)
Other cash inflows		7,481,639	33,095,448
Net cash flow (used in) non-banking investing activities		(283,464,491)	(315,148,886)
Banking services			
Net (increase) decrease in investment instruments available for sale		295,571,781	(460,773,043)
Purchases of property, plant & equipment		(17,982,544)	(22,072,909)
Sales of property, plant & equipment		399,970	1,710,642
Investments in related companies		(71,131)	-
Dividends received from investments in related companies		942,717	760,526
Sale of assets received in lieu of payment		9,510,186	10,220,668
Net decrease in other assets & liabilities		34,577,438	131,413,415
Other		(9,116,014)	(9,596,875)
Sub total net cash flow provided by (used in) banking services investment activities		313,832,403	(348,337,576)
Total net cash flow provided by (used in) investing activities		30,367,912	(663,486,462)
Cash flows provided by (used in) non-banking services financing activities			
Proceeds of share issuances		250,071,169	10,838,937
Proceeds of non-current loans		110,450,801	256,296,123
Proceeds of current loans		352,439,896	351,360,285
Total loan proceeds		462,890,697	607,656,408
Loans from related companies		-	(514,407)
Loan repayments		(274,430,089)	(359,660,885)
Payments of financial lease obligations		(4,112,715)	(1,724,630)
Dividends paid		(97,404,325)	(176,367,533)
Interest paid		(29,423,788)	(15,165,553)
Other cash (outflows)		(4,487,118)	(665,694)
Net cash flow provided by non-banking services financing activities		303,103,831	64,396,643
Banking services			
Redemption of mortgage-funding notes		(27,528,676)	(38,432,674)
Bonds issued		1,233,983,615	749,585,787
Bonds repaid		(389,382,235)	(109,624,023)
Payment of subordinated obligation with Banco Central de Chile		(124,341,764)	(122,377,393)
Issuance of shares		119,084,027	210,114,824
Dividends paid		(69,931,520)	(57,794,141)
Sub total net cash flow provided by banking services financing activities		741,883,447	631,472,380
Total net cash flow provided by financing activities		1,044,987,278	695,869,023
Net (decrease) in cash & cash equivalents, before the effect of changes in the exchange rate		(16,787,408)	(254,853,706)
Effects of variation in the exchange rate on cash & cash equivalents		(31,804,167)	(2,367,352)
Net (decrease) in cash & cash equivalents		(48.591.575)	(257,221,058)
Cash & cash equivalents at start of the year		1,515,518,444	1,772,739,502
Cash & cash equivalents at end of the year	(3c)	1,466,926,869	1,515,518,444

The accompanying Notes 1 to 40 form an integral part of these consolidated financial statements.

Statements of Changes in Equity

(Translation of consolidated financial statements originally issued in Spanish – see Note 2)

	Common Shares		Other reserves									
	Issued capital ThCh$	Share premium ThCh$	Revaluation surplus ThCh$	Reserves for exchange differences on translation ThCh$	Reserves for cash flow hedges ThCh$	Reserves for gains or losses on re-measurement of financial assets available for sale ThCh$	Other miscellaneous reserves ThCh$	Total Other Reserves ThCh$	Accumulated earnings (losses) ThCh$	Equity attributable to owners of the controller ThCh$	Non-controlling interests ThCh$	Total equity ThCh$
Initial balance current period 01/01/12	655,423,658	21,811	384,026	(21,174,547)	(285,716)	(19,905,229)	188,700,182	147,718,716	756,776,025	1,559,940,210	1,493,944,523	3,053,884,733
Restated initial balance	655,423,658	21,811	384,026	(21,174,547)	(285,716)	(19,905,229)	188,700,182	147,718,716	756,776,025	1,559,940,210	1,493,944,523	3,053,884,733
Changes in equity												
Comprehensive income												
Earnings	-	-	-	-	-	-	-	-	139,642,577	139,642,577	286,800,348	426,442,925
Other comprehensive income	-	-	-	(16,287,583)	1,962,601	20,592,775	(4,556,645)	1,711,148	-	1,711,148	-	1,711,148
Comprehensive income	-	-	-	(16,287,583)	1,962,601	20,592,775	(4,556,645)	1,711,148	139,642,577	141,353,725	286,800,348	428,154,073
Issuance of equity	199,912,755	50,129,620	-	-	-	-	-	-	-	250,042,375	-	250,042,375
Dividends	-	-	-	-	-	-	-	-	(59,485,946)	(59,485,946)	-	(59,485,946)
Increase (decrease) for changes in participation in subsidiaries that do not imply a loss of control	-	-	-	-	-	-	(5,814,222)	(5,814,222)	-	(5,814,222)	5,814,222	-
Increase (decrease) for transfers & other changes	-	-	-	-	-	-	7,683,419	7,683,419	-	7,683,419	(91,806,016)	(84,122,597)
Total changes in equity	199,912,755	50,129,620	-	(16,287,583)	1,962,601	20,592,775	(2,687,448)	3,580,345	80,156,631	333,779,351	200,808,554	534,587,905
Closing balance current period 12/31/12	855,336,413	50,151,431	384,026	(37,462,130)	1,676,885	687,546	186,012,734	151,299,061	836,932,656	1,893,719,561	1,694,753,077	3,588,472,638
Total changes in equity	642,057,300	13,279,113	384,026	(42,028,556)	(992,386)	14,048,018	140,283,815	111,694,917	753,521,138	1,520,552,468	1,205,222,876	2,725,775,344
Closing balance current period 12/31/11	642,057,300	13,279,113	384,026	(42,028,556)	(992,386)	14,048,018	140,283,815	111,694,917	753,521,138	1,520,552,468	1,205,222,876	2,725,775,344
Changes in equity												
Comprehensive income												
Earnings	-	-	-	-	-	-	-	-	87,965,846	87,965,846	246,229,873	334,195,719
Other comprehensive income	-	-	-	20,854,009	706,670	(33,953,247)	-	(12,392,568)	-	(12,392,568)	-	(12,392,568)
Comprehensive income	-	-	-	20,854,009	706,670	(33,953,247)	-	(12,392,568)	87,965,846	75,573,278	246,229,873	321,803,151
Issuance of equity	87,245	21,811	-	-	-	-	-	-	-	109,056	-	109,056
Dividends	-	-	-	-	-	-	-	-	(84,710,959)	(84,710,959)	-	(84,710,959)
Increase (decrease) for changes in participation in subsidiaries that do not imply a loss of control	-	-	-	-	-	-	47,630,313	47,630,313	-	47,630,313	(47,630,313)	-
Increase (decrease) for transfers & other changes	13,279,113	(13,279,113)	-	-	-	-	786,054	786,054	-	786,054	90,122,087	90,908,141
Total changes in equity	13,366,358	(13,257,302)	-	20,854,009	706,670	(33,953,247)	48,416,367	36,023,799	3,254,887	39,387,742	288,721,647	328,109,389
Closing balance current period 12/31/11	655,423,658	21,811	384,026	(21,174,547)	(285,716)	(19,905,229)	188,700,182	147,718,716	756,776,025	1,559,940,210	1,493,944,523	3,053,884,733

The accompanying Notes 1 to 40 form an integral part of these consolidated financial statements.

Note 1 – Corporate information

(a) Information on the entity

Quiñenco S.A. (hereinafter "Quiñenco" or "the Company") is a public corporation, tax ID 91.705.000-7, located at Enrique Foster Sur 20, Las Condes, Santiago. The Company is registered in the Securities Register, number 0597 and is subject to the regulatory authority of the Superintendency of Securities and Insurance (hereinafter the "SVS").

These consolidated financial statements have been approved by the Board of the Company at its meeting held on March 26, 2013.

(b) Description of operations and principal activities

The Company mainly has investments in the industrial and financial services sectors in different areas of the Chilean economy. The Company provides banking and financial services through the indirect subsidiary Banco de Chile (hereinafter "the Bank"); produces and sells soft drinks, wine, beer and other beverages through the indirect associate company Compañía Cervecerías Unidas S.A. (hereinafter "CCU"), an investment booked under the equity value method through Inversiones y Rentas S.A.; manufactures copper and aluminum products and flexible packaging through the subsidiary Madeco S.A. (hereinafter "Madeco"); participates in the distribution and sale of products and services in the areas of fuels and lubricants, through the subsidiary Enex S.A. (hereinafter "Enex"); and has a participation in the shipping business and services to vessels and cargo, through Compañía Sud Americana de Vapores S.A. (hereinafter CSAV) and SM SAAM S.A. respectively, investments booked under the equity method.

The industries where the Company operates are detailed as follows:

Financial services: Quiñenco has an indirect shareholding in the Bank through its 50.00% holding of the share capital, as of December 31, 2012 and 2011, of the subsidiary LQ Inversiones Financieras S.A. (hereinafter "LQIF"). LQIF is a company formed by Quiñenco in 2000 in order to channel its investments in the financial sector. Since 2001, its principal investment is its controlling shareholding in Banco de Chile, one of the largest financial institutions in Chile.

As of December 31, 2012 and 2011, LQIF is the holder of 33.25% and 31.81% respectively of Banco de Chile. As of December 31, 2012 and 2011, LQIF is the holder of 58.24% of the holding company Sociedad Matriz del Banco de Chile S.A. (hereinafter "SM Chile") which holds 13.50% directly and 31.81% indirectly through its subsidiary Sociedad Administradora de la Obligación Subordinada SAOS S.A. (hereinafter "SAOS"). In all, LQIF has a direct and indirect participation in Banco de Chile of 59.86% and 59.32% as of December 31, 2012 and 2011 respectively.

As of December 31, 2012 and 2011, LQIF holds 39.76% and 39.51% respectively of the dividend rights in the Bank.

Beverages and food: The Company has an indirect shareholding in CCU through the ownership of 50% of Inversiones y Rentas S.A. ("IRSA"). IRSA is a joint venture with the Dutch brewery group Heineken Americas B.V. ("Heineken"). As a result, Heineken holds 50% of IRSA and is thus a partner of Quiñenco, being the joint controllers of 66.11% of CCU.

Manufacturing: Madeco is a regional manufacturer of copper and aluminum based products such as pipes and sheets, used mainly in the construction, mining, energy and industrial sectors. Madeco also makes flexible packaging for mass-consumed products through its subsidiaries in Chile, Argentina (Aluflex S.A.), Peru (Peruplast S.A.) and Colombia (Empaques Flexa S.A.S.). Madeco also is a shareholder in Nexans (hereinafter "Nexans") France.

As of December 31, 2012 and 2011, Quiñenco is the shareholder of 55.40% and 54.44% respectively of the share capital of Madeco.

Note 1 – Corporate information (continued)

(b) Description of operations and principal activities (continued)

Fuels and Lubricants: As of May 2011, Quiñenco has an indirect participation of 100% in the subsidiaries Enex S.A.C. e I., Inversiones Enex S.A. and Enex Trading Chile S.A., whose main activity is the distribution and sale of products and services in the areas of fuels and lubricant for motor vehicles, industry, aviation and shipping, asphalts (bitumen) and chemicals.

Transport: As of March 2011, and following successive purchases, Quiñenco has a 37.44% participation in the associate Compañía Sud Americana de Vapores S.A. (CSAV), a company that is mainly involved in shipping. On February 15, 2012, CSAV was split and from it Sociedad Matriz SAAM S.A. ("SM SAAM") was established, the holder of approximately 99.99% of the shares of Sudamericana Agencias Aéreas y Marítimas S.A. ("SAAM"), a closely-held corporation that provides services related to shipping, mainly the ports business, tugboats and logistics. Quiñenco has a 37.44% shareholding in the associate SM SAAM.

(c) Employees

The following table shows the number of employees of Quiñenco and its subsidiaries:

December 31, 2012	**No. of employees**
Quiñenco	39
Banco de Chile	14,581
Madeco	2,930
Enex	522
Other subsidiaries	83
Total employees	**18,155**

December 31, 2011	**No. of employees**
Quiñenco	39
Banco de Chile	14,129
Madeco	2,313
Enex	419
Other subsidiaries	85
Total employees	**16,985**

Note 2 – Principal Accounting Criteria Applied

(a) Period covered

These consolidated financial statements cover the following periods:
- Statements of financial position: as of December 31, 2012 and 2011.
- Statements of comprehensive income, cash flows and changes in equity; for the years ended December 31, 2012 and 2011.

Note 2 – Principal Accounting Criteria Applied (continued)

(b) Basis of preparation

The information contained in these consolidated financial statements is the responsibility of the Company's board of directors, which expressly states that the principles and criteria have all been fully applied as included in International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board (IASB), with the following exceptions:

Banco de Chile and SM Chile, subsidiaries[1] of LQ Inversiones Financieras S.A., are regulated by the standards established by the Superintendency of Banks and Financial Institutions ("SBIF") which has set a gradual convergence plan from accounting principles generally accepted in Chile ("Chilean GAAP") and the standards and regulations of the SBIF to IFRS. These banking subsidiaries have therefore only partially adopted the IFRS through the application of the Compendium of Accounting Standards ("Compendium of Standards") issued by the SBIF, thus generating the following deviations:

- Allowances for credit risk: The Bank currently considers in its allowances model both estimated and incurred losses, as established by the SBIF. This SBIF model differs from IFRS as the latter only considers losses incurred; this could generate possible adjustments for this concept.

- Impaired loans: The present SBIF treatment states that financial income can no longer accrue to income. Under IFRS, the financial asset is not written off, an allowance is made for impairment, and interest is generated based on the interest rate used for discounting the cash flows, therefore not considering the suspension of booking of revenue.

- Assets received in payment ("ARP"): The present treatment considers the lesser of their initial value plus any additions and their net realizable value. Assets that have not been disposed of within a year are written off gradually over an additional period established by the SBIF. Under IFRS the write-off of the assets is not considered while they have an economic value.

- Business combinations - goodwill: As established by the SBIF, assets originating until December 31, 2008 with respect to goodwill will maintain the original valuation criteria used in 2008, i.e. will be amortized until its extinction. Goodwill that has been extinguished will not return to assets.

In view of the magnitude and complexity of the banking operations of the subsidiary Banco de Chile, the management of LQIF has adopted the provisions of SVS Circular 506 of February 13, 2009 which establishes that differences between the Compendium of Standards and IFRS shall only be quantified to the extent that it is possible to make the calculation.

The SVS has set out a gradual convergence plan from Chilean GAAP and the regulations of the SVS to IFRS. In this context, the indirect subsidiary Banchile Seguros de Vida S.A. (hereinafter "Banchile Vida") has prepared its financial statements in accordance with IFRS from January 1, 2012. In accordance with Circular 2022, Banchile Vida prepares its non-comparative financial statements in the first year of application of IFRS. Consequently and for the purposes of the comparative preparation of these consolidated financial statements, the figures of Banchile Vida for the year 2011 have been considered as prepared in accordance with Chilean GAAP and the regulations of the SVS.

The specific provisions for corporations contained in Law 18,046 and its regulations have also been considered.

For comparison purposes, the Company and its subsidiaries have made minor reclassifications to their annual financial statements as of December 31, 2011 which do not affect their interpretation.

For the convenience of the reader these financial statements have been translated from Spanish to English

[1] For IFRS purposes, "subsidiary" is any company in which the Parent Company has more than a 50% control with voting rights, or a 50% equity ownership, or can elect or designate the majority of its directors or administrators, therefore, it is equivalent to the concept of "affiliate" established in Article 86 of Law 18,046 of the Corporations Law.

Note 2 – Principal Accounting Criteria Applied (continued)

(c) IFRS standards and Interpretations of the IFRS Interpretations Committee

The IFRS improvements and modifications and their interpretations that have been published in the year are detailed as follows. At the date of the issuance of these consolidated financial statements, these standards have not yet become effective and the Company and its subsidiaries have not adopted them in advance. These will be of mandatory application from the dates shown below:

	New Standards	Mandatory application
IFRS 9	Financial instruments: Classification & measurement	January 1 , 2015
IFRS 10	Consolidated financial statements	January 1 , 2013
IFRS 11	Joint agreements	January 1 , 2013
IFRS 12	Disclosures of participations in other entities	January 1 , 2013
IFRS 13	Measurement of fair value	January 1 , 2013
	Improvements and Modifications	**Mandatory application**
IFRS 7	Financial instruments: disclosures	January 1, 2013
IAS 19	Employee benefits	January 1, 2013
IAS 27	Separate financial statements	January 1, 2013
IAS 28	Investments in associates & joint ventures	January 1, 2013
IAS 32	Financial instruments: presentation	January 1, 2013 January 1, 2014
IAS 34	Interim financial information	January 1, 2013

The Company's management believes that the adoption of the above new regulations, improvements and amendments will have no significant effects on its consolidated financial statements on their first application.

Note 2 – Principal Accounting Criteria Applied (continued)

(d) Basis of consolidation

These consolidated financial statements include the assets, liabilities, income and cash flows of the Company and its subsidiaries. The effects of significant transactions with the subsidiary companies have been eliminated and the participation of the non-controlling investors is shown in the statement of financial position and statement of comprehensive income in the account Non-controlling interests.

The subsidiaries whose financial statements have been included in the consolidation are the following:

Tax ID	Name of Subsidiary	Country of origin	Functional currency	Percentage participation 12/31/2012			12/31/2011
				Direct	Indirect	Total	Total
-	Excelsa Establishment	Liechtenstein	USD	99.9900	0.0100	100.0000	100.0000
96.611.550-5	VTR S.A.	Chile	CLP	99.9999	0.0001	100.0000	100.0000
76.077.048-5	Inversiones VTR Sur S.A. & Subsidiary	Chile	CLP	99.9999	0.0001	100.0000	100.0000
95.987.000-4	Inversiones Río Grande S.p.A. & Subsidiaries	Chile	CLP	99.9898	0.0102	100.0000	100.0000
91.527.000-K	Empresa El Peñón S.A. & Subsidiary	Chile	CLP	97.5359	-	97.5359	97.5359
87.011.000-6	Inv. O'Higgins Punta Arenas Ltda. CPA & Subsidiary	Chile	CLP	75.5579	-	75.5579	75.5579
96.929.880-5	LQ Inversiones Financieras S.A. & Subsidiaries	Chile	CLP	47.3520	2.6480	50.0000	50.0000
91.021.000-9	Madeco S.A. & Subsidiaries	Chile	USD	36.1944	19.2078	55.4022	54.4436
91.000.000-4	Industria Nacional de Alimentos S.A. & Subsidiary	Chile	CLP	71.9512	27.9751	99.9263	99.9263
77.253.300-4	Inversiones Río Bravo S.A. & Subsidiaries	Chile	CLP	66.8116	33.1884	100.0000	100.0000
96.657.700-2	Inversiones Ranquil S.A.	Chile	CLP	99.9975	0.0007	99.9982	99.9982
76.136.898-2	Inversiones Río Argenta S.A. & Subsidiary	Chile	CLP	99.9999	0.0001	100.0000	100.0000

The subsidiaries Madeco and LQIF are registered in the Securities Register under the numbers 251 and 730 respectively, and are subject to the regulatory authority of the SVS.

The subsidiary Banchile Vida, included in the consolidated financial statements of Quiñenco S.A., is subject to the regulatory authority of the SVS.

The subsidiary LQIF is included in the consolidated financial statements as Quiñenco controls the subsidiary by having the majority of the members of the board, a situation which in the management's opinion should not change in the short term. The subsidiaries Banco de Chile and SM Chile are included in the consolidated financial statements of LQIF and are subject to the regulatory authority of the SBIF.

The subsidiaries Enex, Inversiones Enex and Enex Trading are included in the consolidated financial statements of Inversiones Río Argenta S.A. and subsidiaries.

Note 2 – Principal Accounting Criteria Applied (continued)

(e) Use of estimates

Certain estimates have been used by the management of Quiñenco and its respective subsidiaries in the preparation of the consolidated financial statements, in order to quantify some of the assets, liabilities, revenues, expenses and commitments that appear in them. These estimates refer basically to:

The valuation of assets and goodwill for determining any losses through impairment.

- The assumptions made in the actuarial calculation of liabilities and obligations with employees.

- The useful lives and residual values of property, plant and equipment and intangible assets other than goodwill.

- The assumptions used for the calculation of fair value of financial instruments.

The assumptions used for calculating estimates of the recoverability of trade debtors and accounts receivable from customers.

- The assumptions used for calculating estimates of inventory obsolescence.

- The probability of occurrence and the amount of liabilities of uncertain amount or that are contingent.

The determination of the fair value of non-financial assets for assessing impairment.

- The recoverability of deferred tax assets based on estimates of future results. This recoverability depends in the last instance on the Company's capacity to generate taxable income throughout the year in which the deferred tax assets are deductible. In the analysis, the year is taken into account in the reversal of deferred tax liabilities, and the estimates of taxable benefits, on the basis of internal projections that are updated to reflect the most recent trends. The determination of the suitable classification of taxable items depends on various factors, including the estimate of the time and realization of the deferred tax assets and the expected moment of the tax payments. The actual flows of receipts and payments of income tax may differ from the estimates made by the Company as a consequence of changes in fiscal legislation or unforeseen future transactions that might affect the tax balances.

Although these estimates have been made as a function of the best available information at the time of the issuance of these consolidated financial statements, it is possible that events may occur in the future that cause them to be modified (up or down) in following years, which would be done prospectively, recognizing the effects of the change of estimate in the corresponding future consolidated financial statements.

Note 2 – Principal Accounting Criteria Applied (continued)

(f) Presentation of the consolidated financial statements

Statement of Financial Position

The Company and its subsidiaries have determined a mixed presentation format of their consolidated statement of position as follows:

(f1) Quiñenco, its non-banking subsidiaries and principal associates operate in the businesses of food and beverages, manufacturing and fuels and lubricants in which there is a similar operating cycle between them. They have therefore chosen a presentation format based on present value (classified).

(f2) The banking subsidiaries have no clearly-defined operating cycle and have chosen a liquidity format as required by the SBIF.

Statements of Comprehensive Income

Quiñenco and its subsidiaries show their classified statements of income by function. However, considering that the industrial sector shows differences in the classification of their operations with the business of the banking sector, the Company has opted to show the businesses of the industrial sector grouped, and of the banking entities separately.

Statements of Cash Flows

The SBIF requires banking institutions to prepare the statement of cash flows under the indirect method. Consequently, Quiñenco has chosen to show its consolidated statement of cash flow by a mixed presentation, direct method for the industrial sector and indirect method for the banking sector.

(g) Functional currency and foreign currency translation

These consolidated financial statements are shown in Chilean pesos, the Company's functional and presentational currency.

Each subsidiary determines its own functional currency and the items included in the consolidated financial statements are measured using that functional currency.

The functional currency of the operations of CCU, Banco de Chile and Enex is the Chilean peso.

The functional currency of the operations of the associates CSAV and SM SAAM and of the subsidiary Madeco is the US dollar. At the date of this report, the assets and liabilities of these companies are translated to Quiñenco's presentation currency (Chilean pesos) at the exchange rate on the date of the statement of financial position, but the statements of comprehensive income and cash flows are translated at the average exchange rate of each month. Exchange differences arising from the translation are taken directly to a separate component of equity under Other reserves.

Transactions in a currency other than the functional currency are considered to be in foreign currency, and are initially booked at the exchange rate of the functional currency on the date of the transaction. Assets and liabilities in foreign currency are translated at the exchange rate of the functional currency on the date of the statement of financial position. All the differences are shown as a charge or credit to comprehensive income.

Net differences in foreign currency arising from investment or hedging operations of a foreign entity are controlled directly in equity until the disposal of the investment when they are shown as a charge or credit to comprehensive income. The income for taxes and credits attributable to these operations are shown as a charge or credit to equity until the disposal of the investment.

Note 2 – Principal Accounting Criteria Applied (continued)

(g) Functional currency and foreign currency translation (continued)

Any goodwill purchased and adjustment to fair value of the book value of assets and liabilities that arise from the acquisition of a foreign currency are treated as assets and liabilities of the foreign operation and are converted to Chilean pesos at the closing date of the financial statements. Non-monetary items measured in terms of historic cost in foreign currency are converted using the exchange rates on the date when the fair value was determined.

Assets and liabilities shown in Unidades de Fomento ("U.F." -Chilean peso-denominated, inflation-indexed monetary unit) are shown at the closing value of the U.F. on the date of the statement of financial position, as published by the National Institute of Statistics (I.N.E.).

(h) Inventory

The subsidiary companies value inventory at the lower of cost and net realization value. The cost price (basically the weighted average cost) includes the costs of direct materials and, if appropriate, personnel costs, the indirect costs incurred in transforming the raw materials into finished products and general expenses incurred in transferring the inventory to their location and present conditions.

The net realization value represents the estimated sale price less all termination costs and costs to be incurred in the marketing, sale and distribution processes.

Trade discounts, rebates obtained and other similar items are deducted in the determination of the cost price.

The subsidiaries evaluate the net realization value of inventory at the end of each year, booking an estimate as a charge to comprehensive income when these are overvalued. When the circumstances that previously caused the reduction have ceased to exist, or when there is clear evidence of increase in the net realization value due to a change in economic circumstances or prices of the principal raw materials, the previously-made estimate is modified.

(i) Property, plant and equipment

(i1) Cost

The elements of property, plant and equipment are valued initially at cost, which includes the purchase price, import duties and any cost directly attributable to placing the asset in an operating condition for its destined use.

The elements of property, plant and equipment that are built (work in progress) may include the following accrued concepts during the construction period:

(i) Financial expenses related to the external financing directly attributable to the acquisition or production, whether of a specific or generic nature.

Regarding generic financing, the capitalized financial expenses are obtained by applying a capitalization rate that will be determined with the weighted average of all the financial costs of the entity on the loans that have been outstanding during the year.

(ii) Personnel expenses and others of an operative nature effectively used in the construction of the property, plant and equipment.

After the initial booking, the elements of property, plant and equipment are reduced by accumulated depreciation and any accumulated loss of value.

Note 2 – Principal Accounting Criteria Applied (continued)

(i) Property, plant and equipment (continued)

(i1) Cost (continued)

The costs of expansion, modernization or improvements that represent an increase in productivity, capacity or efficiency or an increased useful life, are capitalized by increasing the value of the assets.

Expenses in repairs, conservation and maintenance are booked as a charge or credit to comprehensive income at the time they are incurred.

This heading also includes investments made in assets acquired under leasing agreements with an option to purchase, that have the characteristics of financial leasing. These do not legally belong to the Company until it exercises the purchase option.

The resultant gain or loss on the disposal or retirement of an asset is calculated as the difference between the proceeds of the disposal and the book value, which is charged or credited to comprehensive income for the year.

(i2) Depreciation

Depreciation is calculated using the straight-line method, by the distribution of the cost of acquisition corrected by the estimated residual value between the estimated useful life of each of the elements, as follows:

Group of assets	**Estimated useful years of life**
Buildings & infrastructure	20 to 70
Installations	5 to 33
Machinery & equipment	5 to 40
Engines & equipment	7
Other property, plant & equipment	2 to 10

Land is shown separately from the buildings or installations and it is understood that it has an infinite useful life and is therefore not subject to depreciation.

The depreciation of property, plant and equipment under construction starts when the assets are ready to be used.

(j) Investment properties

Investment properties are shown as the net value of land, buildings and other construction held for exploitation in rental or to obtain a gain on their sale as a consequence of future increases that may occur in the respective market prices. These assets are not used in the businesses and are not intended for own use.

They are initially valued at cost, which includes the acquisition price or cost of production plus expenses incurred that are directly assignable. They are later valued at cost less accumulated depreciation and possible accumulated allowances for impairment of value.

Note 2 – Principal Accounting Criteria Applied (continued)

(k) Non-current assets or groups of assets for disposal classified as held for sale

Non-current assets whose book value is recovered through a sale transaction and not through their continual use are classified as available for sale and discontinued operations. This condition is considered to be met only when the sale is highly probable and the asset is available for immediate sale in its present condition.

The sale is foreseen to be completed within a year from the date of classification.

These assets are valued at the lower of book value and fair value less the cost of the sale.

(l) Income recognition

Income is recognized to the extent that it is probable that the economic benefits will flow to the Company and subsidiaries and can be reliably measured. Revenues are measured at the fair value of the payment received, excluding discounts, rebates and other sales taxes or duties. The following specific criteria should also be followed before booking revenue:

(l1) Sale of goods

The proceeds of the sale of goods are booked when the risks and significant benefits of ownership of the goods have been transferred to the buyer, generally on the delivery of the goods.

(l2) Services revenue

Ordinary income related to the provision of services is booked considering the degree of completion of the service as of the date of the statement of financial position, provided the income of the transaction can be estimated reliably.

(l3) Financial income

The income (except for financial assets held for trading) is booked as the interest is accrued as a function of the capital outstanding and the applicable interest rate.

(l4) Dividends

Revenue is booked when the Company and its subsidiaries have the right to receive the payment.

(m) Investments in subsidiaries (combination of businesses)

Combinations of businesses are adjusted using the purchase method. This involves booking the identifiable assets (including intangible assets not previously booked) and liabilities (including contingent liabilities and excluding future restructurings) of the business acquired at its fair value.

Combinations of businesses acquired prior to March 2001 are shown at their proportional value considering the book values of each subsidiary.

Note 2 – Principal Accounting Criteria Applied (continued)

(n) Investments booked using the equity method

The Company and its subsidiaries value their investments in associates[2] using the equity method. An associate is an entity in which the Company has significant influence.

Under this method, the investment is shown in the statement of financial position at cost plus changes following the acquisition in proportion to the net equity of the associate, using the percentage participation in the capital of the associate for this. The goodwill in associates is included in the book value of the investment and is not amortized. The charge or credit to income reflects the proportion in the income of the associate.

Equity changes of the associates are shown proportionately as a charge or credit to Other reserves and classified according to their origin and, if the case, shown in the statement of changes in equity.

The reporting dates and the accounting policies of the associate and of the Company are similar to equivalent transactions and events under similar circumstances.

Should the significant influence be lost or the investment be sold or become available for sale, the equity method is discontinued, suspending the booking of proportional income.

Investments in associates acquired prior to December 31, 2007 (before IFRS 1) have been valued at their equity value calculated on the book values of the associate.

As the indirect associate Nexans S.A., an investment held through the subsidiary Madeco S.A., does not prepare interim financial statements at March 31 and September 30 each year, in order to book the investment on those dates, the financial statements published by that company at the accounting date immediately prior are used, i.e. December 31 and June 30 respectively.

(o) Investments in joint ventures

Joint ventures are contractual agreements whereby two or more parties (partners or shareholders) carry on an economic activity that is subject to a joint control. Joint control exists when decisions relating to operative and financial activities require the unanimous agreement of the parties. A joint-venture entity involves the establishment of a company or other entity in which the group of shareholders have participation according to their ownership.

The income, assets and liabilities of the joint venture are incorporated in the consolidated financial statements using the equity-value method, producing an identical treatment to the investment in associates.

Investments in joint ventures acquired prior to December 31, 2007 have been valued at their equity value calculated on the book values of the joint venture.

The investments which, due to their characteristics, have been defined as joint ventures are the following:

(i) Inversiones y Rentas S.A. (parent of CCU)
(ii) Habitaria S.A.
(iii) Foods Compañía de Alimentos CCU S.A.
(iv) Transportes y Servicios Aéreos S.A.
(v) Inmobiliaria El Norte y El Rosal S.A.
(vi) Asfaltos Conosur S.A.

[2] For IFRS purposes, an associate relates to any investment in an entity in which the investor holds more than 20% of the capital with voting rights or of the capital or has a significantly influence over the entity. It is therefore equivalent to the concept of “coligada” as defined in article 87 of the Corporations Law 18,046.

Note 2 – Principal Accounting Criteria Applied (continued)

(p) Financial Instruments – Initial booking and subsequent measurement

Management determines the classification of its financial assets when initially booked. Financial assets within the scope of IAS 39 are classified as financial assets for trading (fair value through income), loans and accounts receivable, investments held to maturity or financial assets available for sale. The Company and its subsidiaries have defined and valued their financial assets in the following manner:

(p1) Financial assets held to maturity

These are valued at amortized cost, and correspond to non-derivative financial assets with fixed and determinable payments and fixed maturity, whose intention and capacity is to hold them until their maturity. These assets are classified as current assets except for those whose maturity is over one year, which are shown as non-current assets. These investments in their initial booking are not designated as financial assets at fair value through income or as available for sale, and do not meet the definition of loans and accounts receivable.

The Company and its subsidiaries have no investments held to maturity for the years ended December 31, 2012 and 2011.

(p2) Loans and accounts receivable

These are valued at amortized cost and correspond to non-derivative financial assets with fixed and determinable payments, which are not quoted on an active market. They arise from loans of money, goods or services directly to a debtor without the intention of negotiating the account receivable, and are also not within the following categories:

- Those which are intended to be sold immediately in a near future and which are held for their trading.

- Those designated in their initial booking as available for sale.

- Those by which the holder does not partially intend to recover substantially all their initial investment for reasons other than credit impairment, and therefore should be classified as available for sale.

- After the initial booking, these financial assets are measured at their amortized cost using the effective interest rate method, less their credit impairment. The amortization of the effective interest rate is included in Financial income in the statement of comprehensive income. Losses for impairment are shown in the statement of comprehensive income under Financial costs.

These assets are classified as current assets except those whose maturity is over one year which are shown as non-current assets.

(p3) Financial assets at fair value through income

These include all financial assets held for trading with the intention of being sold or repurchased in the short term.

They are valued at their fair value as a charge or credit to comprehensive income. They are classified as either held for trading or designated on their initial booking as financial assets at fair value through comprehensive income.

Note 2 – Principal Accounting Criteria Applied (continued)

(p) Financial Instruments – Initial booking and subsequent measurement (continued)

(p3) Financial assets at fair value through income (continued)

These assets are classified as current assets except for those whose realization is over one year which are shown in non-current assets.

This category also includes derivative financial instruments which the Company has not denominated as hedging instruments in accordance with IAS 39. Implicit derivatives are considered in this category, as trading instruments.

Financial assets for trading are shown in the statement of financial position at their fair value and their changes in fair value are shown in the statement of comprehensive income in the financial income or cost accounts.

(p4) Financial assets available for sale

These are valued at their fair value and correspond to non-derivative financial assets that are designated as available for sale or which are not classified in any of the three above categories. Variations in the fair value are shown as a charge or credit to Other equity reserves in the other comprehensive income pending their realization.

These assets are classified as current assets except those whose realization is estimated by the Company's management as over one year, which are shown in non-current assets.

(p5) Impairment of financial assets

The Company and its subsidiaries evaluate periodically whether there are indications that any of its financial assets might be impaired. If such indications do exist an estimate is made of the recoverable amount of the asset.

The recoverable amount of the asset is the higher of the fair value of an asset or cash-generating unit less the costs of sale and its value in use, and is determined for an individual asset unless the asset does not generate cash inflows that are clearly independent of other assets or groups of assets.

p5.1) Financial investments available for sale

The Company and its subsidiaries evaluate annually whether there is objective evidence that an investment held for sale has become impaired.

In the case of equity investments classified as held for sale, evidence of impairment is when there is a significant and prolonged decline in the fair value of the investment below its acquisition costs. Where there is an accumulated loss for impairment, measured as the difference between cost and its present fair value, less any loss for impairment booked earlier to income, it is transferred from Other equity reserves (Other comprehensive income) to comprehensive income for the year.

Losses for impairment of investments available for sale are not reversed in the statement of comprehensive income.

Increases in the fair value of investments, after having been recorded as an impairment, are classified in Other equity reserves (Other comprehensive income).

Note 2 – Principal Accounting Criteria Applied (continued)

(p) Financial Instruments – Initial booking and subsequent measurement (continued)

(p5.2) Financial assets at amortized cost (loans and accounts receivable)

Debtors are shown at their net value, i.e. less allowances for impairment (doubtful debtors).

The amount of the allowance is the difference between the book value of the asset and the present value of the estimated future cash flows, discounted at the effective interest rate.

This allowance is determined when there is evidence that the different companies included in the consolidated financial statements will not receive the payments according to the original sale terms. Allowances are made when the customer arranges some judicial agreement in bankruptcy or cessation of payments, or when all measures have been exhausted for the collection of the debt over a reasonable period of time, like collection calls, sending of electronic mail and letters. In the case of the subsidiaries, the allowances are estimated using a percentage of the accounts receivable determined case by case, depending on the internal classification of the customer risk and the age of the debt (days overdue).

(p6) Financial debt

(p6.1) Interest-bearing credits and loans

All credits and loans are initially booked at the fair value of the payment received less the direct costs attributable to the transaction. The initial booking is later measured at amortized cost using the effective interest rate method.

Gains and losses are shown as a charge or credit to income when the debt is written off or amortized.

(p6.2) Financial debt at fair value through income

Financial debt at fair value through income includes financial debt held for trading and financial debt designated on its initial booking as at fair value through income.

Financial debt is classified as that held for trading if acquired with the intention of being sold in the short term. Derivatives, including implicit derivatives, are also classified as held for trading unless they are designated as instruments for effective hedging. Gains or losses on liabilities held for trading are shown in comprehensive income.

When a contract has one or more implicit derivatives, the whole hybrid contract may be designated as financial debt at fair value through income, except when the implicit derivative does not significantly modify the cash flows or it is clear that the separation of the implicit derivative is forbidden.

Financial debt may be designated in the initial booking as at fair value through gains or losses if the following criteria are met:

(1) the designation eliminates or significantly reduces the inconsistent treatment which would otherwise arise by measuring the liabilities or booking gains or losses on them on a different basis;

(2) or the liabilities are part of a group of financial debt which is managed and its performance measured on the basis of fair value, according to a documented risk-management strategy;

(3) or the financial debt contains an implicit derivative which would need to be booked separately.

As of December 31, 2012 and 2011, no financial debt has been designated at fair value through income.

Note 2 – Principal Accounting Criteria Applied (continued)

(p) Financial Instruments – Initial booking and subsequent measurement (continued)

(p7) Classification of financial instruments and financial debt

The classification of financial instruments and financial debt according to their category and valuation are reported in Note 26 "Classes of financial assets and liabilities".

(q) Income tax and deferred taxes

(q1) Income tax

Income tax assets and liabilities for the current year and previous years have been determined considering the amount that is expected to be recovered or paid in accordance with current legislation or that substantially promulgated at the date of the statement of financial position.

The effects are booked as a charge or credit to comprehensive income except for items directly booked in equity accounts which are shown in Other reserves.

(q2) Deferred taxes

Deferred taxes have been determined using the method of the liability on timing differences between the tax assets and liabilities and their respective book values.

Deferred tax liabilities are booked for all taxable timing differences, with the exception of the following transactions:

- The initial booking of goodwill.
- Assigned goodwill acquired whose amortization is not deductible for tax purposes.
- The initial booking of an asset or liability on a transaction that:

  (1) is not a combination of businesses, and

  (2) at the time of the transaction does not affect the accounting or tax income.

- Tax timing differences associated with investments in subsidiaries, associates and participations in joint ventures, where the opportunity of reversal of the timing differences can be controlled and it is probable that the timing differences will not be reversed in the near future.

Deferred tax assets are booked for all deductible timing differences and tax credits for non-utilized tax losses, provided there is the probability that there will be taxable earnings available with which they can be used, with the following exceptions:

- The initial booking of an asset or liability in a transaction that:

  (1) is not a combination of businesses, and

  (2) at the time of the transaction does not affect either the accounting income or the tax income.

Note 2 – Principal Accounting Criteria Applied (continued)

(q) Income tax and deferred taxes (continued)

(q2) Deferred taxes (continued)

With respect to deductible timing differences associated with investments in subsidiaries, associates and participation in joint ventures, the deferred tax assets are only shown to the extent that there is a probability that the timing differences will be reversed in the near future and that there will be available taxable earnings with which they can be used.

As of the date of the statement of financial position, the book value of deferred tax assets is revised and reduced to the extent that it is probable that there are insufficient available taxable earnings to permit the recovery of all or part of the asset.

As of the date of the statement of financial position, the unrecognized deferred tax assets are revalued and recognized to the extent that it is probable again that future taxable earnings will permit the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates expected to be applicable in the year the asset is realized or liability liquidated, on the basis of the tax rates (and taxation laws) that have been promulgated or substantially promulgated at the date of the statement of financial position.

The deferred taxes related to items booked directly to equity are booked against equity and not against comprehensive income.

Deferred tax assets and liabilities are offset if there is a legal right to offset tax assets against tax liabilities and the deferred tax is related to the same entity and tax authority.

(r) Intangible assets

- **Goodwill**

Goodwill represents the difference between the acquisition value of shares or corporate rights in subsidiaries, associates and joint ventures and the fair value of the assets and liabilities, including identifiable contingent liabilities, on the date of acquisition. Goodwill related to acquisitions of subsidiaries is included in goodwill, and that related to acquisitions of associates and joint ventures is included in investments booked using the participation and joint ventures method.

Goodwill arising from the acquisition of subsidiaries, joint ventures or associates with a functional currency other than the Chilean peso is valued in the functional currency of the company acquired, making the translation to Chilean pesos at the exchange rate current on the date of the statement of financial position.

The subsidiary LQIF at the time of transition to IFRS reissued the investment in the subsidiaries Banco de Chile, SM Chile and SAOS acquired in March 2001, determining the difference between the acquisition value and fair value of the identifiable assets and liabilities including the identifiable contingent liabilities.

With the exception of the above, goodwill generated prior to the transition date to IFRS and which corresponds to acquisitions made prior to March 2001, is maintained at the net value booked at the date of transition from Chilean GAAP to IFRS.

Goodwill is not amortized and at the close of the accounting period it is estimated whether there are indications of impairment that may reduce the recoverable value to an amount below the net cost booked, in which case an adjustment for impairment is made.

At the date of these consolidated financial statements there was no indication of impairment that warranted making any adjustment.

Note 2 – Principal Accounting Criteria Applied (continued)

(r) Intangible Assets (continued)

- **Intangible assets other than goodwill**

These mainly correspond to trademarks, rights to acquire customer portfolios and computer software.

Assets with a defined useful life are valued at cost less accumulated amortization and impairment. The useful life has been determined as a function of the term expected for obtaining the economic benefits. The period and method of amortization are revised annually and any change is treated as a change in the estimate.

The subsidiary LQIF has assigned undefined useful lives to the brand Banco de Chile and the contract to use the Citibank brand, as it is expected that they will contribute to the generation of net cash flows to the business indefinitely.

Assets with an undefined useful life are valued at cost less accumulated impairment and are not amortized.

(s) Asset impairment

(s1) Financial investments held for sale

At the closing date of the statement of financial position, the Company and its subsidiaries evaluate whether there is objective evidence that an investment held for sale has been impaired.

In the case of equity investments classified as held for sale, if there is a significant and prolonged reduction in the fair value of the investment below their acquisition costs, this is evidence of impairment. Should there be an accumulated loss for impairment, measured as the difference between their cost of acquisition and their present fair value, less any impairment booked previously to income, this is transferred from Other reserves to comprehensive income for the year. The reversal of losses for impairment of this kind of instrument is shown directly in Other reserves.

(s2) Financial and non-financial assets

The Company and its subsidiaries evaluate periodically whether there are indications that any of its non-financial assets might be impaired. If there are such indications, the Company makes an estimate of the amount recoverable of the asset.

The recoverable amount of an asset is the higher of the fair value of an asset or cash-generation unit less the costs of sale and its value in use, and is determined for an individual asset unless the asset does not generate cash inflows that are clearly independent of other assets or groups of assets.

When the book value of an asset exceeds its recoverable amount the asset is considered impaired and its recoverable amount reduced.

Note 2 – Principal Accounting Criteria Applied (continued)

(s) Asset impairment (continued)

(s2) Financial and non-financial assets (continued)

In evaluating the value in use, the future estimated cash flows are discounted using a discount rate before tax that reflects current market conditions, the value of money over time and the specific risks of the asset.

An appropriate valuation model is used for determining the fair value less sale costs. These calculations are corroborated by valuation multiples, the market prices of the shares for publicly-quoted subsidiaries or other available indicators of fair value.

Losses for impairment of continuing operations are shown against comprehensive income in the categories of expenses associated with the function of the impaired asset, except for properties previously re-evaluated where the revaluation was carried out against equity. In this case, the impairment is also booked as a charge to equity up to the amount of any previous re-evaluation.

For assets other than goodwill, an annual evaluation is made as to whether there are indications that the loss through impairment booked previously may no longer exist or have decreased. The amount recoverable is estimated if such indications exist. A loss for impairment booked previously is reversed only if there have been changes in the estimates used in determining the amount recoverable of the asset from the last time that a loss for impairment was booked. In this case, the book value of the asset is increased to its recoverable amount. This increased amount cannot exceed the book value that had been previously determined, net of depreciation, if a loss for impairment had not been booked in previous years. This reversal is booked as a credit to income unless an asset is recorded at the revalued amount, in which case the reversal is dealt with as a revaluation increase.

(s3) Goodwill

Goodwill is revised annually to determine whether indications of impairment exist or more often if events or changes in circumstances indicate that the book value may be impaired.

Impairment is determined by evaluating the amount recoverable of the cash-generating unit (or group of cash-generating units) related to the goodwill.

For these purposes, goodwill is assigned from the date of acquisition of each unit or groups of cash-generating units that it is expected will benefit from the synergies of the combination, notwithstanding that other assets or liabilities of the Company are assigned to these units or groups of units. Each unit or group of units to which goodwill is assigned:

(i) represents the lowest level within the Company to which the goodwill is monitored for internal management purposes, and

(ii) is no larger than a segment.

A loss for impairment is booked when the amount recoverable of the cash-generating unit (or group of cash-generating units) is lower than the book value of the cash-generating unit (or group of cash-generating units) to which the goodwill is assigned. Losses for impairment related to goodwill cannot be reversed in future years.

Note 2 – Principal Accounting Criteria Applied (continued)

(s) Asset impairment (continued)

(s4) Intangible assets of indefinite useful lives

The impairment of intangible assets with indefinite useful lives is tested annually at the individual level or the level of the cash-generating unit..

(s5) Associates and joint ventures

Following the application of equity value, the Company and its subsidiaries determine whether it is necessary to book a loss for additional impairment of the investment in its associates and joint ventures. It is determined annually whether there is objective evidence that the investment in associates or joint ventures is impaired. If this were the case, the amount of impairment is calculated as the difference between the fair value of the associate or joint venture and the cost of acquisition and, should the acquisition value be higher, the difference is booked against comprehensive income.

(t) Provisions

(t1) General

Provisions are booked when:

- The Company has a present obligation with respect to a past event,
- It is probable that an outflow of resources will be required, including economic benefits, to settle the obligation,
- A reliable estimate can be made of the amount of the obligation.

Should the provision or part of it be reimbursed, the reimbursement is shown as a separate asset only if its collection is certain.

The charge for any provision is shown net of any reimbursement in the statement of comprehensive income.

If the effect of the value of money over time is significant, the provisions are discounted using a discount rate before tax that reflects the specific risks of the liability. When a discount rate is used, the amount of the provision due to the passage of time is booked as a financial cost.

(t2) Provisions for employee benefits – Severance payments

Madeco and its subsidiaries are committed to give termination benefits. This obligation has been determined using the actuarial value method, taking into account the terms of current agreements, considering an annual discount rate of 3.5%, plus a base wage adjusted for inflation and an estimated period according to the age and probable permanence of each person until their retirement.

The kind of plan used by Madeco corresponds to a benefits plan as defined in IAS 19. The methodology used for the actuarial calculation was based on the projected credit-unit method. In determining the discount rate, Madeco has used local sovereign bonds (BCU) instead of corporate bonds.

Note 2 – Principal Accounting Criteria Applied (continued)

(t) Provisions (continued)

(t2) Provisions for employee benefits – Severance payments (continued)

Enex has agreed to termination benefits with its personnel for years of service, equivalent to one month's wages for every year worked as from the third year. The provision has been calculated using the actuarial value, which involves assumptions being made about discount rates, expected returns on assets, future wage increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to a significant amount of uncertainty.

(t3) Provision for post-retirement fund

Enex has had a pension fund for its employees since 1987. The cost of the benefit has been determined based on an actuarial calculation using the so-called "aggregate funding" method, made by external professionals. This calculation considers an annual discount rate of 3%.

(t4) Provisions for employee benefits - Personnel vacation

The Company and its subsidiaries have made provisions for personnel vacation on an accrual basis.

(t5) Provisions for employee benefits - Bonuses

The Company and its subsidiaries book, where appropriate, a liability for bonuses for their senior executives.

(u) Technical reserves and claims payable

The subsidiary Banchile Vida determines its technical reserves and claims in the following way:

- Reserve for current risk: determined on the basis of the unearned net retained premium, which is calculated based on daily numerals on the duly restated net premium retained.

- Life mathematical reserve: calculated on the actuarial base determined by a mathematical actuary in accordance with the instructions on this matter issued by the SVS.

- Reserve for claims payable: charged to income in the year in which these occur. Provisions are also made for claims in the process of liquidation and those that have occurred but not been reported at the end of the year.

(v) Interest-bearing credits and loans

All credits and loans are initially booked at the fair value of the payment received less the direct costs attributable to the transaction. They are later measured at the amortized cost using the effective interest rate method.

Earnings and losses are shown as a charge or credit to comprehensive income when the liabilities are written off or amortized.

Note 2 – Principal Accounting Criteria Applied (continued)

(w) Leasing agreements

The determination of whether an agreement is or contains a lease is based on the substance at its initial date and requires an evaluation of whether compliance depends on the use of the asset or specific assets or the agreement grants the right to use the asset. A re-evaluation is only made after the start of the lease if one of the following points applies:

(a) There is a change in the contractual terms that is not a renewal or extension of the agreement;

(b) If a renewal option is exercised or an extension granted, unless the terms of the renewal or extension were included in the term of the lease;

(c) There is a change in the determination of whether compliance is dependent on a specific asset, or

(d) There is a substantial change in the asset.

When a re-evaluation is carried out, the booking of the lease will begin or cease from the date when the change in circumstances led to the re-evaluation of the scenarios a), c) or d) and the date of renewal or exercise of extension for scenario b).

Financial leases that transfer to the Company and its subsidiaries substantially all the risks and benefits incidental to the ownership of the item leased are capitalized at the start of the lease at the lesser of the fair value of the asset leased and the present value of the minimum lease payments. Lease payments are split between financing charges and the reduction in the leasing obligation to obtain a constant interest rate on the outstanding balance due. The financial expenses are shown as a charge to comprehensive income on an accrual basis over the term of the agreement.

Capitalized leased assets are depreciated over the lesser of the estimated useful life of the asset and the term of the lease, in the case that there is no reasonable certainty that the Company and its subsidiaries will obtain ownership at the end of the term of the lease.

Operating lease payments are shown on a straight-line basis as a charge to comprehensive income over the term of the lease.

(x) Financial derivative instruments and booking of hedges

The subsidiary Madeco uses derivative financial instruments such as currency forward contracts, commodity price futures and interest rate swaps to hedge its risks related to fluctuations in interest rates, commodity prices and the exchange rate. Such instruments are initially booked at fair value on the date on which the derivative contract is signed and are later corrected to fair value. The derivatives are booked as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gain or loss arising from changes in the fair value of derivatives during the year which do not qualify for booking the hedge are taken directly to the statement of comprehensive income.

The fair value of currency forward contracts is calculated by reference to the current forward exchange rates with similar maturity profiles. The fair value of interest-rate swap contracts is determined by reference to the market values of similar instruments.

Note 2 – Principal Accounting Criteria Applied (continued)

(x) Financial derivative instruments and booking of hedges (continued)

For hedge accounting purposes, hedges are classified as:

- Hedges of fair value when they cover exposure to changes in the fair value of a booked asset or liability or a firm commitment not booked (except in the case of foreign exchange risk), or
- Hedges of cash flows when they cover exposure to variations in cash flows that are or attributable to a particular risk associated with a booked asset or liability or a highly-probable expected transaction or the foreign exchange risk of a firm commitment not booked.

At the start of a hedge transaction, the subsidiary Madeco formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the objective of risk management and the strategy for making the hedge. The documentation includes identification of the hedge instrument, the item or transaction hedged, the nature of the risk which is being hedged and how the entity will evaluate the effectiveness of the hedge instrument to offset the exposure to changes in the fair value of the item hedged or in the cash flows attributable to the risk hedged. It is expected that such hedges will be highly effective in offsetting changes in the fair value or cash flows and are evaluated continually to determine that they really have been highly effective during the periods of the financial report for which they were designated.

(x1) Hedges of fair value

Hedges that meet the strict hedge accounting criteria are booked as follows:

The change in fair value of a hedge derivative is booked as a charge or credit to comprehensive income. The change in the fair value of the item hedged attributable to the risk hedged is recorded as part of the book value of the item hedged and is also booked in comprehensive income.

For hedges of fair value related to items booked at amortized cost, the adjustment to book value is amortized against the income over the remaining period to its maturity. Any adjustment to book value of a hedged financial instrument for which the effective rate is used is amortized against income in its fair value attributable to the risk that is being hedged.

If once recorded, the item hedged is reversed, the fair value not amortized is immediately booked in the statement of comprehensive income.

When a non-booked firm commitment is designated as a hedged item, the subsequent accumulated change in the fair value of the firm commitment attributable to the risk hedged is shown as an asset or liability with a corresponding gain or loss booked in the statement of comprehensive income. The changes in fair value of a hedging instrument are also booked in the statement of comprehensive income.

(x2) Cash flow hedges

The effective portion of the gains or losses of the hedging instrument is initially booked directly to equity while any ineffective portion is booked immediately as a charge or credit to comprehensive income.

The amounts previously booked cease to affect equity when the hedged item is booked as a charge or credit to comprehensive income. When the item hedged is the cost of a non-financial asset or liability, the amounts taken to equity are transferred at the initial book value of the non-financial asset or liability.

If the expected transaction or firm commitment is no longer likely to occur, the amounts previously booked in equity are transferred to the statement of comprehensive income. If the hedging instrument matures, is sold, terminated, exercised without replacement or rolled over, or if its designation as a hedge is revoked, the amount previously booked in equity remain in equity until the expected transaction or firm commitment occurs.

Note 2 – Principal Accounting Criteria Applied (continued)

(x3) Classification of derivative financial instruments and hedges

The classification of derivative financial instruments and hedges according to their category and valuation are reported in Note 4 “Other Current Financial Assets” and Note 20 “Other Current and Non-Current Financial Liabilities”.

(y) Cash and cash equivalents

Cash equivalents relate to short-term and highly-liquid investments that are easily convertible into known amounts of cash and subject to an insignificant risk of change in their value, and maturing in no more than three months.

For the purposes of this consolidated statement of cash flows, cash and cash equivalents consist of cash and the cash equivalent as defined above, net of bank overdrafts.

The statement of cash flows shows the movements of cash during the year, determined by the direct method. In these statements of cash flows, the following expressions have the following meaning:

- Cash flows: cash inflows and outflows or of other equivalent means, these being investments with a term of less than three months, highly liquid and a low risk of changes in their value.

- Operating activities: activities that constitute the principal source of the Group’s ordinary income, plus other activities that cannot be classified as from investment or financing.

- Investment activities: those relating to the acquisition, disposal or arrangement by other means of non-current assets and other investments not included in cash and its equivalents.

- Financing activities: those producing changes in the size and composition of net equity and or liabilities of a financial nature.

(z) Earnings per share

Basic earnings per share are calculated as the ratio of earnings (loss) for the year attributable to the Parent company to the weighted average number of common shares in circulation during that year, excluding the average number of shares of the Parent company held by some subsidiary company, if such were the case.

Note 2 – Principal Accounting Criteria Applied (continued)

(aa) Current and non-current classification

In the consolidated statement of financial position, the balances are classified as a function of their maturities, i.e. current being those maturing in twelve months or less and non-current those maturing in over one year. Should there be obligations maturing in less than twelve months but whose long-term refinancing is assured at the Company's discretion, under credit facilities available unconditionally with long-term maturities, could be classified as long-term liabilities.

(bb) Minimum dividend

Article 79 of the Chilean Corporations Law establishes that, unless otherwise agreed unanimously by all the issued shares at the respective shareholders meeting, open corporations should distribute annually as a cash dividend to their shareholders, pro rata to their shares or in the proportion established in the by-laws if there are preferred shares, at least 30% of the earnings of each year, except when accumulated losses from previous years have first to be absorbed. Considering that to achieve a unanimous agreement is practically impossible given the well-spread composition of the share capital of Quiñenco, the amount of the obligation to shareholders is determined at the end of each year, net of the interim dividends that may have been approved during the year, and are booked under the heading Other current liabilities as a charge to an account included in net equity called Accumulated earnings (losses). The interim and definitive dividends are booked as a reduction to Equity at the time of their approval by the competent body, which in the first case is normally the board of the Company, while in the second the responsibility is that of the ordinary shareholders meeting.

(cc) Information by segment

The operating segments are defined as the components of a company on which the information in the financial statements is available and is constantly evaluated by the principal organ that takes decisions on the assignment of funds and evaluation of performance. The Company operates in four business segments: Manufacturing, Financing, Energy and Other (Quiñenco and others). The associates CCU, Compañía Sud Americana de Vapores S.A. and SM SAAM are shown at their equity value in the Other segment.

Note 2 – Principal Accounting Criteria Applied (continued)

The following shows the principal accounting policies of the financial institutions regulated by the Superintendency of Banks and Financial Institutions ("SBIF").

(dd) Legal provisions

Article 15 of the General Banking Law authorizes the SBIF to set generally-applicable accounting regulations for entities subject to its regulation. The Corporations Law 18,046 on the other hand, requires the following of Chilean GAAP.

Under this legislation, the Company and its subsidiaries should follow the accounting criteria of the SBIF in its Compendium of Regulations and, in all matters not covered by these and which are not contradicted by its instructions, they should follow generally-accepted accounting criteria as set out in the technical instructions issued by the Chilean Institute of Accountants, coinciding with IFRS as issued by the International Accounting Standards Board (IASB). Should there be differences between generally accepted accounting principles and the accounting criteria of the SBIF, the latter shall prevail.

(ee) Basis of consolidation

The financial statements of SM-Chile as of December 31, 2012 and 2011 have been consolidated with those of its Chilean subsidiaries and foreign subsidiary through the global integration method (line by line). These consist of the preparation of the individual financial statements of SM-Chile and of the companies in the consolidation, and include the adjustments and reclassifications necessary for standardizing their accounting policies and valuation criteria with those of the Company, according to the established regulations. The financial statements have been prepared using uniform accounting policies for similar transactions and other events in equivalent circumstances.

Transactions and significant intercompany balances deriving from operations between SM Chile and its subsidiaries and between these have been eliminated in the consolidation, and the non-controlling interest has also been booked, corresponding to the percentage participation of third parties in the subsidiaries, of which the Company is not directly or indirectly the owner, and is shown separately in the equity of SM-Chile consolidated.

(ee1) Subsidiaries

The subsidiaries are entities controlled by SM Chile. Control exists when the Company has the power to govern the financial and operational policies of the entity with the intention of obtaining benefits from its activities. In evaluating the control, the potential voting rights that are currently exercisable are taken into account. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control starts and until it ends.

The following is a detail of the entities in which the subsidiary SM Chile has control and which form part of the consolidation:

Participation of the subsidiary SM-Chile S.A. in its subsidiaries

Tax ID	Entity	Country	Functional currency	Participation					
				Direct		Indirect		Total	
				December 2012 %	December 2011 %	December 2012 %	December 2011 %	December 2012 %	December 2011 %
97.004.000-5	Banco de Chile	Chile	$	13.50	13.96	31.81	32.89	45.31	46.85
96.803.910-5	Sociedad Administradora de la Obligación Subordinada SAOS S.A.	Chile	$	100.00	100.00	-	-	100.00	100.00

Note 2 – Principal Accounting Criteria Applied (continued)

(ee) Consolidation (continued)

(ee1) Subsidiaries (continued)

Participation of the subsidiary Banco de Chile in its subsidiaries

Tax ID	Entity	Country	Functional Currency	Participation Direct December 2012 %	Participation Direct December 2011 %	Participation Indirect December 2012 %	Participation Indirect December 2011 %	Participation Total December 2012 %	Participation Total December 2011 %
44.000.213-7	Banchile Trade Services Limited	Hong Kong	US$	100.00	100.00	-	-	100.00	100.00
96.767.630-6	Banchile Administradora General de Fondos S.A.	Chile	$	99.98	99.98	0.02	0.02	100.00	100.00
96.543.250-7	Banchile Asesoría Financiera S.A.	Chile	$	99.96	99.96	-	-	99.96	99.96
77.191.070-K	Banchile Corredores de Seguros Ltda.	Chile	$	99.83	99.83	0.17	0.17	100.00	100.00
96.894.740-0	Banchile Factoring S.A.	Chile	$	99.75	99.75	0.25	0.25	100.00	100.00
96.571.220-8	Banchile Corredores de Bolsa S.A.	Chile	$	99.70	99.70	0.30	0.30	100.00	100.00
96.932.010-K	Banchile Securitizadora S.A.	Chile	$	99.00	99.00	1.00	1.00	100.00	100.00
96.645.790-2	Socofin S.A.	Chile	$	99.00	99.00	1.00	1.00	100.00	100.00
96.510.950-1	Promarket S.A.	Chile	$	99.00	99.00	1.00	1.00	100.00	100.00

The name Bank or Banco de Chile will be mentioned in the following pages, this being understood to refer to the indirect subsidiary Banco de Chile, which is the principal generator of the assets, liabilities, revenues and expenses shown in these consolidated financial statements.

(ee2) Companies with significant influence

These are entities in which the Company has the capacity to exercise a significant influence, although not control. Normally, this capacity is shown in a participation of between 20% and 50% of the company's voting rights and are valued using the equity method. Other factors considered in determining significant influence over an entity are representations on the board and the existence of material transactions. The existence of these factors might require the application of the equity method despite having a participation of less than 20% of the shares with voting rights.

According to the equity method, investments are initially booked at cost and later increased or decreased to reflect the proportional share in the earnings or losses of the company and other movements booked in its equity. Goodwill arising from the acquisition of a company is included in the book value of the investment net of any accumulated impairment.

Note 2 – Principal Accounting Criteria Applied (continued)

(ee) Consolidation (continued)

(ee3) Shares or rights in other companies

These are those in which SM Chile has no control or significant influence. These participations are shown at cost (historic).

(ee4) Special purpose entities

Under current regulations, the Bank should constantly analyze its perimeter of consolidation, bearing in mind that the fundamental criterion is the degree of control held in a certain entity and not its percentage participation in the equity.

As of December 31, 2012, the Bank has securitized certain credits and transferred them to its subsidiary Banchile Securitizadora S. A. which has formed Separate Equity No.17, in accordance with Law 18,045 and the regulations of the SVS, over which it has no control (see detail in Note 23.39). As of December 31, 2012 the Bank does not control nor has created any special-purpose entity.

(ee5) Funds management

The Bank manages and administers assets held in mutual investment funds and other means of investments on behalf of investors. The assets managed by these entities that form part of the consolidation parameters of the Bank's subsidiaries (Banchile Administradora General de Fondos S.A. and Banchile Securitizadora S.A.) and which belong to third parties are not included in the consolidated statement of financial position, except if there is control. The Bank did not control or consolidate any fund as of December 31, 2012 and 2011.

The commissions earned by this activity are included in fee income in the consolidated statement of comprehensive income.

(ff) Non-controlling interest

The non-controlling interest represents the portion of the losses and earnings, and of the net assets, that the Bank does not control, directly or indirectly. It is shown in the statement of comprehensive income and the consolidated statement of financial position separately from the equity of the shareholders.

(gg) Use of estimates and judgments

The preparation of the consolidated financial statements requires the Company's management to make judgments, estimates and assumptions that affect the application of the accounting policies and the amounts of assets, liabilities, revenues and expenses shown. The actual results may differ from these estimates. The estimates made refer to:

- The valuation of goodwill (Note 39.13).
- The useful life of fixed and intangible assets (Notes 39.13 & 39.14).
- Income tax and deferred taxes (Note 39.15).
- Provisions (Note 39.22).
- Commitments and contingencies (Note 39.24).
- Allowance for credit risk (Note 39.29).
- Impairment of certain assets (Note 39.32).
- Fair value of financial assets and liabilities (Note 39.36).

During the year ended December 31, 2012, there have been no significant changes in estimates made in 2011 other than those indicated in these consolidated financial statements.

Note 2 – Principal Accounting Criteria Applied (continued)

(hh) Valuation of assets and liabilities

The measurement or valuation of assets and liabilities is the process of determination of the monetary amounts for which elements of the financial statements are shown and booked for their inclusion in the statement of position and statement of comprehensive income. The selection of a particular base or method of measurement is needed for this.

Different measurement basis are employed in the financial statements, with different degrees and in different combinations of these. Such basis or methods are the following:

(hh1) Accounting treatment

SM-Chile and its subsidiaries initially book loans and accounts receivable from customers, instruments for trading and investment, deposits, debt instruments issued and subordinated liabilities on the date they originate. Purchases and sales of financial assets made regularly are shown on the date of trading in which SM-Chile and its subsidiaries are committed to buy or sell the asset. All the other assets and liabilities (including assets and liabilities designated to fair value with changes to income) are initially booked on the date of trading on which SM-Chile and its subsidiaries become party to the contractual terms of the instrument.

(hh2) Classification

The classification of assets, liabilities and income has been made in accordance with the instructions of the SBIF.

(hh3) Retirement of financial assets and liabilities

SM-Chile and its subsidiaries retire a financial asset from their statements of financial position when the contractual rights expire over the cash flows of the financial asset, or when it transfers the rights to receive contractual cash flow from the financial asset during a transaction in which all the risks and benefits of ownership of the financial asset are transferred. Every participation in financial assets transferred that is created or retained by SM-Chile and its subsidiaries is booked as a separate asset or liability.

SM-Chile and its subsidiaries eliminate a financial liability (or part of it) from their statements of financial position only when it has been extinguished, i.e. when the obligation specified in the corresponding contract has been paid or cancelled, or has expired. When SM-Chile and its subsidiaries transfer a financial asset, they evaluate to what degree they retain the risks and benefits inherent to their ownership. In this case:

(1) If the risks and advantages inherent in the ownership of the financial asset are substantially transferred, it is retired in accounts and any rights and obligations created or retained in the transfer will be shown separately, as assets or liabilities.

(2) If the risks and advantages inherent in the ownership of a financial asset are substantially retained, it will continue to account for it.

(3) If all the risks and advantages inherent in the ownership of a financial asset are not substantially transferred or retained, they will determine whether control over the financial assets has been retained. In this case:

- (i) If control has not been retained, the financial assets will be retired and any right or obligation created or retained through the transfer booked separately, as assets or liabilities.
- (ii) If the assignor entity has retained control, the financial asset will continue to be booked in the statement of financial position for an amount equal to its exposure to changes that a financial liability may experience and book a financial liability associated to the financial asset transferred.

Note 2 – Principal Accounting Criteria Applied (continued)

(hh) Valuation of assets and liabilities (continued)

(hh4) Compensation

Financial assets and liabilities are offset and the net amount is shown in the statement of financial position only when SM-Chile and its subsidiaries have the legal right to offset the amounts booked and has the intention of settling the net amount, or to realize the assets and cancel the liability simultaneously.

Income and expenses are shown net only when permitted by accounting principles or in the case of gains and losses arising from a group of similar transactions like trading and exchange activities.

(hh5) Valuation at amortized cost

Amortized cost is understood to be the cost of a financial asset or liability adjusted capital reimbursements, plus or less accumulated amortization (calculated using the effective interest rate method) of any difference between the initial amount and the repayment amount at maturity, and less any reduction through impairment.

(hh6) Measurement of fair value

The fair value of a financial instrument is understood to be the amount on any given day at which an asset may be bought or sold on that date between two parties on conditions of mutual independence and well informed on the matter, who act freely and wisely. The most objective and usual reference for the fair value of a financial instrument is the price paid for it in an active, transparent and deep market ("quotation price" or "market price").

When available, the fair value of an instrument is estimated using prices quoted on an active market for that instrument. A market is called active if the prices quoted are easily and regularly available and represent real transactions and occur regularly on an independent basis.

If the market for a financial instrument were not active, fair value is determined using a valuation technique. The valuation techniques include the use of recent market transactions between interested and duly-informed parties acting in conditions of mutual independence, if available, and references to fair value of another substantially-equal financial instrument, discounted cash flows and option price-setting models.

The valuation technique chosen will make the maximum use possible of information obtained in the market, using the least possible amount of estimated data, will incorporate all the factors that market participants would consider for setting the price, and will be coherent with the economic methodologies generally accepted for calculating the price of financial instruments. The variables used for the valuation technique fairly represent market expectations and reflect the risk-return factors inherent to the financial instrument. The valuation technique is revised periodically to prove its validity by using prices of any other recent and observable market transaction in the same instrument or that are based on any observable and available market data.

The best evidence of fair value of a financial instrument, in booking it initially, is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of that instrument can be better shown through comparison with other real market transactions observed for the same instrument (i.e. without modifying or presenting a different form of it) or through a valuation technique whose variables include just observable market data. When the transaction price provides the best evidence of fair value at its initial booking, the financial instrument is initially valued at the transaction price and any difference between that price and the value obtained initially from the valuation model is shown later in income, depending on the individual facts and circumstances of the transaction, but not after the valuation is fully supported by observable market data or the transaction is terminated.

Note 2 – Principal Accounting Criteria Applied (continued)

(hh) Valuation of assets and liabilities (continued)

(hh6) Measurement of fair value (continued)

SM-Chile and its subsidiaries generally have assets and liabilities that compensate market risks. In these cases, average market prices are used as a basis for establishing values. In the case of open positions, SM-Chile and its subsidiaries apply the current offer or buyer price for the net open position, as is most suitable.

Estimates of fair value obtained based on models are adjusted by any other factor, like uncertainties in the risk or liquidity model, to the degree that SM-Chile and its subsidiaries believe that another market participant takes them into account in determining the price of a transaction.

The process of valuing to market instruments available for sale consists of modifying the valuation rate from a mid rate to the offer rate of these instruments.

When the transaction price is different to the fair value of other transactions in an observable market for the same instrument or, based on a valuation technique which includes variables only from active market data, SM-Chile and its subsidiaries immediately book the difference between the transaction price and fair value (loss or gain on day 1) as Net gain (loss) of financial operations. Where the fair value is determined using data that is not observable, the difference between the transaction price and model value is only booked in the statement of income when the input becomes observable or when the document is retired.

SM-Chile and its subsidiaries' disclosures of fair value are included in Note 39.36.

(ii) Functional currency

The items included in the financial statements of each of the Company's entities are valued using the currency of the principal economic environment in which the entity operates (the functional currency). The functional and presentational currency of these consolidated financial statements of SM-Chile is the Chilean peso, which is the currency of the primary economic environment in which the Company operates, and is also the currency that influences the costs and revenues structure.

(jj) Foreign currency transactions

Transactions in a currency other than the functional currency are considered to be in foreign currency and are initially booked at the exchange rate on the date of the transaction. Monetary assets and liabilities denominated in foreign currency are converted at the exchange rate of the functional currency on the date of the statement of financial position. All differences are shown as a charge or credit to income. As of December 31, 2012, SM-Chile and its subsidiaries applied the exchange rate of accounting representation according to the instructions of the SBIF, so assets in US dollars are shown at their equivalent value in Chilean pesos calculated at the market exchange rate of Ch$479.47 per US$1 (Ch$519.80 per US$1 in 2011).

The balance of ThCh$35,135,920 relates to the net exchange loss (loss of ThCh$7,973,679 in 2011) and is shown in the consolidated statement of comprehensive income. It includes the effects of exchange rate variations on the assets and liabilities in foreign currency or indexed to the exchange rate and the result of the exchange transactions of SM-Chile and its subsidiaries.

Note 2 – Principal Accounting Criteria Applied (continued)

(kk) Business segments

The operating segments of the subsidiary Banco de Chile, based on the different business units, are defined as follows:

(i) That which develops business activities from which it can obtain revenues and incur expenses (including revenues and expenses from transactions with other components of the same entity).

(ii) Whose operating income is revised regularly by the entity's top decision-taking authority, to decide on the resources that should be assigned to the segment and evaluate performance, and

(iii) In relation to which it has differentiated financial information available.

(ll) Statement of cash flows

The consolidated statement of cash flows shows the changes in cash and cash equivalents from the operating activities, investment activities and financing activities during the year. The indirect method has been used in the preparation of the statement.

The following concepts are taken into account in the preparation of the statement of cash flows:

(i) Cash and cash equivalents relate to the heading Cash and bank deposits, plus (less) the net balance of transactions pending settlement shown in the consolidated statement of financial position, plus trading instruments and those highly-liquid instruments available for sale having an insignificant risk of a change in value, whose term does not exceed three months from the date of acquisition, and repurchase agreements in this situation. They also include investments in fixed-income mutual funds that are shown under Trading instruments.

(ii) Operating activities: relate to the normal activities performed by banks, and others that cannot be qualified as for investment or financing.

(iii) Investment activities: relate to the acquisition and disposal by other means of non-current assets and other investments not included in cash and cash equivalents.

(iv) Financing activities: activities that produce changes in the size and composition of equity and liabilities that do not form part of operating or investment activities.

(mm) Instruments for trading

Instruments for trading correspond to securities acquired with the intention of generating gains from price fluctuations in the short term or through trading margins, or which are included in a portfolio in which there is a pattern of taking short-term gains. Instruments for trading are valued at their fair value. Accrued interest and indexation, gains or losses arising from adjustments in their valuation to fair value, plus the income of trading activities, are shown as Net gain (loss) on financial operations in the consolidated statement of comprehensive income.

All purchases and sales of instruments for trading should be delivered within the term established by the regulations or market custom, and are booked on the date of the trade which is the date on which the purchase or sale of the asset is committed. Any other purchase or sale is treated as a derivative (forward) until settlement.

Note 2 – Principal Accounting Criteria Applied (continued)

(nn) Repurchase agreements and loans of securities

Repurchase agreements are transacted as a form of investment. Under these agreements, financial instruments are bought, which are included as assets in Repurchase agreements and loans of securities and are valued according to the agreed interest rate.

Repurchase agreements are also transacted as a form of financing. The investments that are sold are subject to an obligation to repurchase and serve as a guarantee for the loan forming part of their respective headings Instruments for trading or Investment instruments available for sale. The repurchase obligation of the investment is classified as the liability Repurchase agreements and loans of securities, which is valued according to the agreed interest rate.

(oo) Financial derivative contracts

Financial derivative contracts, which include foreign currency and Unidades de Fomento forwards, interest-rate futures, currency and interest-rate swaps, currency and interest-rate options and other financial derivatives are initially booked in the statement of financial position at cost (including transaction costs) and later at their fair value. Derivative contracts are reported as an asset when their fair value is positive and as a liability when it is negative, under the heading Financial derivative contracts.

Changes in fair value of the financial derivative contracts held for trading are included in Net income (loss) from financial operations in the consolidated statement of comprehensive income.

Certain derivatives included in other financial instruments are treated as separate derivatives when their risk and characteristics are not closely related to those of the principal contract and this is not booked at its fair value with its unrealized gains and losses included in income.

At the time of the signing of a derivative contract, this should be designated as a derivative instrument for trading or for accounting hedge purposes.

If the derivative instrument is classified for accounting hedge purposes, this can be:

(1) A hedge of the fair value of existing assets or liabilities or firm commitments, or
(2) A cash-flow hedge related to the fair value of existing assets or liabilities or expected transactions.

A hedge for accounting purposes should meet all the following conditions:

(a) at the time of starting the hedge, the relationship of the hedge has been formally documented;
(b) it is expected that the hedge will be highly effective;
(c) the effectiveness of the hedge can be fairly measured, and
(d) the hedge is highly effective in relation to the risk covered, continually over the whole term of cover.

Certain transactions with derivatives that do not qualify to be booked as derivatives for hedging are treated and reported as derivatives for trading even though they provide an effective hedge for the management of risk positions.

When a derivate hedges exposure to changes in the fair value of existing assets or liabilities, this is booked at fair value with respect to the risk specifically covered. Gains or losses from the measurement to fair value, both of the item hedged and the hedge derivative, are booked directly to the income for the year.

Note 2 – Principal Accounting Criteria Applied (continued)

(oo) Financial derivative contracts (continued)

If the item covered in a hedge of fair value is a firm commitment, changes in the fair value of the commitment with respect to the risk hedged are booked as assets or liabilities with effect on the income for the year. Gains or losses from the measurement to fair value of the hedge derivative are booked with effect in the income for the year. When an asset or liability is acquired as a result of the commitment, the initial booking of the asset or liability is adjusted to incorporate the accumulated effect of the valuation to fair value of the firm commitment that was booked in the statement of financial position.

When a derivate hedges exposure to changes in the cash flows of existing assets or liabilities, or expected transactions, the effective portion of the changes in fair value with respect to the risk covered is booked in equity. Any ineffective portion is booked directly to the income for the year. Amounts booked directly to equity are shown in income in the same years in which the assets or liabilities hedged affect the income.

When a hedge of fair value of interest rates is carried out for a portfolio, and the item hedged is an amount of currency instead of individualized assets or liabilities, the gains or losses from the measurement to fair value, both of the portfolio hedged and the hedge derivative, are shown against the comprehensive income for the year, but the measurement to fair value of the portfolio hedged is shown in the statement of financial position under Other assets or Other liabilities, according to the position of the portfolio hedged at any one time.

(pp) Loans and accounts receivable from customers

Originated and acquired loans and accounts receivable from customers are non-derivative financial assets with fixed or determined maturities that are not quoted on an active market and that the Bank has no intention of selling immediately or in the short term.

(pp1) Valuation method

Loans and accounts receivable from customers are valued initially at cost plus incremental transaction costs, and later measured at their amortized cost using the effective interest-rate method, except when certain items are identified as objects of hedges, which are valued at fair value with changes to comprehensive income, as described in (oo) of this Note.

(pp2) Leasing agreements

Accounts receivable under leasing agreements, included in Loans and accounts receivable from customers, include ThCh$1,113,272,045 as of December 31, 2012 (ThCh$996,566,136 in 2011) relating to the periodic rental payments of agreements that meet the requirements for being classified as financial leases and are shown net of non-accrued interest at the close of each year.

(pp3) Factoring operations

The Bank and its subsidiary Banchile Factoring S.A. carry out factoring operations with their customers, by which they receive invoices and other commercial instruments representative of credit, with or without recourse to the customer, advancing a percentage of the total amounts receivable under the assigned documents.

The heading Loans and accounts receivable from customers includes ThCh$606,137,073 as of December 31, 2012 (ThCh$589,098,198 in 2011) corresponding to the amount advanced to the assignor plus accrued interest net of the payments received.

Note 2 – Principal Accounting Criteria Applied (continued)

(pp) Loans and accounts receivable from customers (continued)

(pp4) Impaired portfolio

The impaired portfolio comprises credits of debtors for which there is evidence that the debtor will not meet some of their obligations under the agreed payment conditions, without the possibility of recovering what is due by resorting to collateral, through the exercise of judicial proceedings or agreeing to different conditions.

The following are some situations that constitute evidence that debtors will not meet their agreed obligations and that their loans have deteriorated:

- Clear financial difficulties of the debtor or significant worsening of their credit quality.
- Notable indications that the debtor will enter bankruptcy or a forced debt restructuring or they have effectively requested their bankruptcy or similar measure with respect to their payment obligations, including the postponement or non-payment of their obligations.
- Forced restructuring of some credit due to the debtor's economic or legal position, whether with a reduction in the payment obligation or the postponement of the principal, interest or commissions.
- The debtor's obligations are traded at a substantial discount due to a weakness in its payment capacity.
- Adverse changes produced by technology, the market, economy or legal in which the debtor operates that potentially compromises their payment capacity.

In any event, in the case of debtors subject to individual evaluation, all the credits of debtors classified in any of the categories of "default portfolio", plus the categories B3 and B4 of the "sub-standard portfolio", are included in the impaired portfolio. In the case of debtors subject to group appraisal, the impaired portfolio consists of all credits in default.

The Bank incorporates impaired portfolio credits and keeps them in that portfolio until a normalization of their payment capacity or conduct is observed.

(pp5) Allowances for credit risk

The allowances required to cover risks of losses of credits have been constituted according to the regulations of the SBIF. The assets are shown net of such allowances or showing the deduction, in the case of loans, and as a liability under the heading Provisions in the case of contingent loans.

As stipulated by the SBIF, models or methods are used based on the individual and grouped analysis of debtors, for constituting the allowances for loans.

(pp5.1) Allowances by individual evaluation

The individual analysis of debtors is necessary in the case of companies whose size, complexity or level of exposure with the entity requires knowing and analyzing them in detail.

Naturally, the analysis of debtors should be focused on their capacity and willingness to meet their credit obligations, through sufficient and reliable information, and analyzing their credits in terms of collateral, term, interest rates, currency, indexation, etc.

For the purpose of making allowances, the debtors and their credit and contingent liabilities should be grouped in their corresponding category, following the assignment of one of the following three portfolio conditions: Normal, Sub-standard and Default.

Note 2 – Principal Accounting Criteria Applied (continued)

(pp) Loans and accounts receivable from customers (continued)

(pp5) Allowances for credit risk (continued)

(pp5.1) Allowances by individual evaluation (continued)

(pp5.1.1) Portfolios with Normal and Sub-Standard compliance

The portfolio with Normal compliance consists of those debtors whose payment capacity enables them to meet their obligations and commitments and it is not foreseen that this economic-financial situation will change. The classifications assigned to this portfolio are A1 to A6.

The Sub-Standard portfolio includes debtors with financial difficulties or significant deterioration in their payment capacity and about which there are reasonable doubts about the full repayment of principal and interest on the contractually agreed terms, showing a small margin for complying with their short-term financial obligations.

Forming part of the Sub-Standard portfolio are also those debtors which have recently made payments more than 30 days late. The classifications assigned to this portfolio are the categories B1 to B4 of the classification scale.

As a result of an individual analysis of the debtors, the Bank classifies them in the following categories, subsequently assigning them the percentages of probability of default and loss given the non-compliance resulting from the following expected percentage loss:

Type of portfolio	Category of debtor	Probabilities of default (%)	Loss given default (%))	Expected loss (%)
Normal	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
Sub Standard	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 Portfolio of Normal and Sub-Standard compliance

To determine the amount of allowances to be made for the portfolios in Normal and Sub-Standard compliance, the exposure subject to allowances first has to be estimated, to which the respective percentage losses (expressed in decimals) comprising the probability of default (PD) and loss given default (LGD) are applied and established for the category in which the debtor and/or its qualified guarantor is grouped, as the case may be.

The exposure subject to allowances is loans plus contingent credits, less amounts recoverable through the liquidation of collateral. Loans are understood to be the book value of the loans and accounts receivable of the respective debtor, while contingent credits are the amounts resulting from the application of that indicated in number 3 of Chapter B-3 of the Compendium.

Note 2 – Principal Accounting Criteria Applied (continued)

(pp) Loans and accounts receivable from customers (continued)

(pp5) Allowances for credit risk (continued)

(pp5.1) Allowances by individual evaluation (continued)

(pp5.1.1) Portfolios with Normal and Sub-Standard compliance (continued)

The following has to be considered in the calculation:

Debtor allowance = (ESA-GE)x(PDdebtor /100)X(LGDdebtor/100)+GE x (PD guarantor/100)x(LGD guarantor /100)
Where:
ESA = Exposure subject to allowances
GE = Exposure guaranteed
EAP = (Loans + Contingent credits) – Financial and tangible guarantees

However, the Bank should maintain a minimum allowance of 0.50% of all loans and contingent credits of the Normal portfolio.

(pp5.1.2) Portfolio in default

The portfolio in default includes debtors and their credits that are considered to be of doubtful recovery as they show a deteriorated or nil payment capacity. Debtors with clear indications of a possible bankruptcy, and those where a forced debt restructuring is necessary to avoid default form part of this portfolio, plus any debtor 90 days or more overdue in the payment of interest or principal of any credit. This portfolio comprises debtors belonging to the categories C1 to C6 of the classification scale and all the credits, including 100% of contingent credits, of these same debtors.

Percentages of allowances are used to be applied to the amount of exposure, which equates to the sum of loans and contingent credits of the same debtor, for creating allowances for the portfolio in default. For applying this percentage, the expected loss rate first has to be estimated, deducting from the exposure the amounts recoverable by liquidating the collateral, and when there are concrete justifications for doing so, also deducting the present value of the recoveries that may result from exercising collection actions, net of their related costs. This loss rate should be grouped in one of the six categories defined according to the range of losses effectively expected by the Bank for all the debtor's operations.

These categories, the range of loss according to that estimated by the Bank, and the percentages of allowance to be applied to the amounts of exposure at the end, are those indicated in the following table:

Type of portfolio	Risk scale	Range of expected loss	Allowance (%)
Default	C1	Up to 3 %	2
	C2	3% to 20%	10
	C3	20% to 30%	25
	C4	30% to 50%	40
	C5	50% to 80%	65
	C6	More than 80%	90

Note 2 – Principal Accounting Criteria Applied (continued)

(pp) Loans and accounts receivable from customers (continued)

(pp5) Allowances for credit risk (continued)

(pp5.1) Allowances by individual evaluation (continued)

(pp5.1.2) Portfolio in default (continued)

The following are considered for the calculation:

Expected rate of loss = $(E-R)/E$
Allowance = $E\times (PA/100)$

Where:
E = Amount of exposure
R = Recoverable amount
PA = Percentage allowance (according to the category in which the expected loss rate is grouped).

(pp5.2) Allowances by group evaluation

The group evaluation is used to analyze a large number of credit operations whose individual amounts are small and consist of individuals and small businesses. These evaluations and the criteria for applying them should be congruent with those made in granting the credits.

These group evaluations require the grouping of credits of similar characteristics like the type of debtor and the agreed terms, in order to establish, by technically-justified estimates and following prudent criteria, both the payment behavior of the group in question and of the recoveries of unpaid credits, and then the making of the necessary allowances to cover the portfolio risk.

The estimated losses should be in line with the type of portfolio and the term of the operations.

In the case of consumer loans, collateral is not considered for the purpose of estimating the expected loss.

The allowances are made according to the results of the application of the methods the Bank uses, distinguishing between allowances for the normal portfolio and for the portfolio in default, and which cover the risks of the contingent credits associated with those portfolios.

The portfolio in default comprises the loans and contingent credits of debtors overdue 90 days or more in the payment of interest or principal including all the loans, including 100% of the amount of contingent credits, of those debtors.

Note 2 – Principal Accounting Criteria Applied (continued)

(pp) Loans and accounts receivable from customers (continued)

(pp6) Write-off of loans

As a general rule, write-offs are made when the contractual rights to the cash flows expire. In the case of loans, the respective asset balances are written off even when this does not occur.

Write-offs refer to the deduction of the asset corresponding to the respective operation in the statement of financial position, including the part that might not yet be due in the case of a loan with partial repayments or a leasing operation.

Write-offs should always be made by using the allowances made for credit risk whatever the reason for the write-off.

(pp6.1) Write-off of loans and accounts receivable

Write-offs of loans and accounts receivable, other than leasing operations, should be made in the following circumstances, according to which occurs first:

a) The Bank, based on the available information, concludes that it will obtain no cash flow from the asset.

b) When a credit without enforceable title passes more than 90 days booked as an asset.

c) When shares expire through the statute of limitations for demanding recovery by executive judgment or when the enforcement of the title by judicial resolution is rejected or abandoned.

d) When the period of default of an operation reaches the term for write-off according to the following:

Type of credit	**Term**
Consumer loans with or without collateral	6 months
Other operations without collaterals	24 months
Commercial loans with collateral	36 months
Housing mortgage loans	48 months

The term relates to the time since the due date of payment of all or part of the obligation in default.

Note 2 – Principal Accounting Criteria Applied (continued)

(pp) Loans and accounts receivable from customers (continued)

(pp6) Write-offs of loans (continued)

(pp6.2) Write-off of leasing operations

The assets relating to leasing operations should be written off in the following circumstances, whichever occurs first:

a) The Bank concludes that there is no possibility of recovery of the lease income and that the value of the asset cannot be considered for the recovery of the contract, whether because it is not in the possession of the lessee, due to its present condition, because of the expenses involved in its recovery, transfer and maintenance, due to technological obsolescence or there is no information about its present whereabouts or condition.

b) When shares expire through the statute of limitations for demanding recovery by executive judgment or when the enforcement of the title by judicial resolution is rejected or abandoned.

c) When the period of default of a contract reaches the term for write-off according to the following:

Type of contract	**Term**
Consumer leasing	6 months
Other non-real estate leasing operations	12 months
Real estate leasing (commercial or housing)	36 months

The term relates to the time since the due date of payment of a lease installment is in default.

Note 2 – Principal Accounting Criteria Applied (continued)

(pp) Loans and accounts receivable from customers (continued)

(pp7) Recovery of loans written off

Subsequent payments received with respect to operations written off are shown directly as revenue in the consolidated statement of comprehensive income, under Allowances for credit risk.

In the event of the recovery of goods, the income will be booked to income for the amount in which they are incorporated into assets. The same criterion follows if the assets leased are recovered after the write-off of a leasing operation, by their incorporation into assets.

(pp8) Restructuring of operations written off

Any restructuring of a credit written off does not generate revenue while the operation continues in a state of default, treating the effective payments received as recoveries of credits written off, as indicated above.

A restructured credit can only therefore be returned to assets if its ceases to be impaired, also booking the return to assets as a recovery of credits written off.

The same criterion should be followed in granting a credit to repay a credit written off.

Note 2 – Principal Accounting Criteria Applied (continued)

(qq) Investment instruments

Investment instruments are classified in two categories: Investments held to maturity and Instruments available for sale. Investments held to maturity include only those instruments for which there is the capacity and intention of holding them until their maturity. Other investment instruments are considered as available for sale. The Bank periodically evaluates the capacity and intention to sell these financial instruments available for sale.

A financial asset classified as available for sale is initially booked at cost plus transaction costs directly attributable to its acquisition.

Instruments available for sale are later valued at their fair value according to market prices or valuations obtained by the use of models. Unrealized gains or losses arising from changes in their fair value are shown as a credit or charge to equity accounts. When these investments are disposed of or impaired, the amount of the accumulated adjustments to fair value are transferred to income and reported under Net gain (loss) from financial operations.

Investment instruments held to maturity are booked at cost plus accrued interest and indexation and less allowances for impairment constituted when their book value is higher that the estimated amount of recovery.

Interest and indexation on investment instruments held to maturity and on those available for sale are included in Interest and indexation revenue.

Investment instruments that are the subject of accounting hedges are adjusted according to the rules for booking hedges, as described in Note 2 (oo).

Purchases and sales of investment instruments that should be delivered within the term established by regulations or market customs, are shown on the date of trading, on which the purchase or sale of the asset is committed. Other purchases or sales are treated as derivatives (forwards) until their settlement.

The Bank and its subsidiaries have no investment instruments held to maturity as of December 31, 2012 and 2011.

(rr) Debt instruments issued

Financial instruments issued by the Bank are classified in the statement of financial position as Debt instruments issued, in which the Bank has an obligation to provide cash or other financial asset to the bearer, or to meet the obligation by an exchange of the agreed amount of cash.

Following the initial measurement, the obligation is valued at amortized cost using the effective interest rate method. The amortized cost is calculated taking into account any discount, premium or cost directly related to the issue.

Note 2 – Principal Accounting Criteria Applied (continued)

(ss) Intangible assets

Intangible assets are identified as non-monetary assets (separate from other assets) without physical substance that 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 for which the consolidated entities consider it probable that future economic benefits will accrue.

Intangible assets are booked initially at acquisition cost and are subsequently measured at their cost less any accumulated amortization or any accumulated impairment.

(ss1) Goodwill

Goodwill represents the excess of acquisition cost over the fair value of the Company's participation in the net identifiable assets of the subsidiary or associate on the date of acquisition.

In calculating goodwill, the fair value of the assets acquired, liabilities and contingent liabilities are determined by reference to market value or discounted future cash flows to their present value. This discount is made using market rates or risk-free interest rates and future cash flows with adjusted risk.

Goodwill as of December 31, 2012 and 2011 is shown at cost less accumulated amortization according to its remaining useful life.

(ss2) Software or computer programs

Computer programs acquired by the Bank and its subsidiaries are booked at cost less accumulated amortization and the accumulated amount of losses for impairment.

Subsequent expenses in programs are capitalized only when the future economic benefits integrated in the specific related asset increase. All other expenses are booked as expenses when incurred.

Amortization is booked to income using the straight-line method according to the estimated useful lives of the computer programs, from the date on which they are ready for use. The estimated useful lives of computer programs are a maximum of 6 years.

(ss3) Other identifiable intangible assets

These refer to identified intangible assets whose asset cost can be measured reliably and it is probable that future economic benefits will be generated.

Note 2 – Principal Accounting Criteria Applied (continued)

(tt) Property, plant and equipment

Property, plant and equipment includes the amount of land, properties, movable assets, vehicles, computer equipment and other installations owned by the consolidated entities, and are used in the entity's business. These assets are valued as their historic cost or the fair value as attributed cost, less the corresponding accumulated depreciation and impairments to their value, with monetary correction applied until December 31, 2007.

The cost includes expenses that have been attributed directly to the acquisition of the asset.

Depreciation is booked in the statement of comprehensive income on the basis of the straight-line method over the estimated useful lives of each part of an item of property, plant and equipment.

The estimated average useful lives for the years 2012 and 2011 are:

- Buildings	50 years
- Installations	10 years
- Equipment	3 years
- Supplies	5 years

Conservation and maintenance expenses of the assets of own use are charged to the income of the year in which they are incurred.

(uu) Current taxes and deferred taxes

The provision for income tax of S-M Chile and its subsidiaries has been determined in accordance with current legislation.

The subsidiaries book, when appropriate, deferred tax assets and liabilities for the future estimate of the tax effects attributable to timing differences between the book values of assets and liabilities and their values for tax purposes. The measurement of deferred tax assets and liabilities is made on the basis of the tax rate which, under current taxation legislation, should be applied in the year in which deferred tax liabilities are realized or paid. The future effects of changes in tax legislation or taxation rates are booked in deferred taxes from the date on which the law approving these changes is published.

The valuation of deferred tax assets and liabilities for their corresponding booking is determined at their book value on the date of measurement of the deferred taxes. Deferred tax assets are booked only when it is believed probable that there will be sufficient tax income to recover the deductions for timing differences. Deferred taxes are classified in accordance with SBIF regulations.

(vv) Assets received in lieu of payment

Assets received in lieu of payment of loans and accounts receivable from customers are booked, in the case of payments in kind, at the price agreed between the parties or, where no such agreement exists, for the amount that the Bank adjudicates them at a judicial auction.

Assets received in payment are classified in Other assets, are booked at the lower of adjudication cost and fair value less regulatory write-offs, and are shown net of allowances. The SBIF requires a write-off if the asset is not sold within one year of its reception.

Note 2 – Principal Accounting Criteria Applied (continued)

(ww) Investment properties

Investment properties are properties held with the purpose of obtaining rental income or obtaining a gain on the investment or both things at the same time, but not for sale in the normal course of business or for administrative purposes. Investment properties are valued at the appraisal value calculated at January 1, 2008 less the corresponding accumulated depreciation and impairments, and are shown in Other assets.

(xx) Provisions and contingent liabilities

Provisions are liabilities in which there is uncertainty about their amount or due date. They are shown in the statement of financial position when meeting both the following requirements:

(i) it is a current obligation as a result of past events, and

(ii) at the date of the financial statements it is probable that the Bank or its subsidiaries have to expend resources in cancelling the obligation and the amount of these resources can be measured reliably.

A contingent asset or liability is a right or obligation deriving from past events whose existence will only be confirmed if one or more uncertain future events occur and which are outside the control of the Bank.

The following are classified as contingent in complementary information:

i. **Guarantees**: Comprise guarantees and stand-by letters of credit. They also include guarantees of payment by buyers in factoring transactions, as indicated in Chapter 8-38 of the Compilation.

ii. **Confirmed foreign letters of credit**: refer to letters of credit confirmed by the Bank.

iii. **Documentary letters of credit**: include documentary letters of credit issued by the Bank which have not yet been negotiated.

iv. **Performance bonds**: refer to performance bonds granted against promissory notes.

v. **Interbank guarantee letters**: letters of guarantee issued in accordance with Section II of Chapter 8-12 of the Updated Compilation of Regulations.

vi. **Freely-available lines of credit**: the amount not drawn under lines of credit which permit customers to make use of the credit without any prior decision by the Bank (e.g. with use of credit cards or agreed overdrafts in current account).

vii. **Other credit commitments:** amounts not drawn under committed loans that have to be disbursed at an agreed future date or on the occurrence of events previously contracted with the customer, as happens with lines of credit linked to the progress of construction or similar projects.

viii. **Other contingent credits:** any other kind of commitment by the entity that might give rise to an effective credit on the occurrence of future events. These are generally infrequent operations like the pledge of instruments to guarantee the payment of credit operations between third parties or operations with derivatives contracted on behalf of third parties that might imply a payment obligation and are not covered by deposits.

Note 2 – Principal Accounting Criteria Applied (continued)

(xx) Provisions and contingent liabilities (continued)

Credit-risk exposure to contingent liabilities:

To calculate the provisions for contingent liabilities, as indicated in Chapter B-1 of the Compendium of Accounting Regulations of the SBIF, the amount of exposure to be considered is equivalent to the percentage of the amounts of contingent liabilities as indicated below:

Type of contingent liability	Exposure
a) Guarantees	100%
b) Confirmed foreign letters of credit	20%
c) Documentary letters of credit issued	20%
d) Performance bonds	50%
e) Interbank letters of guarantee	100%
f) Freely-available lines of credit	50%
g) Other credit commitments:	
- Tertiary study credits Law 20,027	15%
- Other	100%
h) Other contingent liabilities	100%

However, with respect to operations carried out with customers that have overdue loans as indicated in Chapter B-2 of the Compendium of Accounting Regulations of the SBIF, Impaired and/or Written-Off Loans, this exposure shall always be the equivalent of 100% of the contingent liabilities.

Additional allowances

In accordance with instructions of the SBIF, banks may only make additional allowances that result from the application of their portfolio evaluation models, in order to protect themselves from unforeseeable economic fluctuations that could affect the macroeconomic environment or the situation of a specific economic sector.

Allowances made to cover the risk of macroeconomic fluctuations should anticipate situations or reversals of expansive economic cycles that in the future might result in a worsening in economic environmental conditions and thus function as an anti-cyclical mechanism of accumulation of additional allowances when the scenario is favorable and the release or assignment to specific allowances when environmental conditions deteriorate.

Additional allowances should therefore correspond always to general allowances for commercial, housing or consumer loans, or identified segments of them, and never be used to compensate deficiencies in the models used by the bank.

The Bank made additional allowances for its loan portfolio in 2012 as a net charge to income of ThCh$2,270,823 (net charge of ThCh$24,052,077 in 2011). As of December 31, 2012 the balance of accumulated allowances amounts to ThCh$97,756,672 (ThCh$95,485,849 in 2011), which are shown in Provisions in liabilities in the statement of financial position.

(yy) Provision for minimum dividends

In accordance with SBIF's Accounting Compendium, the SM-Chile and its subsidiaries show in liabilities the part of the earnings for the year to be distributed in compliance with the Corporations Law, its bylaws or its dividend policies. A provision is therefore made against a complementary equity account of retained earnings.

To calculate the provision for minimum dividends, the distributable earnings are taken into account which, according to the Bank's bylaws, are defined as those resulting from deducting from or adding to earnings the amount of monetary correction in the revaluation or adjustment of issued capital and reserves for the year and their corresponding variations.

Note 2 – Principal Accounting Criteria Applied (continued)

(zz) Employee benefits

(zz1) Personnel vacation

The annual cost of personnel vacation and benefits is shown on an accrual basis.

(zz2) Short-term benefits

SM-Chile and its subsidiaries offer their employees an annual incentives plan for compliance with objectives and individual contribution to income, consisting of a certain number or portion of monthly salaries, and the provision is made on the basis of the estimated amount for distribution.

(zz3) Severance payments

The Bank has agreed with part of its staff to provide termination benefits to those completing 30 or 35 year's service should they retire from the institution. This obligation includes the accrued proportional part for those staff who will be able to exercise the right to this benefit and who have still not acquired it at the end of the year.

The obligations under this defined benefits plan are valued according to the projected credit-unit method, including as variables the staff turnover rate, expected salary growth, and the probability of use of this benefit, discounted at the current rate for long-term operations (5.50% as of December 31, 2012 and 6.04% as of December 31, 2011).

The discount rate used corresponds to the financing rate given by the Bank's treasury area to the different segments. This is made based on yields on Banco Central de Chile 10-year bonds in Chilean pesos (BCP).

Actuarial gains and losses are booked as revenues or expenses at the end of the year. There are no other additional costs that have to be booked by the Bank.

(aaa) Interest and indexation income and expenses

Interest and indexation revenues and expenses are booked in the statement of comprehensive income using the effective interest-rate method. The effective interest rate is the discount rate that exactly equates the estimated cash inflows and outflows over the expected life of the financial instrument (or, when appropriate, in a shorter period) with the net book value of the financial asset or liability. To calculate the effective interest rate, the Bank determines the cash flows taking into account all the contractual conditions of the financial instrument without considering future credit losses.

The calculation of the effective interest rate includes all the commissions and other concepts paid or received that form part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issuance of a financial asset or liability.

In the case of the impaired portfolio and the current portfolio with a high risk of non-payment, a prudent policy has been followed of suspending the accrual of interest and indexation in the income accounts; these are booked as and when they are received. The suspension occurs in the following cases:

Individually-evaluated loans

- Loans classified in categories C5 and C6: The accrual is suspended for the mere fact of being in the impaired portfolio.
- Loans classified in categories C3 and C4: The accrual is suspended for having been in the impaired portfolio for three months.

Note 2 – Principal Accounting Criteria Applied (continued)

(aaa) Interest and indexation income and expenses (continued)

Group-evaluated loans

- Loans with real collateral below 80%: The accrual is suspended when the loan or one of its installments is overdue more than six months.

In the case of loans subject to individual evaluation, the booking of the revenue can be continued for the accrual of interest and indexation which is being paid normally and which corresponds to obligations whose flows are independent, as might occur in the case of project financing.

The suspension of the booking of revenue on an accrual basis implies that, while the credits remain in the impaired portfolio, the respective assets included in the consolidated financial statement will not be increased with interest, indexation or commissions and the statement of comprehensive income will not show income for those concepts unless they are effectively received.

(bbb) Fee income and expenses

Fee income and expenses are shown in the consolidated income under different criteria depending on their nature. The most significant are:

- Those relating to a singular act, when the act originating it produces it.
- Those that arise from transactions or services that are extended over time, during the life of such transactions or services.
- Commissions on loan commitments and other commissions related to loan operations, are deferred (together with the incremental costs related directly to the placement) and booked as an adjustment to the effective interest rate of the placement. In the case of loan commitments, when there is uncertainty about the date of effective placement, the commissions are booked in the year of the commitment originating them on a straight-line basis.

(ccc) Identification and measurement of impairment

(ccc1) Financial assets

A financial asset is revised throughout each year and fundamentally on the date of its closing to determine whether there is objective evidence to show that an event that causes a loss has occurred after the initial booking of the asset and that that event impacts the estimated future cash flows of the financial asset, which can be calculated reliably.

A loss for impairment relating to financial assets booked at amortized cost is calculated as the difference between the book value of the asset and the present value of the estimated cash flows, discounted at the effective interest rate.

A loss for impairment relating to a financial asset available for sale is calculated by reference to its fair value.

In the case of capital investments classified as financial assets available for sale, objective evidence includes a significant and prolonged fall below the original investment cost in the realizable value of the investment. In the case of investments classified as financial assets available for sale, the Bank evaluates whether there is objective evidence of impairment based on the same criterion used for the evaluation of the loans.

Note 2 – Principal Accounting Criteria Applied (continued)

(ccc) Identification and measurement of impairment (continued)

(ccc1) Financial assets (continued)

If there is evidence of impairment, any amounts previously booked in equity, net gains (losses) not booked in the statement of income, are removed from equity and booked in the statement of income for the year, shown as Net gains (losses) relating to financial assets available for sale. This amount is determined as the difference between cost (net of any reimbursement and amortization) and the present fair value of the asset, less any loss for impairment on that investment that has been previously booked in the statement of income.

When the fair value of debt instruments available for sale recovers at least to their amortized cost, these are no longer considered as impaired instruments and later changes in their fair value are booked in equity.

Significant financial assets are examined to determine their impairment. Other financial assets are evaluated collectively in groups that share similar credit-risk characteristics.

All impairment losses are booked against comprehensive income. Any accumulated loss in relation to a financial asset available for sale booked previously against equity is transferred to income.

The reversal of a loss for impairment only occurs when this can be related objectively to an event that occurred after it was booked. In the case of financial assets booked at amortized cost and for those available for sale which are securities, the reversal is booked to income. In the case of financial assets which are variable-income securities, the reversal is booked directly to equity.

A loss for impairment is reversed if in the following year the fair value of the debt instrument classified as available for sale rises, and this increase can be objectively related to an event occurring after the loss for impairment was booked in the statement of income. The amount of the reversal is booked in the statement of income up to the amount previously booked as impaired. The losses booked in the statement of income for an investment in shares classified as available for sale are not reversed in the statement of income.

(ccc2) Non-financial assets

The book value of the non-financial assets of the Bank and its subsidiaries, excluding investment properties and deferred tax assets, is revised throughout the year and fundamentally on the date of its closing to determine whether there are indications of impairment. If there are, then the amount recoverable from the assets is estimated.

Losses for impairment booked in previous years are evaluated on each date of presentation to find any indication as to whether the loss has diminished or disappeared. A loss for impairment is reversed if there has been a change in the estimates used to determine the amount recoverable. A loss for impairment is reversed only provided the book value of the assets does not exceed the book value that would have been determined, net of depreciation or amortization, if no loss for impairments had been booked.

The Bank evaluates at each reporting date and constantly if there are indications that an asset might be impaired. If there are indications, the Bank estimates the amount recoverable from the asset. The recoverable amount of an asset is the difference between the fair value less the costs of sale and the value of the asset in use. When the book value of the asset exceeds the amount recoverable, the asset is considered to be impaired and the difference between both values is written off to reflect the asset at its recoverable value. In evaluating the value in use, the estimated cash flows are discounted to their present value, using a discount rate that reflects current conditions in the money market at the time and the specific risks of the asset. An appropriate evaluation model should be used to determine the fair value less the cost of sale. These calculations are checked against multiple valuations, share prices and other indicators of fair value.

Note 2 – Principal Accounting Criteria Applied (continued)

(ccc) Identification and measurement of impairment (continued)

(ccc2) Non-financial assets (continued)

For assets excluding goodwill, losses for impairment booked in previous years are evaluated on each date of presentation of the financial statements to check for any indication that the loss has decreased or disappeared. A loss for impairment is reversed if a change has occurred in the estimates used in determining the recoverable amount. A loss for impairment is reversed only to the extent that the book value of the asset does not exceed the book value that would have been determined, net of depreciation or amortization, if no loss for impairment had been booked. This reversal is booked in the statement of income.

Losses for impairment related to goodwill cannot be reversed in future years.

(ddd) Financial and operating leases

(ddd1) The Bank as lessor

Assets leased to customers under contracts that substantially transfer all the risks and property recognitions, with or without legal title, are classified as a financial lease. When the assets retained are subject to a financial lease, the assets leased cease to be accounted for and an account receivable is booked, equal to the minimum amount of the lease payment, after discounting the lease's interest rate. The initial negotiation expenses in a financial lease are incorporated in the account receivable through the discount rate applied to the lease. Leasing revenue is booked on lease terms based on a model that constantly reflects a periodic rate of return on the net leasing investment.

Assets leased to customers under contracts that do not substantially transfer all the rights and benefits of the asset are classified as an operating lease.

Assets under operating leases are included in Other assets in the statement of position and depreciation is determined on the book value of these assets, applying a proportion of the value systematically on the economic use of the estimated useful life. Leasing revenues are booked on a straight-line basis over the term of the lease.

(ddd2) The Bank as lessee

Assets under financial leases are initially booked in the statement of position at an amount equal to the fair value of the asset leased or, if lower, the present value of the minimum payments. As of December 31, 2012 and 2011, SM-Chile and its subsidiaries have no contracts of this nature.

Operating leases are booked as expenses on a straight-line basis over the term of the lease, which begins when the lessee controls the physical use of the asset. Lease incentives are treated as a reduction in lease expenses and are also shown over the term of the lease on a straight-line basis. Contingent leases that arise under operative leases are booked as an expense in the years in which they are incurred.

Note 2 – Principal Accounting Criteria Applied (continued)

(eee) Fiduciary activities

The Bank provides trust commissions and other fiduciary services resulting from the participation or investment of assets on behalf of customers. The assets held in a fiduciary capacity are not reported in the financial statements as they are not assets of the Bank. The contingencies and commitments arising from this activity are shown in Note 39.24 (a).

(fff) Customer loyalty program

The Bank has a loyalty program that provides incentives to its customers, enabling them to acquire goods and/or services in exchange for prize points called "dólares premio" (dollar prizes) which are granted as a function of purchases made with the Bank's credit cards and compliance with certain conditions established in the program. The exchange of the "dólares premios" is made by a third party. In accordance with CFRS 13, the costs of the Bank's commitments with its customers under this program are booked at the present value on an accrued basis considering the total points susceptible to being exchanged of all the accumulated "dólares premio" and also the probability of their exchange.

(ggg) Reclassification

Certain reclassifications have been made to some items in the statements of financial position and comprehensive income as of December 31, 2011 in order to show a suitable comparison with those statements.

Note 3 – Cash and cash equivalents

a) Cash and cash equivalents as of December 31, 2012 and 2011 are detailed as follows:

	12/31/2012 ThCh$	12/31/2011 ThCh$
Cash	1,649,486	1,386,447
Balance in banks	22,794,463	14,513,825
Time deposits up to 90 days	182,149,070	28,589,364
Investments under repurchase agreements	47,536,729	27,709,586
Total	**254,129,748**	**72,199,222**

As indicated in Note 2f and 2y, the consolidated statement of cash flows includes the banking subsidiaries which are shown separately. Said detail does not therefore include the cash and cash equivalents of the banking subsidiaries. Similarly, the balances that Quiñenco and its subsidiaries maintain in checking accounts, time deposits and other investments with Banco de Chile, amounting to ThCh$27,743,522 as of December 31, 2012 (ThCh$17,314,030 as of December 31, 2011), have been eliminated in the preparation of these consolidated financial statements.

b) The detail of the above cash and cash equivalents by currency is as follows:

	Currency	12/31/2012 ThCh$	12/31/2011 ThCh$
Cash & cash equivalents	CLP	239,261,800	59,205,444
Cash & cash equivalents	USD	14,604,672	12,485,908
Cash & cash equivalents	EUR	7,058	1,357
Cash & cash equivalents	ARS	20,059	188,978
Cash & cash equivalents	PEN	117,900	317,184
Cash & cash equivalents	BRL	1,602	351
Cash & cash equivalents	Other	116,657	-
Total		**254,129,748**	**72,199,222**

c) Reconciliation of cash and cash equivalents shown in the statement of financial position and that shown in the consolidated statement of cash flows.

	12/31/2012 ThCh$	12/31/2011 ThCh$
Cash & cash equivalents corresponding to non-banking operations	254,129,748	72,199,222
Cash & cash equivalents corresponding to banking services		
Cash	400,248,236	346,169,549
Deposits with Banco Central de Chile	44,314,277	139,327,660
Deposits with banks in Chile	15,288,783	120,068,547
Deposits abroad	201,547,803	288,993,093
Operations pending settlement, net	237,392,177	218,216,153
Highly-liquid financial instruments	304,886,322	290,067,691
Repurchase agreements	9,119,523	40,476,529
Cash & cash equivalents shown in consolidated statement of cash flows	**1,466,926,869**	**1,515,518,444**

Note 3 – Cash and cash equivalents (continued)

d) Significant unavailable cash balances

The Parent company and subsidiaries show no significant amount of cash and cash equivalents that are unavailable for use.

Note 4 – Other financial assets, current

Other financial assets, current as of December 31, 2012 and 2011are detailed as follows:

	12/31/2012	**12/31/2011**
	ThCh$	ThCh$
Time deposits for more than 90 days	79,216,569	41,332,854
Hedge assets	-	22,046
Investments in mutual funds	1,484,912	13,411,659
Total	**80,701,481**	**54,766,559**

The above does not include the balances that Quiñenco and its subsidiaries maintain in time deposits for more than 90 days with Banco de Chile, amounting to ThCh$43,250,020 as of December 31, 2012 (ThCh$ 45,288,940 in 2011).

a) Hedge assets

The detail of current hedge assets and their fair values is as follows:

				Current		**Fair value**	
Classification	**Type of hedge**	**Risk hedged**	**Item hedged**	**12/31/2012 ThCh$**	**12/31/2011 ThCh$**	**12/31/2012 ThCh$**	**12/31/2011 ThCh$**
Hedge assets, other derivatives	Cash-flow hedge instrument	Exposure to variations in commodity prices (copper)	Expected sales	-	22,046	-	22,046
	Total hedge assets			**-**	**22,046**	**-**	**22,046**

Note 5 – Other non-financial assets, current

Non-financial assets, current as of December 31, 2012 and 2011are detailed as follows:

	12/31/2012 ThCh$	12/31/2011 ThCh$
Dividends receivable	15,592,783	13,600,981
Advance payments to suppliers	2,423,400	3,505,769
VAT fiscal credit	1,979,356	340,681
Other	574,283	284,229
Total	**20,569,822**	**17,731,660**

Note 6 – Trade debtors and other accounts receivable

Trade debtors and other accounts receivable as of December 31, 2012 and 2011 are detailed as follows:

	12/31/2012 ThCh$	12/31/2011 ThCh$
Trade debtors	132,508,360	132,612,134
Allowance for doubtful accounts	(8,267,179)	(7,561,662)
Other accounts receivable	12,591,911	12,806,251
Total	**136,833,092**	**137,856,723**

The maturities of current trade debtors and other accounts receivable are detailed as follows:

	12/31/2012 ThCh$	12/31/2011 ThCh$
Maturing within three months	120,114,315	120,073,462
Maturing between three & six months	980,425	4,002,887
Maturing between 6 & 12 months	967,695	347,233
Total	**122,062,435**	**124,423,582**

The maturities of current trade debtors and other accounts receivable overdue but not impaired are detailed as follows:

	12/31/2012 ThCh$	12/31/2011 ThCh$
Overdue less than three months	13,711,755	12,079,875
Overdue between three & six months	388,198	583,245
Overdue between 6 & 12 months	670,704	770,021
Total	**14,770,657**	**13,433,141**

Note 6 – Trade debtors and other accounts receivable (continued)

The maturities of trade debtors and other accounts receivable overdue and impaired are detailed as follows:

	12/31/2012 ThCh$	12/31/2011 ThCh$
Overdue less than three months	1,124,868	60,819
Overdue between three & six months	959,636	127,852
Overdue between 6 & 12 months	6,182,675	7,372,991
Total	**8,267,179**	**7,561,662**

The allowances for doubtful accounts (impairment) of trade debtors and other accounts receivable are detailed as follows:

	12/31/2012 ThCh$	12/31/2011 ThCh$
Trade debtors	(8,267,179)	(7,561,662)
Total	**(8,267,179)**	**(7,561,662)**

The movement in the allowance for trade debtors and other accounts receivable is detailed as follows:

	12/31/2012 ThCh$	12/31/2011 ThCh$
Initial balance	(7,561,662)	-
Increase through combination of businesses, Enex	-	(8,563,722)
Write-off of impaired financial assets in year	1,686,340	1,624,858
(Increase) in the year	(2,391,857)	(622,798)
Closing balance	**(8,267,179)**	**(7,561,662)**

Note 7 – Balances and transactions with related companies

a) Accounts receivable and payable with related companies

The detail of these as of December 31, 2012 and 2011 is as follows:

Company	Tax ID	Country of origin	Type of Transaction	Relationship	Currency	Current assets 12/31/2012 ThCh$	Current assets 12/31/2011 ThCh$	Non-current assets 12/31/2012 ThCh$	Non-current assets 12/31/2011 ThCh$	Current liabilities 12/31/2012 ThCh$	Current liabilities 12/31/2011 ThCh$	Non-current liabilities 12/31/2012 ThCh$	Non-current liabilities 12/31/2011 ThCh$
Cía. Sud Americana de Vapores S.A.	90.160.000-7	Chile	Prom. note	Associate	USD	-	130,834,976	-	-	3,653	-	-	-
Sociedad Nacional Oleoductos S.A.	81.095.400-0	Chile	Invoices	Associate of subsidiary	CLP	648,030	-	-	-	-	-	-	-
Minera Los Pelambres S.A.	96.790.240-3	Chile	Invoices	Common shareholders	CLP	3,007,288	3,078,973	-	-	-	-	-	-
Compañía Minera El Tesoro S.A.	78.896.610-5	Chile	Invoices	Common shareholders	CLP	107,191	116,395	-	-	-	-	-	-
Embotelladoras Chilenas Unidas S.A.	99.501.760-1	Chile	Invoices	Subsidiary of joint venture	CLP	187,028	183,009	-	-	201	-	-	-
Aguas CCU Nestlé Chile S.A.	76.003.431-2	Chile	Invoices	Subsidiary of joint venture	CLP	90,968	83,010	-	-	-	-	-	-
SAAM S.A.	96.657.690-1	Chile	Invoices	Associate	CLP	29,828	29,365	-	-	-	-	-	-
Transportes y Servicios Aéreos S.A.	96.994.240-2	Chile	Trading account	Joint venture	CLP	-	-	585,232	571,226	-	-	-	-
Asfaltos Cono Sur S.A.	96.973.920-8	Chile	Invoices	Joint venture of subsidiary	CLP	19,044	-	-	-	117,406	257,111	-	-
Other	-	Chile	Invoices	Other	CLP	15,327	27,476	-	-	843	1,314	-	-
Total						**4,104,704**	**134,353,204**	**585,232**	**571,226**	**122,103**	**258,425**	**-**	**-**

There are no allowances for doubtful accounts.

Note 7 – Balances and transactions with related companies (continued)

b) Significant transactions with related companies

The criterion of the Parent company is to classify the rights with its associate IRSA with respect to dividends as other assets, in view of its nature and not its condition of related entity.

Transactions between related parties are carried out at market prices. No collateral has been given or received with respect to accounts receivable or payable between related parties.

For the presentation of transactions with related companies, significant items are those that exceed UF10,000 or 1% of the equity, whichever the lower.

				12-31-2012		12-31-2011	
Tax ID	Company	Relationship	Transaction	Amount	Effect on income	Amount	Effect on income
				ThCh$	ThCh$	ThCh$	ThCh$
76.003.431-2	Aguas CCU Nestlé Chile S.A.	Subsidiary of joint venture	Sale of products	619,548	520,628	426,999	358,822
99.501.760-1	Embotelladoras Chilenas Unidas S.A.	Subsidiary of joint venture	Services	807,089	678,226	1,738	(1,480)
96.973.920-8	Asfaltos Cono Sur S.A.	Joint venture of subsidiary	Services received	1,179,878	(1,179,878)	489,189	(489,189)
78.896.610-5	Compañía Minera El Tesoro S.A.	Shareholders in common	Sale of products	4,638,707	-	-	-
96.790.240-3	Minera Los Pelambres S.A.	Shareholders in common	Sale of products	31,121,844	755,967	16,007,738	430,949

c) Remuneration and benefits received by senior management of the Company

Remuneration and benefits received by senior management of the Company for each year is detailed as follows:

	12/31/2012	12/31/2011
	ThCh$	ThCh$
Wages & salaries	3,112,806	2,991,188
Fees (per diem & profit sharing)	774,156	2,530,092
Short-term benefits	3,458,000	2,377,000
Total	**7,344,962**	**7,898,280**

Note 8 – Inventory

The composition of the inventory as of December 31, 2012 and 2011is detailed as follows:

	12/31/2012 ThCh$	12/31/2011 ThCh$
Raw materials	13,416,460	12,101,890
Merchandise	6,553,156	7,022,542
Supplies for production	3,289,953	3,166,650
Work in progress	6,822,844	5,178,725
Finished goods	73,339,544	69,392,906
Other inventory (1)	3,829,143	2,482,122
Total	**107,251,100**	**99,344,835**

(1) Mainly includes inventory in transit.

The following shows the amounts deducted from inventory relating mainly to obsolescence and the adjustment to net realization value generated in the subsidiary Madeco for copper price variations.

	12/31/2012 ThCh$	12/31/2011 ThCh$
Amounts deducted from inventory	465,912	433,000

The costs of inventory booked as expense in the consolidated statement of comprehensive income as of December 31 each year are:

	12/31/2012 ThCh$	12/31/2011 ThCh$
Costs of inventory booked as expense	1,394,419,115	844,929,173

Note 9 – Non-current assets or groups of assets for disposal classified as held for sale

The composition of non-current assets or groups of assets for disposal classified as held for sale as of December 31, 2012 and 2011 is detailed as follows:

	12/31/2012 ThCh$	12/31/2011 ThCh$
Non-current assets held for sale	5,104,349	2,184,897
Total	**5,104,349**	**2,184,897**

Note 9 – Non-current assets or groups of assets for disposal classified as held for sale (continued)

(a) Non-current assets held for sale

The non-current assets held for sale as of December 31, 2012 and 2011 are detailed as follows:

	12/31/2012 ThCh$	12/31/2011 ThCh$
Properties (1)	5,104,349	2,184,897
Total	**5,104,349**	**2,184,897**

(1) The subsidiary Madeco S.A. has agreed to dispose of properties that the subsidiary has not used for some time. The book value of these assets is below their fair value less cost of sales.

Note 10 – Other financial assets, non-current

Other financial assets, non-current as of December 31, 2012 and 2011 are detailed as follows:

	12/31/2012 ThCh$	12/31/2011 ThCh$
Equity instruments (shares)	18,882,736	172,673,080
Mortgage-funding notes of national banks	480,254	3,514,186
Bonds issued by corporations	25,132,856	34,865,421
Bonds issued by national banks	30,710,213	24,625,526
Securities issued by Banco Central de Chile	8,882,382	17,184,351
Time deposits in national banks	-	21,106,996
Other equity & foreign investments	4,388,806	1,999,291
Total	**88,477,247**	**275,968,851**

a) Equity instruments

Equity instruments as of December 31, 2012 and 2011 are detailed as follows:

	12/31/2012 ThCh$	12/31/2011 ThCh$
Nexans S.A. (1)	-	153,930,290
Sociedad Nacional de Oleoductos S.A. (Sonacol)	16,161,697	16,161,697
Sociedad Nacional Marítima S.A. (Sonamar)	1,247,229	1,247,229
Other	1,473,810	1,333,864
Total	**18,882,736**	**172,673,080**

(1) Relates to 5,704,059 shares of Nexans (France) as of December 31, 2011.

Note 10 – Other financial assets, non-current (continued)

a) Equity instruments (continued)

The movement in the investment in Nexans in 2012 and 2011 was as follows:

	12/31/2012 ThCh$	12/31/2011 ThCh$
Initial balance	153,930,290	93,972,448
Transfer to investment in associates	(153,930,290)	-
Additions in the year	-	132,378,443
(Decrease) in exchange translation	-	(14,087,598)
Booking of fair value of shares	-	(68,611,522)
Other increases	-	10,278,519
Closing balance	**-**	**153,930,290**

The holding of Madeco in Nexans as of December 31, 2012 was 19.8598%. The investment was booked using the equity method from January 2012, as described in Notes 12 and 40.

Note 11 – Other non-financial assets, non-current

Other non-financial assets, non-current as of December 31, 2012 and 2011 are detailed as follows:

	12/31/2012 ThCh$	12/31/2011 ThCh$
Judicial deposits Ficap Brasil	8,236,351	9,311,274
Other recoverable taxes	1,521,716	1,515,959
Sole investment account	544,565	516,827
Other	1,583,919	1,445,769
Total	**11,886,551**	**12,789,829**

Note 12 – Investments booked using the equity method

a) Summary of financial information of significant subsidiaries

The summary of financial information of significant subsidiaries as of December 31, 2012 is as follows:

Company	Country of incorporation	Functional currency	Participation percentage	Current Assets ThCh$	Non-current assets ThCh$	Banking assets ThCh$	Current liabilities ThCh$	Non-current liabilities ThCh$	Banking liabilities ThCh$	Ordinary income ThCh$	Ordinary expenses ThCh$	Earnings ThCh$
Madeco	Chile	USD	55.40%	102,801,556	355,584,801	-	73,127,580	76,244,664	-	205,777,977	(168,207,613)	25,859,808
LQIF	Chile	CLP	50.00%	1,487,179	926,361,278	23,261,067,990	108,189,119	195,375,639	21,523,886,983	1,109,529,684	(628,854,079)	216,902,896
Enex	Chile	CLP	100.00%	214,488,352	308,072,393	-	103,884,977	87,302,829	-	1,340,622,690	(1,246,250,757)	28,387,139
Total				**318,777,087**	**1,590,018,472**	**23,261,067,990**	**285,201,676**	**358,923,132**	**21,523,886,983**	**2,655,930,351**	**(2,043,312,449)**	**271,149,843**

The summary of financial information of significant subsidiaries as of December 31, 2011 is as follows:

Company	Country of incorporation	Functional currency	Participation percentage	Current Assets ThCh$	Non-current assets ThCh$	Banking assets ThCh$	Current liabilities ThCh$	Non-current liabilities ThCh$	Banking liabilities ThCh$	Ordinary revenue ThCh$	Ordinary expenses ThCh$	Earnings ThCh$
Madeco	Chile	USD	54.44%	99,036,163	285,883,332	-	59,412,553	69,983,760	-	210,878,167	(173,841,721)	9,329,110
LQIF	Chile	CLP	50.00%	13,422,144	931,572,726	21,740,944,508	27,330,281	190,172,696	20,351,545,374	1,098,911,242	(614,102,415)	192,373,986
Inv. Río Aurum S.A.	Chile	CLP	100.00%	170,013,058	268,878,547	-	98,353,959	111,469,574	-	731,727,752	(671,087,452)	2,161,378
Total				**282,471,365**	**1,486,334,605**	**21,740,944,508**	**185,096,793**	**371,626,030**	**20,351,545,374**	**2,041,517,161**	**(1,459,031,588)**	**203,864,474**

(1) Significant subsidiaries are determined by following the same criterion used in establishing the Company's **Operating Segments** (Note 33).

(2) During May 2012, the subsidiary Inversiones Río Aurum S.A. merged with Enex, the latter being the legal successor.

Note 12 – Investments booked using the equity method (continued)

b) Participation in joint ventures

The Company's most significant participation in joint ventures relates to the investment in Compañía Cervecerías Unidas S.A. (CCU), included in the equity value method of Inversiones y Rentas S.A. (IRSA). The Company has an indirect participation in CCU through its 50% holding in IRSA which is a joint venture with the Dutch brewery group Heineken Americas B.V. (Heineken). As a result, Heineken holds 50% of IRSA and is therefore a partner of Quiñenco, being the joint controllers of 66.11% of CCU.

In accordance with paragraph 56 of IAS 31, the following shows summarized financial information of the significant participations in joint ventures as of December 31, 2012 and 2011:

12/31/2012

Company	Country of incorporation	Book value ThCh$	Percentage participation	Current Assets ThCh$	Non-current assets ThCh$	Current liabilities ThCh$	Non-current liabilities ThCh$	Ordinary revenue ThCh$	Ordinary expenses ThCh$	Earnings (loss) ThCh$
Inversiones y Rentas S.A.	Chile	220,476,221	50.00%	496,359,601	857,698,034	306,598,504	301,399,838	1,075,689,894	(493,087,247)	75,000,131
Foods Compañía de Alimentos CCU S.A.	Chile	12,624,775	50.00%	8,364,951	27,321,395	9,709,334	727,260	20,529,548	(15,299,032)	(449,925)
Asfaltos Cono Sur S.A.	Chile	5,800,000	50.00%	691,591	11,809,262	900,854	-	2,322,457	(1,651,261)	402,643
Transportes y Servicios Aéreos S.A.	Chile	114,527	50.00%	1,330,880	71,603	2,964	1,170,466	-	-	50,525
Total				**506,747,023**	**896,900,294**	**317,211,656**	**303,297,564**	**1,098,541,899**	**(510,037,540)**	**75,003,374**

12/31/2011

Company	Country of incorporation	Book value ThCh$	Percentage participation	Current Assets ThCh$	Non-current assets ThCh$	Current liabilities ThCh$	Non-current liabilities ThCh$	Ordinary revenue ThCh$	Ordinary expenses ThCh$	Earnings (loss) ThCh$
Inversiones y Rentas S.A.	Chile	203,000,277	50.00%	543,122,987	783,082,550	341,603,522	269,976,835	969,550,671	(450,563,274)	79,842,902
Foods Compañía de Alimentos CCU S.A.	Chile	12,849,838	50.00%	7,912,917	27,263,481	9,109,055	367,666	18,963,856	(8,407,225)	(381,621)
Asfaltos Cono Sur S.A.	Chile	5,806,792	50.00%	1,108,839	10,909,654	404,909	-	2,337,823	(1,066,686)	832,455
Transportes y Servicios Aéreos S.A.	Chile	89,264	50.00%	1,250,243	73,101	2,368	1,142,449	-	-	186,002
Total				**553,394,986**	**821,328,786**	**351,119,854**	**271,486,950**	**990,852,350**	**(460,037,185)**	**80,479,738**

There are no contingent liabilities of investment commitments relating to the participation in joint ventures. The method used for booking the participation in the jointly-controlled entities is the equity method, giving an identical treatment to investments in associates.

Note 12 – Investments booked using the equity method (continued)

c) Participation in associates

(i) Investment in Compañía Sud Americana de Vapores S.A.

During the first half of 2011, the Company and its subsidiaries Inversiones Río Bravo S.A. and Inmobiliaria Norte Verde S.A. acquired 515,509,760 shares in Compañía Sud Americana de Vapores S.A. , equivalent to 18.82% of the total share capital, for an amount of ThCh$157,553,598. Later, in the third quarter of 2011, the Company and its subsidiaries acquired 72,484,489 shares for ThCh$20,658,080 to reach a 20.63% holding in Compañía Sud Americana de Vapores.

On February 15, 2012, Compañía Sud Americana de Vapores concluded the placement of a capital increase of USD 1,200 million which was approved by the extraordinary shareholders' meeting held on October 5, 2011. This increase consisted of the issuance of 5,867,970,660 shares for payment at a price of USD 0.2045 per share, which was fully subscribed. Consequently, Quiñenco S.A., Inmobiliaria Norte Verde S.A. and Inversiones Río Bravo S.A. on that date became the joint holders of 3,264,041,231 shares in CSAV, representing 37.44% of its subscribed and issued capital. In accordance with the resolutions of the extraordinary shareholders' meeting of October 5, 2011 the pending condition was met to carry out the division of CSAV, i.e. that the capital increase generated funds of at least USD 1,100 million, and subject to obtaining the consent of third parties who under contractual obligations assumed by CSAV or SAAM should give their consent to the division or acquired certain rights under such contracts. On February 15, 2012, therefore, CSAV was divided and the company Sociedad Matriz SAAM S.A. constituted from it, the holder of approximately 99.99% of the shares of Sudamericana Agencias Aéreas y Marítimas S.A., a closely-held corporation dedicated to the provision of services relating to shipping, mainly in the ports, tugs and logistics businesses. Consequently Quiñenco S.A., Inmobiliaria Norte Verde S.A. and Inversiones Río Bravo S.A. became the joint holders of 3,645,498,954 shares in SM SAAM, representing 37.44% of its subscribed and issued capital.

ii) Investment in Nexans

On January 11, 2012, the Compensations Committee of the indirect associate Nexans met with the participation of a director nominated by Madeco (out of a total of three directors that form the Committee). From that moment, Madeco therefore exercises a significant influence over Nexans, thus the investment has been valued using the equity method.

In accordance with French regulations, Nexans does not prepare interim financial statements for the March and September quarters. Madeco therefore uses the latest information available from the financial statements of June and December to value its investment at equity value for the closings at March and September respectively, which treatment has been authorized by the SVS by its Resolution 10,914 of April 30, 2012.

Note 12 – Investments booked using the equity method (continued)

c) Participation in associates (continued)

iii) In accordance with paragraph 37 of IAS 28, the following summarizes financial information on the significant participations in associates as of December 31, 2012 and 2011:

						12/31/2012				
Company	**Country of incorporation**	**Book value**	**Percentage participation**	**Current Assets**	**Non-current assets**	**Current liabilities**	**Non-current liabilities**	**Ordinary revenue**	**Ordinary expenses**	**Earnings (loss)**
		ThCh$		**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**
Compañía Sud Americana de Vapores S.A.	Chile	156,646,519	37.44%	313,596,778	877,975,962	359,577,419	416,581,183	1,667,421,783	(1,647,772,039)	(154,957,248)
SM SAAM S.A.	Chile	169,793,674	37.44%	86,892,918	400,065,858	60,283,456	107,034,440	217,894,186	(163,811,046)	28,859,823
Nexans S.A.	France	247,861,822	22.41%	2,311,562,715	1,461,426,844	1,378,617,426	1,257,092,994	4,814,928,430	(4,119,272,102)	(5,044,237)
Total				**2,712,052,411**	**2,739,468,664**	**1,798,478,301**	**1,780,708,617**	**6,700,244,399**	**(5,930,855,187)**	**(131,141,662)**

						12/31/2011				
Company	**Country of incorporation**	**Book value**	**Percentage participation**	**Current Assets**	**Non-current assets**	**Current liabilities**	**Non-current liabilities**	**Ordinary revenue**	**Ordinary expenses**	**(Loss)**
		ThCh$		**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**
Compañía Sud Americana de Vapores S.A.	Chile	72,484,489	20.63%	443,686,985	1,207,114,022	803,190,270	533,861,148	2,451,264,208	(2,878,968,363)	(589,009,255)
Total				**443,686,985**	**1,207,114,022**	**803,190,270**	**533,861,148**	**2,451,264,208**	**(2,878,968,363)**	**(589,009,255)**

Note 12 – Investments booked using the equity method (continued)

d) Movement in investments in associates:

The movement during 2012 was as follows:

Company	Principal activity	Country	Functional currency	Percentage participation	Balance at 01-01-2012 ThCh$	Participation in earnings (loss) ThCh$	Dividends received ThCh$	Other Increases (decreases) ThCh$	Balance at 12/31/2012 ThCh$
Inversiones y Rentas S.A.	Investments	Chile	CLP	50.00%	203,000,277	37,500,066	(16,462,312)	(3,561,810)	220,476,221
Cía. Sud Americana de Vapores S.A.	Transport	Chile	USD	37.44%	118,965,704	(59,350,953)	-	97,031,768	156,646,519
SM SAAM S.A. (1)	Transport	Chile	USD	37.44%	-	8,541,727	-	161,251,947	169,793,674
Habitaria S.A.	Real estate	Chile	CLP	50.00%	199,490	3,759	-	(633)	202,616
Nexans S.A.	Manufacturing	France	Euro	22.41%	-	(756,615)	(4,036,418)	252,654,855	247,861,822
Foods Compañía de Alimentos CCU S.A.	Foods	Chile	CLP	50.00%	12,849,838	(224,962)	-	(1)	12,624,875
Transportes y Servicios Aéreos S.A.	Transport	Chile	CLP	50.00%	89,264	25,263	-	-	114,527
Asfaltos Cono Sur S.A.	Bitumen	Chile	CLP	50.00%	5,806,792	201,322	(208,114)	-	5,800,000
Sociedad Inversiones Aviación SIAV Ltda.	Supply of fuel & lubricants	Chile	CLP	33.33%	1,194,717	731,698	(706,752)	31,255	1,250,918
Inmobiliaria El Norte y El Rosal S.A.	Real estate	Chile	CLP	50.00%	35,117	(143)	-	(566)	34,408
Empresa Aérea El Litoral S.A.	Transport	Chile	CLP	0.57%	-	(154)	-	564	410
Total					**342,141,199**	**(13,328,992)**	**(21,413,596)**	**507,407,379**	**814,805,990**

The movement during 2011 was as follows:

Company	Principal activity	Country	Functional currency	Percentage participation	Balance at 01-01-2011 ThCh$	Participation in earnings (loss) ThCh$	Dividends received ThCh$	Other Increases (decreases) ThCh$	Balance at 12/31/2011 ThCh$
Inversiones y Rentas S.A.	Investments	Chile	CLP	50.00%	178,383,385	39,921,451	(14,765,088)	(539,471)	203,000,277
Cía. Sud Americana de Vapores S.A.	Transport	Chile	USD	20.63%	-	(70,180,667)	-	189,146,371	118,965,704
Habitaria S.A.	Real estate	Chile	CLP	50.00%	198,315	1,605	-	(430)	199,490
Foods Compañía de Alimentos CCU S.A.	Foods	Chile	CLP	50.00%	13,040,648	(190,810)	-	-	12,849,838
Transportes y Servicios Aéreos S.A.	Transport	Chile	CLP	50.00%	-	93,001	-	(3,737)	89,264
Asfaltos Cono Sur S.A.	Bitumen	Chile	CLP	50.00%	-	295,430	(222,667)	5,734,029	5,806,792
Sociedad Inversiones Aviación SIAV Ltda.	Supply of fuel & lubricants	Chile	CLP	33.33%	-	486,093	(650,000)	1,358,624	1,194,717
Inmobiliaria El Norte y El Rosal S.A.	Real estate	Chile	CLP	50.00%	34,675	21	-	421	35,117
Total					**191,657,023**	**(29,573,876)**	**(15,637,755)**	**195,695,807**	**342,141,199**

(1) The goodwill related to the acquisition of the associate SM SAAM is included forming part of the value of the investment. The amount shown of ThCh$ 169,793,674 therefore corresponds to ThCh$ 138,867,450 of equity value and ThCh$ 30,926,224 of goodwill.

Note 13 – Intangible assets other than goodwill

Classes of intangible assets, net	12/31/2012 ThCh$	13/31/2011 ThCh$
Intangible assets with finite life, net	28,387,817	33,347,753
Intangible assets with indefinite life, net (1)	179,262,304	179,327,101
Intangible assets, net	**207,650,121**	**212,674,854**

(1) Intangible assets of indefinite life relate to the Banco de Chile brand and the contract for using the Citibank brand, as it is expected that they contribute to the generation of net cash flows indefinitely. Intangible assets of indefinite life are valued at their cost of acquisition less accumulated impairment, and are not amortized. However, these assets are subject to annual impairment tests.

Method used to express the amortization of identifiable intangible assets	Useful life	Minimum useful life	Maximum useful life
Useful life for computer programs	years	3	6
Useful life for Other identifiable intangible assets	years	5	10

a) Intangible assets as of December 31, 2012 and 2011 are detailed as follows:

As of December 31, 2012	Gross assets ThCh$	Accumulated Amortization ThCh$	Net assets ThCh$
Patents, trademarks & other rights	180,589,197	(1,326,893)	179,262,304
Computer programs	2,167,477	(459,512)	1,707,965
Other intangible assets	252,304,688	(225,624,836)	26,679,852
Total	**435,061,362**	**(227,411,241)**	**207,650,121**

As of December 31, 2011	Gross assets ThCh$	Accumulated Amortization ThCh$	Net assets ThCh$
Patents, trademarks & other rights	180,632,187	(1,305,086)	179,327,101
Computer programs	1,708,716	(285,294)	1,423,422
Other intangible assets	252,291,258	(220,366,927)	31,924,331
Total	**434,632,161**	**(221,957,307)**	**212,674,854**

Note 13 – Intangible assets other than goodwill (continued)

b) Movement of identifiable intangible assets

The following shows the movement of identifiable intangible assets during 2012:

Movement	Patents, registered trademarks & other rights ThCh$	Computer programs ThCh$	Other intangible assets ThCh$	Total ThCh$
Initial balance	179,327,101	1,423,422	31,924,331	212,674,854
Additions	7,297	594,645	10,346	612,288
Acquisitions through combinations of business	-	-	465,683	465,683
Divestments	-	(506,536)	-	(506,536)
Amortization	(29,518)	(247,338)	(5,320,242)	(5,597,098)
Increase (decrease) in currency translation	(14,005)	(67,369)	9,301	(72,073)
Other increases (decreases)	(28,571)	511,141	(409,567)	73,003
Closing balance	**179,262,304**	**1,707,965**	**26,679,852**	**207,650,121**

The following shows the movement of identifiable intangible assets during 2011:

Movement	Patents, registered trademarks & other rights ThCh$	Computer programs ThCh$	Other intangible assets ThCh$	Total ThCh$
Initial balance	179,268,850	1,024,882	40,131,793	220,425,525
Additions	11,252	111,552	19,351	142,155
Amortization	-	-	(11,252)	(11,252)
Increase (decrease) in currency translation	(27,264)	(157,561)	(8,219,309)	(8,404,134)
Other increases (decreases)	74,263	444,549	-	518,812
Closing balance	-	-	3,748	3,748
Amortization	**179,327,101**	**1,423,422**	**31,924,331**	**212,674,854**

The subsidiary Madeco amortizes identifiable intangible assets in Administrative expenses on the consolidated statement of comprehensive income. The subsidiary LQIF books the amortization of its intangible assets in Other expenses by function.

Note 14 – Goodwill

The movement in goodwill during 2012 is detailed as follows:

Movement	Banco de Chile & SM-Chile ThCh$	Merger Banco Chile - Citibank ThCh$	Merger Citigroup Chile II S.A. LQIF ThCh$	Enex ThCh$	Other ThCh$	Total ThCh$
As of December 31, 2012						
Initial balance at 01/01/2012	541,029,310	138,235,433	41,319,581	139,075,895	1,308,530	860,968,749
Increase in currency translation	-	-	-	-	(33,294)	(33,294)
Other (decreases)	-	-	-	3,277,313	-	3,277,313
Net closing balance at 12/31/2012	**541,029,310**	**138,235,433**	**41,319,581**	**142,353,208**	**1,275,236**	**864,212,768**
As of December 31, 2011						
Initial balance at 01/01/2011	544,607,408	142,242,057	42,590,446	-	1,265,113	730,705,024
Increase (decrease) in currency translation	-	-	-	-	43,417	43,417
Other increases (decreases)	(3,578,098)	(4,006,624)	(1,270,865)	139,075,895	-	130,220,308
Net closing balance at 12/31/2011	**541,029,310**	**138,235,433**	**41,319,581**	**139,075,895**	**1,308,530**	**860,968,749**

Note 15 – Combinations of businesses

On March 31, 2011 the subsidiaries of Royal Dutch – Shell PLC, today Enex, Enex S.A. e I., Inversiones Enex S.A. and Enex Trading Chile S.A., were acquired, which meant the transfer of the fuels distribution business through the service stations of Enex throughout the country, the lubricant distribution business and other connected or related businesses.

On May 31, 2011, the transaction was closed with the payment of ThUS$ 633,000 which included the working capital and cash balances. A further payment of ThUS$ 11,869 was made during the third quarter with respect to a price difference.

The impact on the statement of financial position was as follows:

	ThCh$
Amount paid	304,271,514
Other payments made &/or provisioned	3,277,325
Cash flow hedge	1,165,937
Net assets	
- Enex S.A.C.I.	(151,276,810)
- Inversiones Enex S.A.	(630)
- Enex Trading S.A.	(15,084,128)
Goodwill	**142,353,208**

Note 16 – Operations with non-controlling participations

- **Non-concurrence in capital increase of Banco de Chile**

In January 2011 the Board of the subsidiary LQIF agreed not to participate in the capital increase of Banco de Chile.

In May 2011 the Banco Central de Chile agreed (Resolution 1609E-01-110513) to determine the disposal Price of the options to subscribe for shares issued by Banco de Chile due to the capital increase agreed to on January 20, 2011, corresponding to the shareholder SAOS S.A. for the shares pledged in its favor. These options were offered to the Series A, B and D shareholders of SM-Chile in the special pre-emptive offer period that began on May 16, 2011 and concluded on June 14, 2011. Later, the council of Banco Central de Chile, at its meeting on June 16, 2011 decided to sell on the stock market the remaining options corresponding to the share subscription rights of SAOS S.A. in the capital increase of Banco de Chile and which were not acquired in the special pre-emptive offer period

The process of the capital increase of Banco de Chile was finalized on July 19, 2011.

- **Bonuses**

In March 2012 and 2011, the extraordinary shareholders' meetings of Banco de Chile approved the distribution of 30% of the distributable earnings for the year through the issuance of fully paid-in shares (stock dividends) which were distributed to the shareholders of Banco de Chile pro rata to their holdings in the Bank. During the same month, the ordinary shareholders' meeting of SM-Chile approved the distribution of the stock dividends received for its direct participation in Banco de Chile to its shareholders pro rata to their participation in the Bank.

- **Capital increase of Madeco**

During May 2012, Quiñenco participated in the capital increase of the subsidiary Madeco, increasing its holding from 54.4436% to 55.4022%. In July 2011, Quiñenco and its subsidiaries Inversiones Río Grande S.p.A., Inmobiliaria Norte Verde and Inversiones Río Azul participated in the capital increase made by the subsidiary Madeco, increasing their holding from 47.6512% to 54.4436%.

As the counterparties not participating in the capital increase corresponded to non-controlling participations of Madeco, the effects of this operation have been booked in Other reserves.

The net effects generated by these operations with non-controlling participations as of December 31, 2012 and 2011 are as follows:

	Payment of stock dividend		Concurrence in capital increase of Madeco		Non-concurrence in capital increase of Banco de Chile	Total	
	12/31/2012	12/31/2011	12/31/2012	12/31/2011	12/31/2011	12/31/2012	12/31/2011
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Equity value	(7,219,675)	(7,677,246)	1,404,061	8,933,931	53,018,561	(5,815,614)	54,275,246
Intangible assets	1,392	15,727	-	-	(2,191,133)	1,392	(2,175,406)
Goodwill	-	-	-	-	(4,422,101)	-	(4,422,101)
Variation Other reserves	-	-	-	-	(47,426)	-	(47,426)
Net effect on equity	**(7,218,283)**	**(7,661,519)**	**1,404,061**	**8,933,931**	**46,357,901**	**(5,814,222)**	**47,630,313**

Note 17 – Property, plant and equipment

(a) Composition

The composition of these assets as of December 31, 2012 and 2011 is detailed as follows:

	Gross assets ThCh$	Accumulated depreciation ThCh$	Net assets ThCh$
As of December 31, 2012			
Construction in progress	27,156,287	-	27,156,287
Land	67,048,582	-	67,048,582
Buildings	44,507,257	(10,582,962)	33,924,295
Plant & equipment	169,812,470	(89,566,600)	80,245,870
Computer equipment	5,600,935	(5,012,802)	588,133
Fixed installations & accessories	12,327,070	(8,358,416)	3,968,654
Motor vehicles	3,447,971	(2,142,012)	1,305,959
Improvements to leased assets	209,014	(50,923)	158,091
Other property, plant & equipment	7,696,546	(5,621,973)	2,074,573
Total as of December 31, 2012	**337,806,132**	**(121,335,688)**	**216,470,444**
As of December 31, 2011			
Construction in progress	7,522,109	-	7,522,109
Land	70,152,314	-	70,152,314
Buildings	47,570,782	(10,104,055)	37,466,727
Plant & equipment	161,530,357	(86,378,763)	75,151,594
Computer equipment	5,619,325	(4,946,942)	672,383
Fixed installations & accessories	13,646,741	(9,760,941)	3,885,800
Motor vehicles	3,604,448	(2,164,012)	1,440,436
Other property, plant & equipment	7,223,743	(4,919,323)	2,304,420
Total as of December 31, 2011	**316,869,819**	**(118,274,036)**	**198,595,783**

Note 17 – Property, plant and equipment (continued)

(b) Movement

The movement in 2012 is detailed as follows:

		Construction in progress	Land	Buildings, net	Plant & equipment, net	Computer equipment, net	Fixed installations & accessories, net	Motor vehicles, net	Improvements to leased assets	Other property, plant & equipment, net	Property, plant & equipment, net
		ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Initial balance as of January 1, 2012		7,522,109	70,152,314	37,466,727	75,151,594	672,383	3,885,800	1,440,436	-	2,304,420	198,595,783
Movement	Additions	24,495,197	995,014	549,625	5,913,913	313,335	1,099,836	286,787	-	710,144	34,363,851
	Additions through combinations of business	-	-	-	8,503,535	10,380	20,541	44,380	218,498	-	8,797,334
	Divestments	-	(171,220)	-	(76,538)	(406)	(43,623)	(29,847)	-	-	(321,634)
	Transfer (from) non-current assets & groups for disposal held for sale	-	(2,097,135)	(1,607,163)	-	-	-	-	-	-	(3,704,298)
	Retirements	-	-	-	(504,237)	(561)	-	(18,031)	-	(955)	(523,784)
	Charge for depreciation	-	(54,511)	(1,395,553)	(9,397,164)	(491,411)	(1,004,921)	(355,124)	(46,292)	(670,916)	(13,415,892)
	Increases for revaluation booked in statement of income	-	-	-	204,487	-	-	-	-	-	204,487
	(Decreases) in currency translation	(573,702)	(1,649,085)	(1,833,578)	(2,757,758)	(23,361)	(151,793)	(48,589)	(48,163)	(134,070)	(7,220,099)
	Other increases (decreases)	(4,287,317)	(126,795)	744,237	3,208,038	107,774	162,814	(14,053)	34,048	(134,050)	(305,304)
Closing balance as of December 31, 2012		**27,156,287**	**67,048,582**	**33,924,295**	**80,245,870**	**588,133**	**3,968,654**	**1,305,959**	**158,091**	**2,074,573**	**216,470,444**

The movement in 2011is detailed as follows:

		Construction in progress	Land	Buildings, net	Plant & equipment, net	Computer equipment, net	Fixed installations & accessories, net	Motor vehicles, net	Improvements to leased assets	Other property, plant & equipment, net	Property, plant & equipment, net
		ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Initial balance as of January 1, 2011		9,013,875	22,374,801	21,395,322	31,307,483	332,394	2,568,803	917,172	-	1,678,193	89,588,043
Movement	Additions	2,149,729	1,845,772	2,347,801	14,092,757	157,369	288,380	90,561	-	366,532	21,338,901
	Additions through combinations of business	8,792,540	48,004,006	8,028,373	29,820,347	408,592	1,493,084	358,207	-	524,312	97,429,461
	Divestments	-	(1,588,112)	(35,236)	(695,665)	(19,746)	(49,721)	(60,057)	-	(19,354)	(2,467,891)
	Transfer (from) non-current assets & groups for disposal held for sale	-	(1,901,936)	(282,961)	-	-	-	-	-	-	(2,184,897)
	Transfer (from) investment properties	-	(1,159,774)	(435,115)	-	-	-	-	-	-	(1,594,889)
	Divestments through disposal of businesses	(36,575)	-	-	(1,560,225)	-	-	-	-	-	(1,596,800)
	Retirements	-	-	(60,557)	(470,713)	(7,666)	(111)	(13,223)	-	(809)	(553,079)
	Charge for depreciation	-	-	(1,075,528)	(9,664,000)	(462,615)	(628,752)	(225,009)	-	(895,831)	(12,951,735)
	Increases in currency translation	1,221,464	2,110,240	1,860,607	3,144,378	28,249	182,578	58,483	-	174,253	8,780,252
	Other increases (decreases)	(13,618,924)	467,317	5,724,021	9,177,232	235,806	31,539	314,302	-	477,124	2,808,417
Closing balance as of December 31, 2011		**7,522,109**	**70,152,314**	**37,466,727**	**75,151,594**	**672,383**	**3,885,800**	**1,440,436**	**-**	**2,304,420**	**198,595,783**

Note 17 – Property, plant and equipment (continued)

(c) Financial leases

Madeco's subsidiaries, Alusa S.A., Peruplast S.A. and Aluflex S.A., have contracts for the acquisition mainly of land, buildings and equipment. The lessors are Banco Corpbanca, Banco Crédito, Scotiabank, Crédito Leasing, Interbank, Citibank, Banco BBVA, Banco Continental and Banco Patagonia S.A.

There are no dividends, additional debt or new lease restrictions in these contracts.

Items of property, plant and equipment under financial leases as of December 31, 2012 and 2011 are detailed as follows:

	12/31/2012 ThCh$	12/31/2011 ThCh$
Land	6,365,958	6,886,418
Buildings, net	8,632,334	8,790,351
Plant & equipment, net	3,831,193	4,334,974
Motor vehicles, net	132,022	129,851
Other property, plant & equipment under financial leases	-	531,523
Total	**18,961,507**	**20,673,117**

The present value of future financial lease payments as of December 31, 2012 and 2011 is as follows:

	12/31/2012		
	Gross ThCh$	**Interest ThCh$**	**Present value ThCh$**
Less than one year	2,838,029	(414,551)	2,423,478
One to five years	8,587,090	(647,631)	7,939,459
Over five years	114,989	-	114,989
Total	**11,540,108**	**(1,062,182)**	**10,477,926**

	12/31/2011		
	Gross ThCh$	**Interest ThCh$**	**Present value ThCh$**
Less than one year	3,314,429	(307,307)	3,007,122
One to five years	11,581,591	(741,303)	10,840,288
Over five years	623,689	(12,863)	610,826
Total	**15,519,709**	**(1,061,473)**	**14,458,236**

Note 17 – Property, plant and equipment (continued)

(d) Operating leases

The most significant operating leases relate to the subsidiaries Enex and Alumco, with contracts varying between 1 and 5 years with automatic one-year renewals. There is an option to terminate these leases in advance, for which the lessor should be notified within the term and conditions set out in each of the contracts.

Should it be decided to terminate in advance without giving the required notification, the installments established in the original contract must be paid.

There are no restrictions imposed by the operating lease contracts.

The future payments under operative leases as of December 31, 2012 and 2011 are as follows:

	12/31/2012 ThCh$	12/31/2011 ThCh$
Less than one year	6,354,617	5,748,631
One to five years	23,268,677	26,073,243
Total	**29,623,294**	**31,821,874**

The installments of leases and sub-leases booked in the consolidated statement of comprehensive income as of December 31, 2012 and 2011 are as follows:

	12/31/2012 ThCh$	12/31/2011 ThCh$
Minimum lease payments under one year under operating leases	6,321,625	5,505,389

Note 18 – Investment properties

a) Investment properties as of December 31, 2012 and 2011are as follows:

	12/31/2012 ThCh$	12/31/2011 ThCh$
Land	3,578,090	4,055,303
Buildings	5,226,591	4,800,092
Total	**8,804,681**	**8,855,395**

b) Movement

The movement in investment properties during 2012 and 2011was as follows:

2012 Movement	**Land** ThCh$	**Buildings** ThCh$	**Total** ThCh$
Initial balance, net	4,055,303	4,800,092	8,855,395
Charge of depreciation	-	(1,328,227)	(1,328,227)
Additions	-	1,795,721	1,795,721
(Decrease) in currency translation	(477,213)	(40,995)	(518,208)
Closing balance, net	**3,578,090**	**5,226,591**	**8,804,681**

2011 Movement	**Land** ThCh$	**Buildings** ThCh$	**Total** ThCh$
Initial balance, net	2,907,852	4,418,437	7,326,289
Charge of depreciation	-	(720,772)	(720,772)
Additions	5,178,895	591,365	5,770,260
Divestments through disposals	(5,651,769)	(13,208)	(5,664,977)
Transfer to properties available for sale	1,159,774	435,115	1,594,889
Increase in currency translation	460,551	87,207	547,758
Other increases	-	1,948	1,948
Closing balance, net	**4,055,303**	**4,800,092**	**8,855,395**

c) Revenue from rentals and direct operating expenses of investment properties during 2012 and 2011is as follows:

	12/31/2012 ThCh$	12/31/2011 ThCh$
Revenue from rental of investment properties	1,260,368	988,796
Direct operating expenses	(317,911)	(114,501)

d) The fair values of investment properties do not vary significantly from their book values.

Note 19 – Income tax and deferred taxes

a) General information

The positive taxable income fund (FUT) and its related credits, of the Parent company as of December 31, 2012 is as follows:

Credit	ThCh$
17%	193,861,739
16.5%	27,883,097
16%	6,244,223
15%	4,964,436
10%	137
none	74,674,979

The positive non-taxable income fund (FUNT) and its related credits as of December 31, 2012 is as follows:

	ThCh$
Exempt without credit	6,061,009
Non-taxable income	256,081,278
Exempt with credit of 10%	2,030,321

(b) Deferred taxes

The following shows the composition of deferred tax assets and liabilities as of December 31, 2012 and 2011:

Deferred taxes	12/31/2012 Assets ThCh$	12/31/2012 Liabilities ThCh$	12/31/2011 Assets ThCh$	12/31/2011 Liabilities ThCh$
Depreciation	214,964	6,341,687	167,915	4,939,802
Amortization	-	2,370,649	-	2,227,010
Provisions	3,381,612	-	5,061,479	63,122
Post-employment benefits	1,872,177	67,514	1,676,309	141,727
Revaluations of property, plant & equipment	1,451,840	9,089,861	1,350,987	8,305,367
Revaluations of investment properties	11,466	-	4,128	-
Intangible assets	51,662	38,109,721	-	35,478,749
Revaluations of financial instruments	1,661	-	17,571,631	363,161
Tax losses	5,164,664	-	4,100,380	-
Tax credits	8,791,506	-	-	-
Deferred tax assets related to Other	12,835,144	-	2,076,648	-
Deferred tax liabilities related to Other	-	3,831,681	-	219,051
Total	**33,776,696**	**59,811,113**	**32,009,477**	**51,737,989**

Note 19 – Income tax and deferred taxes (continued)

(c) Credit (charge) for income tax

Credit (charge) for income tax is as follows:

	12/31/2012 ThCh$	12/31/2011 ThCh$
(Charge) for current taxes	(11,253,695)	(6,217,649)
Credit (Charge) for other taxes & deferred taxes	(152,994)	70,386
Other tax credits	263,672	4,226,534
Adjustment for deferred tax assets & liabilities	18,298,885	2,931,573
Other	(1,067,039)	-
Net total of credit	**6,088,829**	**1,010,844**

(d) Reconciliation of applicable taxation

The reconciliation of the charge for income tax from the financial income before tax as of December 31 each year is as follows:

	12/31/2012 ThCh$	12/31/2011 ThCh$
Tax charge using the statutory rate	**(5,035,014)**	**3,285,447**
Tax effect of rates of other jurisdictions	(1,972,845)	(1,809,002)
Tax effect of non-taxable ordinary income	60,727,924	61,283,134
Tax effect of expenses disallowed for tax purposes	(18,847,832)	(37,448,939)
Tax effect of use of tax losses not previously booked	250,887	3,259,645
Tax effect of a new evaluation of deferred tax assets not booked	416,536	240,389
Tax effect of change in taxation rates	427,581	23,087
Tax effect of taxes foreseen in excess in previous years	-	52,044
Other (decreases) in charge for statutory taxes	(29,878,408)	(27,874,961)
Tax charge using the effective rate	**6,088,829**	**1,010,844**

Note 20 – Other current and non-current financial liabilities

Other current and non-current financial liabilities as of December 31, 2012 and 2011 are detailed as:

	Current		Non-current	
	12/31/2012	**12/31/2011**	**12/31/2012**	**12/31/2011**
	ThCh$	**ThCh$**	**ThCh$**	**ThCh$**
Bank loans	135,723,470	44,333,849	121,912,410	118,535,908
Bonds outstanding	24,027,669	23,255,482	448,726,425	348,380,029
Financial leases	2,434,743	3,026,446	8,067,063	11,451,114
Hedge liabilities	51,889	957,709	-	-
Total	**162,237,771**	**71,573,486**	**578,705,898**	**478,367,051**

Note 20 – Other current and non-current financial liabilities (continued)

(a) Interest-bearing bank loans as of December 31, 2012 are detailed as follows:

								Nominal amount						Carrying amounts							
Debtor Tax ID	Debtor	Debtor country	Creditor	Currency	Repayment	Effective rate	Nominal rate	Up to 3 months ThCh$	3 to 12 months ThCh$	1 to 3 years ThCh$	3 to 5 Years ThCh$	Over 5 years ThCh$	Total Nominal amount ThCh$	Current at 12/31/12 ThCh$	Up to 3 months ThCh$	3 to 12 months ThCh$	Non-current at 12/31/12 ThCh$	1 to 3 years ThCh$	3 to 5 years ThCh$	Over 5 years ThCh$	Total debt outstanding ThCh$
Foreign	Aluflex S.A.	Argentina	Banco Citibank	ARS	Monthly	15.88%	15.88%	395,998	-	-	-	-	390,211	395,998	395,998	-	-	-	-	-	395,998
Foreign	Aluflex S.A.	Argentina	Banco de la Nación	ARS	Monthly	16.30%	16.30%	143,583	71,626	-	-	-	865,953	215,209	143,583	221,906	-	-	-	-	215,209
Foreign	Aluflex S.A.	Argentina	Banco Galicia	ARS	Monthly	14.50%	14.50%	366,592	-	-	-	-	504,903	366,592	366,592	-	-	-	-	-	366,592
Foreign	Aluflex S.A.	Argentina	Banco Patagonia S.A.	ARS	Monthly	15.93%	15.93%	1,269,232	488,360	781,376	293,016	-	3,460,981	1,757,592	1,269,232	697,660	1,074,392	781,376	293,016	-	2,831,984
76.801.220-2	Alumco S.A.	Chile	Banco BCI	CLP	Monthly	6.49%	6.30%	477,685	-	-	-	-	476,850	477,685	477,685	-	-	-	-	-	477,685
76.801.220-2	Alusa S.A.	Chile	Banco Security	USD	Quarterly	1.86%	1.86%	1,814,584	671,944	1,007,916	-	-	5,759,520	2,486,528	1,814,584	-	1,007,916	1,007,916	-	-	3,494,444
94.956.680-K	Decker Industrial S.A.	Chile	Banco Estado	USD	At maturity	22.00%	0.00%	211,531	-	-	-	-	959,920	211,531	211,531	-	-	-	-	-	211,531
Foreign	Empaques Flexa S.A.S.	Argentina	Banco Patagonia S.A.	ARS	Semi-annual	4.75%	4.75%	8,461,399	-	-	-	-	8,399,300	8,461,399	8,461,399	-	-	-	-	-	8,461,399
Foreign	Indalum S.A.	Colombia	Banco de Bogota S.A.	USD	Monthly	6.55%	6.36%	403,675	-	-	-	-	405,226	403,675	403,675	-	-	-	-	-	403,675
91.524.000-3	Indalum S.A.	Chile	Banco Bice	CLP	Quarterly	6.47%	6.30%	903,020	-	-	-	-	911,911	903,020	903,020	669,360	-	-	-	-	903,020
91.524.000-3	Indalum S.A.	Chile	Banco Itaú	CLP	Semi-annual	7.71%	7.57%	988,871	312,500	937,500	625,000	-	3,275,664	1,301,371	988,871	-	1,562,500	937,500	625,000	-	2,863,871
91.524.000-3	Indalum S.A.	Chile	Banco Security	CLP	Semi-annual	2.47%	2.46%	-	482,682	-	-	-	486,666	482,682	-	-	-	-	-	-	482,682
91.524.000-3	Indalum S.A.	Chile	Banco Security	USD	Semi-annual	2.36%	2.35%	-	1,446,731	-	-	-	1,458,693	1,446,731	-	1,899,486	-	-	-	-	1,446,731
76.009.053-0	Madeco Mills S.A.	Chile	Banco Itaú	CLP	At maturity	0.58%	0.58%	-	1,371,242	-	-	-	1,355,000	1,371,242	-	-	-	-	-	-	1,371,242
76.009.053-0	Madeco Mills S.A.	Chile	Banco Estado	USD	At maturity	1.64%	1.64%	720,590	1,299,954	-	-	-	2,015,832	2,020,544	720,590	-	-	-	-	-	2,020,544
76.009.053-0	Madeco Mills S.A.	Chile	Banco Itaú	USD	At maturity	1.39%	1.39%	965,573	998,419	-	-	-	1,957,617	1,963,992	965,573	477,145	-	-	-	-	1,963,992
91.021.000-9	Madeco S.A.	Chile	Banco Itaú	USD	At maturity	4.21%	3.94%	-	76,710	-	14,280,918	-	14,398,800	76,710	-	220,140	14,280,918	-	14,280,918	-	14,357,628
Foreign	Madeco S.A.	Peru	Banco Continental	USD	At maturity	3.79%	3.57%	-	57,555	-	39,006,132	-	39,356,720	57,555	-	400,256	39,006,132	-	39,006,132	-	39,063,687
Foreign	Peruplast S.A.	Peru	Banco de Crédito	USD	Quarterly	2.50%	2.50%	-	480,393	-	-	-	479,960	480,393	-	-	-	-	-	-	480,393
Foreign	Peruplast S.A.	Peru	Banco Interbank	USD	Monthly	3.60%	3.60%	296,636	2,109,331	817,112	-	-	4,079,660	2,405,967	296,636	-	817,112	817,112	-	-	3,223,079
Foreign	Peruplast S.A.	Peru	Banco Scotiabank	USD	Monthly	3.42%	3.42%	488,232	964,437	-	-	-	1,439,880	1,452,669	488,232	-	-	-	-	-	1,452,669
96.929.880-5	LQIF	Chile	Banco Estado	CLP	Monthly	6.45%	6.05%	99,082,840	-	-	-	-	99,082,840	99,082,840	99,082,840	-	-	-	-	-	99,082,840
92.011.000-2	Enex S.A.	Chile	Banco Santander	CLP	Annual	6.75%	7.41%	140,758	2,114,054	-	-	-	2,254,812	2,254,812	-	-	22,762,815	7,493,837	7,522,234	7,755,489	25,017,627
92.011.000-2	Enex S.A.	Chile	Banco BBVA	CLP	Annual	6.75%	7.41%	255,924	3,845,946	-	-	-	4,101,870	4,101,870	-	-	41,400,625	13,625,101	13,676,733	14,098,791	45,502,495
92.011.000-2	Enex S.A.	Chile	Banco Santander	CLP	At maturity	7.02%	7.02%	1,544,863	-	-	-	-	1,544,863	1,544,863	1,544,863	-	-	-	-	-	1,544,863
			TOTAL											**135,723,470**			**121,912,410**				**257,635,880**

Note 20 – Other current and non-current financial liabilities (continued)

(b) Interest-bearing bank loans as of December 31, 2011 are detailed as follows:

								Book values													
Debtor Tax ID	Debtor	Debtor country	Creditor	Currency	Repayment	Effective rate	Nominal rate	Up to 3 months ThCh$	3 to 12 months ThCh$	1 to 3 years ThCh$	3 to 5 Years ThCh$	Over 5 years ThCh$	Total Nominal amount ThCh$	Current at 12/31/11 ThCh$	Up to 3 months ThCh$	3 to 12 months ThCh$	Non-current at 12/31/11 ThCh$	1 to 3 years ThCh$	3 to 5 years ThCh$	Over 5 years ThCh$	Total debt outstanding ThCh$
Foreign	Aluflex S.A.	Argentina	Banco Patagonia S.A.	ARS	Quarterly	16.98%	17.03%	304,910	693,634	1,075,635	844,424	-	2,918,603	998,544	304,910	693,634	1,920,059	1,075,635	844,424	-	2,918,603
Foreign	Aluflex S.A.	Argentina	Banco Corpbanca	USD	Quarterly	5.09%	5.09%	306,409	296,687	-	-	-	603,096	603,096	306,409	296,687	-	-	-	-	603,096
Foreign	Aluflex S.A.	Argentina	Banco del Desarrollo	USD	Quarterly	1.99%	1.99%	383,511	-	-	-	-	383,511	383,511	383,511	-	-	-	-	-	383,511
Foreign	Aluflex S.A.	Argentina	Banco Citibank N.A.	USD	Semi-annual	2.50%	2.50%	261,616	-	-	-	-	261,616	261,616	261,616	-	-	-	-	-	261,616
76.801.220-2	Alumco S.A.	Chile	Banco BCI	CLP	Monthly	7.38%	7.14%	351,086	-	-	-	-	351,086	351,086	351,086	-	-	-	-	-	351,086
76.801.220-2	Alumco S.A.	Chile	Banco Security	CLP	Monthly	7.65%	7.40%	979,629	-	-	-	-	979,629	979,629	979,629	-	-	-	-	-	979,629
76.801.220-2	Alumco S.A.	Chile	Banco Security	USD	Monthly	2.12%	2.10%	1,362,100	-	-	-	-	1,362,100	1,362,100	1,362,100	-	-	-	-	-	1,362,100
96.956.680-k	Alusa S.A.	Chile	Banco del Estado	USD	Semi-annual	3.60%	3.60%	-	727,134	1,453,760	363,440	-	2,544,334	727,134	-	727,134	1,817,200	1,453,760	363,440	-	2,544,334
96.956.680-k	Alusa S.A.	Chile	Banco del Estado	USD	At maturity	2.10%	2.10%	1,142,373	-	-	-	-	1,142,373	1,142,373	1,142,373	-	-	-	-	-	1,142,373
96.956.680-k	Alusa S.A.	Chile	Banco BCI	USD	At maturity	1.85%	1.85%	1,662,379	-	-	-	-	1,662,379	1,662,379	1,662,379	-	-	-	-	-	1,662,379
96.956.680-k	Alusa S.A.	Chile	Banco Bice	USD	At maturity	2.22%	2.22%	1,298,160	-	-	-	-	1,298,160	1,298,160	1,298,160	-	-	-	-	-	1,298,160
Foreign	Decker Industrial S.A.	Argentina	Banco Patagonia S.A.	ARS	At maturity	28.00%	28.00%	250,017	-	-	-	-	250,017	250,017	250,017	-	-	-	-	-	250,017
91.524.000-3	Indalum S.A.	Chile	Banco Itaú	CLP	Monthly	7.44%	7.20%	300,180	-	-	-	-	300,180	300,180	300,180	-	-	-	-	-	300,180
91.524.000-3	Indalum S.A.	Chile	Banco Bice	CLP	Monthly	7.06%	6.84%	401,444	-	-	-	-	401,444	401,444	401,444	-	-	-	-	-	401,444
91.524.000-3	Indalum S.A.	Chile	Banco Security	CLP	Semi-annual	7.94%	7.79%	-	625,899	1,250,000	624,999	-	2,500,898	625,899	-	625,899	1,874,999	1,250,000	624,999	-	2,500,898
91.524.000-3	Indalum S.A.	Chile	Banco Security	USD	Semi-annual	2.64%	2.62%	17,654	2,087,721	-	-	-	2,105,375	2,105,375	17,654	2,087,721	-	-	-	-	2,105,375
76.009.053-0	Madeco Mills S.A.	Chile	Banco BCI	CLP	At maturity	6.66%	6.66%	1,517,760	-	-	-	-	1,517,760	1,517,760	1,517,760	-	-	-	-	-	1,517,760
76.009.053-0	Madeco Mills S.A.	Chile	Banco BBVA	CLP	At maturity	6.48%	6.48%	1,357,683	-	-	-	-	1,357,683	1,357,683	1,357,683	-	-	-	-	-	1,357,683
76.009.053-0	Madeco Mills S.A.	Chile	Banco Itaú	USD	At maturity	1.85%	1.85%	753,076	-	-	-	-	753,076	753,076	753,076	-	-	-	-	-	753,076
76.009.053-0	Madeco Mills S.A.	Chile	Banco BBVA	USD	At maturity	2.16%	2.16%	2,079,915	-	-	-	-	2,079,915	2,079,915	2,079,915	-	-	-	-	-	2,079,915
91.021.000-9	Madeco S.A.	Chile	Banco Itaú	USD	At maturity	3.96%	3.81%	-	74,506	-	42,307,359	-	42,381,865	74,506	-	74,506	42,307,359	-	42,307,359	-	42,381,865
Foreign	Peruplast S.A.	Peru	Banco de Crédito	USD	Quarterly	4.09%	4.50%	955,610	506,220	519,200	-	-	1,981,030	1,461,830	955,610	506,220	519,200	519,200	-	-	1,981,030
Foreign	Peruplast S.A.	Peru	Banco Scotiabank	USD	Quarterly	6.10%	6.10%	107,570	311,520	-	-	-	419,090	419,090	107,570	311,520	-	-	-	-	419,090
Foreign	Peruplast S.A.	Peru	Banco Citibank N.A.	USD	Quarterly	1.70%	1.70%	519,396	-	-	-	-	519,396	519,396	519,396	-	-	-	-	-	519,396
92.011.000-2	Enex S.A.	Chile	Banco Santander	CLP	At maturity	7.02%	7.02%	3,057,246	-	-	-	-	3,057,246	3,057,246	3,057,246	-	-	-	-	-	3,057,246
92.011.000-2	Enex S.A.	Chile	Banco BCI	CLP	At maturity	6.24%	6.24%	209,293	-	-	-	-	209,293	209,293	209,293	-	-	-	-	-	209,293
76.136.906-7	Inversiones Aurum S.A.	Chile	Banco Santander	CLP	Annual	6.75%	7.08%	-	624,721	5,858,518	7,507,293	11,517,924	25,508,456	624,721	-	624,721	24,883,735	5,858,518	7,507,293	11,517,924	25,508,456
76.136.906-7	Inversiones Aurum S.A.	Chile	Banco BBVA	CLP	Annual	6.75%	7.08%	-	1,133,975	10,626,197	13,646,820	20,940,339	46,347,331	1,133,975	-	1,133,975	45,213,356	10,626,197	13,646,820	20,940,339	46,347,331
96.929.880-5	LQIF	Chile	Banco BBVA	CLF	Annual	1.04%	0.57%	-	12,303,313	-	-	-	12,303,313	12,303,313	-	12,303,313	-	-	-	-	12,303,313
96.929.880-5	LQIF	Chile	Banco BBVA	CLF	Annual	1.29%	0.82%	-	5,369,502	-	-	-	5,369,502	5,369,502	-	5,369,502	-	-	-	-	5,369,502
			TOTALES											44,333,849			118,535,908				162,869,757

The above tables do not include bank loans granted by Banco de Chile to Quiñenco and its subsidiaries, amounting to ThCh$ 8,195,231 as of December 31, 2012 (nil in 2011), which have been eliminated in the preparation of these consolidated financial statements.

Note 20 – Other current and non-current financial liabilities (continued)

(c) The bonds outstanding as of December 31, 2012 are detailed as follows:

										Book values													
Debtor Tax ID	Debtor	Country debtor	Registration No.	Series & issuer	Maturity	Currency	Repayment	Effective rate	Nominal rate	Up 3 months ThCh$	3 to 12 months ThCh$	1 to 3 years ThCh$	3 to 5 years ThCh$	Over 5 years ThCh$	Total amount Nominal ThCh$	Debt Current at ThCh$	Up to 3 months ThCh$	3 to 12 months ThCh$	Debt Non-current ThCh$	1 to 3 years ThCh$	3 to 5 years ThCh$	Over 5 years ThCh$	Total debt ThCh$
96.929.880-5	LQIF	Chile	384	Series B	2025	UF	Annual	5.48%	4.75%	-	6,056,229	-	-	54,817,814	60,874,043	6,056,229	-	-	54,817,814	9,136,300	9,136,300	36,545,214	60,874,043
96.929.880-5	LQIF	Chile	385	Series C	2039	UF	Annual	4.93%	4.85%	-	2,094,153	-	-	64,773,192	66,867,345	2,094,153	-	-	64,773,192	-	-	68,522,250	66,867,345
96.929.880-5	LQIF	Chile	597	Series D	2033	UF	Annual	3.80%	3.50%	-	755,622	-	-	34,261,125	35,016,747	755,622	-	-	34,261,125	-	-	34,261,125	35,016,747
91.705.000-7	Quiñenco	Chile	229	Series A	2026	UF	Annual	4.17%	4.17%	-	4,086,800	7,073,696	7,700,645	17,245,934	36,107,075	4,086,800	-	4,086,800	32,020,275	7,073,696	7,700,645	17,245,934	36,107,075
91.705.000-7	Quiñenco	Chile	427	Series C	2032	UF	Annual	4.24%	4.00%	-	119,850	-	-	58,317,539	58,437,389	119,850	-	119,850	58,317,539	-	-	58,317,539	58,437,389
91.705.000-7	Quiñenco	Chile	426	Series D	2013	UF	Annual	4.58%	3.50%	-	7,726,880	-	-	-	7,726,880	7,726,880	-	7,726,880	-	-	-	-	7,726,880
91.705.000-7	Quiñenco	Chile	595	Series E	2018	UF	Annual	3.51%	3.35%	-	993,117	-	-	52,545,913	53,539,030	993,117	-	993,117	52,545,913	-	-	52,545,913	53,539,030
91.705.000-7	Quiñenco	Chile	596	Series F	2032	UF	Annual	3.97%	3.85%	-	2,179,068	-	-	98,896,463	101,075,531	2,179,068	-	2,179,068	98,896,463	-	-	98,896,463	101,075,531
91.705.000-7	Quiñenco	Chile	426	Series G	2018	UF	Annual	3.81%	3.50%	-	15,949	10,338,293	22,357,097	20,398,714	53,110,053	15,950	-	15,949	53,094,104	10,338,293	22,357,097	20,398,714	53,110,053
				TOTALES												**24,027,669**			**448,726,425**				**472,754,094**

(d) The bonds outstanding as of December 31, 2011 are detailed as follows:

										Book values													
Debtor Tax ID	Debtor	Country debtor	Registration No.	Series & issuer	Maturity	Currency	Repayment	Effective rate	Nominal rate	Up 3 months ThCh$	3 to 12 months ThCh$	1 to 3 years ThCh$	3 to 5 years ThCh$	Over 5 years ThCh$	Total amount Nominal ThCh$	Debt Current ThCh$	Up to 3 months ThCh$	3 to 12 months ThCh$	Debt Non-current ThCh$	1 to 3 years ThCh$	3 to 5 years ThCh$	Over 5 years ThCh$	Total debt ThCh$
96.929.880-5	LQIF	Chile	384	Series B	2025	UF	Annual	5.48%	4.75%	-	6,302,225	8,583,178	8,583,178	38,457,094	61,925,675	6,302,225	-	6,302,225	55,623,450	8,583,178	8,583,178	38,457,094	61,925,675
96.929.880-5	LQIF	Chile	385	Series C	2039	UF	Annual	4.93%	4.85%	-	2,037,014	-	-	64,171,453	66,208,467	2,037,014	-	2,037,014	64,171,453	-	-	64,171,453	66,208,467
96.929.880-5	LQIF	Chile	597	Series D	2033	UF	Annual	3.80%	3.50%	-	341,611	-	-	31,701,409	32,043,020	341,611	-	341,611	31,701,409	-	-	31,701,409	32,043,020
91.705.000-7	Quiñenco	Chile	229	Series A	2026	UF	Annual	4.17%	4.17%	-	4,223,552	7,201,468	6,983,242	21,587,252	39,995,514	4,223,552	-	4,223,552	35,771,962	7,201,468	6,983,242	21,587,252	39,995,514
91.705.000-7	Quiñenco	Chile	426	Series D	2013	UF	Annual	4.58%	3.50%	-	7,249,845	7,406,634	-	-	14,656,479	7,249,845	-	7,249,845	7,406,634	7,406,634	-	-	14,656,479
91.705.000-7	Quiñenco	Chile	595	Series E	2018	UF	Annual	3.51%	3.35%	-	947,661	-	10,822,822	44,401,109	56,171,592	947,661	-	947,661	55,223,931	-	10,822,822	44,401,109	56,171,592
91.705.000-7	Quiñenco	Chile	596	Series F	2032	UF	Annual	3.97%	3.85%	-	2,153,574	-	-	98,481,190	100,634,764	2,153,574	-	2,153,574	98,481,190	-	-	98,481,190	100,634,764
				TOTAL												**23,255,482**			**348,380,029**				**371,635,511**

Note 20 – Other current and non-current financial liabilities (continued)

(e) The financial leases as of December 31, 2012 are detailed as follows:

Debtor Tax ID	Debtor	Country debtor	Creditor	Currency	Repayment	Effective rate	Nominal rate	Up 3 months ThCh$	3 to 12 months ThCh$	1 to 3 years ThCh$	3 to 5 years ThCh$	Over 5 years ThCh$	Total amount Nominal ThCh$	Book values: Debt Current ThCh$	Up to 3 months ThCh$	3 to 12 months ThCh$	Debt Non-current ThCh$	1 to 3 years ThCh$	3 to 5 years ThCh$	Over 5 years ThCh$	Total debt ThCh$
Foreign	Aluflex S.A.	Argentina	Banco Patagonia S.A.	ARS	Monthly	18.50%	18.50%	5,459	5,810	-	-	-	11,269	11,269	-	-	-	-	-	-	11,269
76.801.220-2	Alumco S.A.	Chile	Banco Security	CLP	Monthly	8.04%	8.04%	2,164	6,756	-	-	-	8,920	8,920	-	-	8,826	8,826	-	-	17,746
94.956.680-K	Alusa S.A.	Chile	Banco Corpbanca	CLF	Semi-annual	4.80%	4.80%	-	772,578	-	-	-	772,578	772,578	-	-	2,065,703	1,632,995	432,708	-	2,838,281
94.956.680-K	Alusa S.A.	Chile	Banco BBVA	USD	Quarterly	3.40%	3.40%	97386	297,092	-	-	-	394,478	394,478	-	-	1,789,142	787,844	886,309	114,989	2,183,620
Foreign	Empaques Flexa S.A.S.	Colombia	Banco de Colombia	Other currencies	Monthly	0.50%	0.50%	2,725	7,877	-	-	-	10,602	10,602	-	-	12,628	12,628	-	-	23,230
Foreign	Empaques Flexa S.A.S.	Colombia	Leasing de Occidente S.A	Other currencies	Monthly	0.50%	0.50%	1,085	4,417	-	-	-	5,502	5,502	-	-	1,660	1,660	-	-	7,162
Foreign	Peruplast S.A.	Peru	Banco Citibank	USD	Monthly	4.70%	4.70%	22,674	69,546	-	-	-	92,220	92,220	-	-	313,383	197,460	115,923	-	405,603
Foreign	Peruplast S.A.	Peru	Banco Continental	USD	Monthly	4.84%	4.84%	12,033	36,963	-	-	-	48,996	48,996	-	-	135,649	105,257	30,392	-	184,645
Foreign	Peruplast S.A.	Peru	Banco de Crédito	USD	Monthly	4.91%	4.91%	212,813	544,172	-	-	-	756,985	756,985	-	-	3,022,929	1,616,775	1,406,154	-	3,779,914
Foreign	Peruplast S.A.	Peru	Banco Interbank	USD	Monthly	7.20%	7.20%	32943	55,331	-	-	-	88,274	88,274	-	-	-	-	-	-	88,274
Foreign	Peruplast S.A.	Peru	Banco Scotiabank	USD	Monthly	5.09%	5.09%	71,233	162,421	-	-	-	233,654	233,654	-	-	704,528	449,636	254,892	-	938,182
91.021.000-9	Madeco S.A.	Chile	-	CLP	At maturity	-	-	-	1,800	-	-	-	1,800	1,800	-	-	-	-	-	-	1,800
78.080.440-8	Enex S.A.	Chile	Des. de Tec. y Sistemas	CLP	Monthly	6.6.%	6.6.%	852	8,613	-	-	-	9,465	9,465	-	-	12,615	12,615	-	-	22,080
			TOTAL											**2,434,743**			**8,067,063**				**10,501,806**

Note 20 – Other current and non-current financial liabilities (continued)

(f) The inancial leases as of December 31, 2011 are detailed as follows:

														Book values							
Debtor Tax ID	Debtor	Country debtor	Creditor	Currency	Repayment	Effective rate	Nominal rate	Up 3 months ThCh$	3 to 12 months ThCh$	1 to 3 years ThCh$	3 to 5 years ThCh$	Over 5 years ThCh$	Total amount Nominal ThCh$	Debt Current ThCh$	Up to 3 months ThCh$	3 to 12 months ThCh$	Debt Non-current ThCh$	1 to 3 years ThCh$	3 to 5 years ThCh$	Over 5 years ThCh$	Total debt ThCh$
Foreign a	Aluflex S.A.	Argentina	Banco Patagonia S.A.	ARS	Monthly	18.50%	18.50%	13,310	-	24,719	-	-	38,029	13,310	13,310	-	24,719	24,719	-	-	38,029
76.801.220-2	Alumco S.A.	Chile	Banco Security	CLP	Monthly	8.04%	8.04%	-	8,237	17,746	-	-	25,983	8,237	-	8,237	17,746	17,746	-	-	25,983
96.956.680-k	Alusa S.A.	Chile	Banco BBVA	USD	Quarterly	3.40%	3.40%	101,884	310,814	823,171	928,104	610,826	2,774,799	412,698	101,884	310,814	2,362,101	823,171	928,104	610,826	2,774,799
96.956.680-k	Alusa S.A.	Chile	Banco Corpbanca	UF	Semi-annually	4.80%	4.80%	-	721,880	1,520,057	1,238,511	-	3,480,448	721,880	-	721,880	2,758,568	1,520,057	1,238,511	-	3,480,448
Foreign	Peruplast S.A.	Peru	Banco Interbank	USD	Monthly	7.20%	7.20%	34,866	105,748	95,489	-	-	236,103	140,614	34,866	105,748	95,489	95,489	-	-	236,103
Foreign	Peruplast S.A.	Peru	Banco de Crédito	USD	Monthly l	5.05%	5.23%	166,768	1,197,469	4,199,831	913,709	-	6,477,777	1,364,237	166,768	1,197,469	5,113,540	4,199,831	913,709	-	6,477,777
Foreign	Peruplast S.A.	Peru	Banco Scotiabank	USD	Monthly	5.88%	5.98%	48,592	150,006	283,391	160,807	-	642,796	198,598	48,592	150,006	444,198	283,391	160,807	-	642,796
Foreign	Peruplast S.A.	Peru	Banco Continental	USD	Monthly	4.87%	4.87%	12,413	38,134	108,580	91,160	-	250,287	50,547	12,413	38,134	199,740	108,580	91,160	-	250,287
Foreign	Peruplast S.A.	Peru	Banco Citibank	USD	Monthly	4.63%	4.63%	23,841	73,160	207,675	227,338	-	532,014	97,001	23,841	73,160	435,013	207,675	227,338	-	532,014
91.021.000-9	Madeco S.A.	Chile	-	CLP	At maturity	-	-	-	19,324	-	-	-	19,324	19,324	-	19,324	-	-	-	-	19,324
			TOTAL											**3,026,446**			**11,451,114**				**14,477,560**

Note 20 – Other current and non-current financial liabilities (continued)

(g) The hedge liabilities as of December 31, 2012 are detailed as follows:

Classification	Type of hedge	Company	Risk hedged	Item hedged	Current 12/31/2012 ThCh$	Non-current 12/31/2012 ThCh$	Fair value 12/31/2012 ThCh$
Other derivatives	Fair value hedge instrument	Madeco	Exposure to variations in commodity prices (copper & aluminum)	Inventory of copper & aluminum	21,010	-	21,010
Non-derivatives	Cash flow hedge instrument	Madeco	Exposure to variations in commodity prices (copper & aluminum)	Expected sales	30,879	-	30,879
			Total hedge liabilities		**51,889**	**-**	**51,889**

(h) The hedge liabilities as of December 31, 2011are detailed as follows:

Classification	Type of hedge	Company	Risk hedged	Item hedged	Current 12/31/2011 ThCh$	Non-current 12/31/2011 ThCh$	Fair value 12/31/2011 ThCh$
Interest rate derivatives	Cash flow hedge instrument	LQIF	Exposure to interest-rate risk	Variable-rate bank loan	812,439	-	812,439
Interest rate derivatives	Cash flow hedge instrument	Madeco	Exposure to interest-rate risk	Variable-rate bank loan	13,145	-	13,145
Other derivatives	Fair value hedge instrument	Madeco	Exposure to variations in commodity prices (copper & aluminum)	Inventory of copper	60,789	-	60,789
Exchange rate derivatives	Fair value hedge instrument	Madeco	Exposure to exchange-rate risk	Time deposit in Chilean pesos	2,892		2,892
Non-derivatives	Cash flow hedge instrument	Madeco	Exposure to variations in commodity prices (copper & aluminum)	Expected sales	68,444	-	68,444
			Total hedge liabilities		**957,709**	**-**	**957,709**

Note 20 – Other current and non-current financial liabilities (continued)

(i) Other information on hedge assets and liabilities

1. Cash flow hedging instruments:

As of December 31, 2011 the subsidiary LQIF carried out cash-flow hedges for bank loans, covering currency and interest-rate risks of these financial liabilities with derivative instruments which were subjected to effectiveness tests. The bank loans were drawn in US dollars and with a Libor interest rate, but after applying the hedge, these liabilities are expressed in Unidades de Fomento with a fixed interest rate.

2. Fair value hedging instruments:

The subsidiary Madeco and its subsidiary Indalum reported a fair-value hedge asset and liability to cover exposure to variations in commodity prices (copper and aluminum), the principal raw materials in its inventory. Madeco also has a hedge asset and liability to cover its exposure to exchange rate risk (US dollar to Chilean peso) on its time deposits.

Note 21 – Trade creditors and other accounts payable

The following is the composition of these as of December 31, 2012 and 2011:

	12/31/2012 ThCh$	12/31/2011 ThCh$
Trade creditors	121,093,607	117,145,182
Other accounts payable	3,712,574	2,892,328
Total	**124,806,181**	**120,037,510**

Note 22 – Other provisions

a) Composition

The composition of these as of December 31, 2012 and 2011is detailed as follows:

	Current		Non-current	
	12/31/2012 ThCh$	12/31/2011 ThCh$	12/31/2012 ThCh$	12/31/2011 ThCh$
Restructuring expenses	1,750,000	1,589,000	-	-
Lawsuits	-	12,959	96,067	108,257
Profit sharing & bonuses	725,004	454,540	-	-
Other provisions (1) (2)	9,975,526	11,296,953	17,015,426	16,169,268
Total	**12,450,530**	**13,353,452**	**17,111,493**	**16,277,525**

Note 22 – Other provisions (continued)

b) Other provisions

(1) The other current provisions as of December 31, 2012 and 2011 are detailed as follows:

	Current	
	12/31/2012	**12/31/2011**
	ThCh$	**ThCh$**
Contingencies	584,733	3,082,962
Royalties & Other	1,897,903	1,640,770
Service station maintenance & operational services	1,791,186	1,032,988
General, audit, reports & other expenses	877,532	771,259
Brand agreements	737,099	1,011,711
Municipal & other taxes	654,101	632,044
Export, import & freight expenses	364,626	330,406
Commissions	357,670	383,124
Fees & consultancies	353,560	668,543
Basic consumption	212,711	222,123
Insurance	16,287	-
Environment	-	374,394
Plant operation services	32,850	-
Mining services	744,573	-
ENAP & terminals	293,412	-
Other	1,057,283	1,146,629
Total	9,975,526	11,296,953

(2) The other non-current provisions as of December 31, 2012 and 2011 are detailed as follows:

	Non-current	
	12/31/2012	**12/31/2011**
	ThCh$	**ThCh$**
Contingencies	9,224,227	8,089,720
Removal of tanks	4,676,509	4,594,820
Incident occurred but not reported (Banchile)	1,608,555	2,106,095
Other	1,506,135	1,378,633
Total	17,015,426	16,169,268

Note 22 – Other provisions (continued)

c) Movement

The movement of provisions in 2012 was the following:

Movement	**Restructuring**	**Legal claims**	**Other provisions & participations**	**Total**
	ThCh$	ThCh$	ThCh$	ThCh$
Initial balance at 01/01/2012	1,589,000	121,216	27,920,761	29,630,977
Changes in provisions (presentation)	-	-	-	-
Additions	63,749	9,413	8,138,284	8,211,446
Increase in existing provisions	161,000	3,751,791	62,530,765	66,443,556
Acquisition through combinations of business	-	-	138,732	138,732
Provision used	(63,749)	(3,031)	(81,927,981)	(81,994,761)
Increase (decrease) in currency translation	-	(9,178)	1,003,446	994,268
Other increases (decreases)	-	(3,774,144)	9,911,949	6,137,805
Changes in provisions, total	161,000	(25,149)	(204,805)	(68,954)
Closing balance at 12/31/2012	**1,750,000**	**96,067**	**27,715,956**	**29,562,023**

d) Description of the nature of the principal provisions

Legal claims: the provisions for legal claims mainly relate to lawsuits currently before the courts whose nature is detailed in the note on contingencies and for which there is some probability of the result being unfavorable for the Parent company and its subsidiaries.

Profit sharing and bonuses: the provisions for profit sharing and bonuses relate to estimates of the Parent company and some of its subsidiaries of profit sharing and bonuses for performance.

Restructuring expenses: the provisions for restructuring expenses contemplate future expenses to be incurred through reductions in personnel as a result of unification of functions in several companies, and reorganizations.

Other provisions: Other provisions mainly cover amounts for contingencies, fees and consultancies received which are currently pending payment, and general, annual report and external audit services contracted but still not paid.

Note 23 – Provisions for employee benefits

a) Composition

The composition provisions for employee benefits as of December 31, 2012 and 2011 is detailed as follows:

	Current		Non-current	
	12/31/2012	12/31/2011	12/31/2012	12/31/2011
	ThCh$	ThCh$	ThCh$	ThCh$
Personnel vacation	3,555,616	3,605,658	-	-
Remuneration	1,805,052	2,507,834	-	-
Severance payments & retirement fund	1,466,300	3,083,890	21,657,754	21,019,585
Lawsuit settlements	98,654	24,113	133,969	217,120
Social security charges & other benefits	317,284	474,056	-	-
Total	**7,242,906**	**9,695,551**	**21,791,723**	**21,236,705**

b) Severance payments

Madeco and its subsidiaries have collective agreements with their personnel which establish remuneration and/or short and long-term benefits for the personnel, whose main characteristics are as follows:

i. Short-term benefits are generally based on mixed plans or modality agreements for remunerating services and covering the risks of disability and death of employees.

ii. Long-term benefits are plans or agreements mainly for covering post-employment benefits at the end of the labor relationship.

The cost of these benefits is charged to income in Personnel expenses. The liability booked for post-employment benefit plans is basically obtained from the obligations for remuneration with employees and their valuation based on the actuarial method, for which the following assumptions are used as of December 31, 2012 and 2011:

Provision for severance payments		**12/31/2012**	**12/31/2011**	
Mortality table	:	RV-2004	RV-2004	
Annual interest rate	:	3.50%	3.50%	
Voluntary retirement turnover rate (*)	:	1.5% & 4.91%	1.5% & 4.91%	annual
Turnover rate for needs of the company	:	0.50%	0.50%	annual
Wage increases	:	2.00%	2.00%	
Retirement age				
Men	:	65	65	Years
Women	:	60	60	Years

(*) The subsidiary Madeco and its subsidiaries have determined a voluntary retirement turnover of 1.5% (Madeco and Madeco Brass Mills) and 4.91% (Alusa), based on past experience.

Note 23 – Provisions for employee benefits (continued)

b) Severance payments (continued)

Reconciliation of present value defined benefits plan obligation	**12/31/2012 ThCh$**	**12/31/2011 ThCh$**
Present value defined benefits plan obligation, initial balance	3,663,883	4,059,204
Cost of current service defined benefits plan obligation	394,624	580,275
Financial costs of defined benefits plan obligation	127,488	133,360
Actuarial gains (losses) defined benefits plan obligation	270,484	(9,644)
Increase (decrease) in currency translation	(3,737)	54,437
Contributions paid defined benefits plan obligation	(1,045,314)	(696,884)
Settlements defined benefits plan obligation	-	(456,864)
Present value defined benefits plan obligation, closing balance	**3,407,428**	**3,663,884**

Presentation in the statement of financial position

Provisions for employee benefits	**12/31/2012 ThCh$**	**12/31/2011 ThCh$**
Liability booked for severance payments, current	191,194	197,894
Liability booked for severance payments, non-current	3,216,234	3,465,990
Total obligation for severance payments	**3,407,428**	**3,663,884**

The subsidiary Enex has collective agreements with its personnel, which establish remuneration and/or short and long-term benefits for the personnel, whose main characteristics are as follows:

i. Short-term benefits are generally based on mixed plans or modality agreements for remunerating services and covering the risks of disability and death of employees.

ii. Long-term benefits are plans or agreements mainly for covering post-employment benefits at the end of the labor relationship.

The cost of these benefits is charged to income in Personnel expenses.

The liability booked for post-employment benefit plans is basically obtained from the obligations for remuneration with employees and their valuation based on the actuarial method, for which the following assumptions are used as of December 31, 2012 and 2011:

Provision for severance payments	**12/31/2012**	**12/31/2011**
Mortality table	M95H	M95H
Annual interest rate	5.50%	5.97%
Voluntary retirement turnover rate	Recent years' statistics	
Turnover rate for needs of the company	Recent years' statistics	
Wage increases	2.00%	2.00%
Retirement age		
Men	65	65
Women	60	60

Note 23 – Provisions for employee benefits (continued)

b) Severance payments (continued)

Provision post-retirement benefits	**12/31/2012 ThCh$**	**12/31/2011 ThCh$**
Mortality table	RV-2009	RV-2009
Annual interest rate	3.0%	3.0%

Severance payments

Reconciliation of present value defined benefits plan obligation	**12/31/2012 ThCh$**	**12/31/2011 ThCh$**
Present value defined benefits plan obligation, initial balance	10,720,849	10,159,484
Cost of current service defined benefits plan obligation	1,549,001	638,381
Financial costs of defined benefits plan obligation	911,272	920,529
Actuarial gains (losses) defined benefits plan obligation	(649,869)	139,027
Contributions paid defined benefits plan obligation	(3,359,405)	(1,136,572)
Present value defined benefits plan obligation, closing balance	**9,171,848**	**10,720,849**

Retirement fund

Reconciliation of present value defined benefits plan obligation	**12/31/2012 ThCh$**	**12/31/2011 ThCh$**
Present value defined benefits plan obligation, initial balance	9,718,742	9,651,725
Financial costs of defined benefits plan obligation	424,928	289,552
Actuarial gains defined benefits plan obligation	7,178	783,702)
Contributions paid defined benefits plan obligation	(881,176)	(1,006,237)
Present value defined benefits plan obligation, closing balance	**9,269,672**	**9,718,742**

Presentation in the statement of financial position Post-employment benefits	**12-31-2012 ThCh$**	**12-31-2011 ThCh$**
Liability booked for severance payments, current	1,466,300	3,083,890
Liability booked for severance payments, non-current	21,657,754	21,019,585
Total obligation for post-employment benefits	**23,124,054**	**24,103,475**

Note 24 – Other non-financial liabilities, current

Other non-financial liabilities, current as of December 31, 2012 and 2011are detailed as follows:

	12/31/2012 ThCh$	12/31/2011 ThCh$
Dividends payable Quiñenco shareholders	42,098,247	26,633,949
Dividend payable Madeco	2,644,822	3,598,434
Dividends payable non-controlling shareholders of subsidiaries	1,026,093	794,728
Other	1,066,386	2,627,194
Total	**46,835,548**	**33,654,305**

Note 25 – Other non-financial liabilities, non-current

Other non-financial liabilities, non-current as of December 31, 2012 and 2011are detailed as follows:

	12/31/2012 ThCh$	12/31/2011 ThCh$
Insurance company reserves	48,264,602	58,802,719
Other	-	528
Total	**48,264,602**	**58,803,247**

Note 26 - Classes of financial assets and liabilities

The financial assets as of December 31, 2012 and 2011are detailed as follows:

Description of financial asset or liability	Category & valuation of financial asset or liability	Current 12/31/2012 ThCh$	Current 12/31/2011 ThCh$	Non-current 12/31/2012 ThCh$	Non-current 12/31/2011 ThCh$	Fair value 31/12/2012 ThCh$	Fair value 31/12/2011 ThCh$
Cash & cash equivalents	Financial asset at fair value	254,129,748	72,199,222	-	-	254,129,748	72,199,222
Equity instruments (investments in shares)	Financial asset at fair value (market value) available for sale	-	-	18,882,736	172,673,080	18,882,736	172,673,080
Financial investments more than 90 days for current assets & more than one year for non-current assets	Financial asset at fair value	80,701,481	54,744,513	65,205,705	101,296,480	145,907,186	156,040,993
Expected sales	Cash-flow hedge instrument	-	22,046	-	-	-	22,046
Trade debtors & other accounts receivable	Financial assets	-	-	4,388,806	1,999,291	4,388,806	1,999,291
Other current & non-current financial assets		**80,701,481**	**54,766,559**	**88,477,247**	**275,968,851**	**169,178,728**	**330,735,410**
Trade debtors & other accounts receivable	Financial assets	136,833,092	137,856,723	1,177,760	1,096,103	138,010,852	138,952,826
Accounts receivable from related companies	Financial assets	4,104,704	134,353,204	585,232	571,226	4,689,936	134,924,430
Total financial assets		**475,769,025**	**399,175,708**	**90,240,239**	**277,636,180**	**566,009,264**	**676,811,888**

Note 26 - Classes of financial assets and liabilities (continued)

The following shows the financial liabilities as of December 31, 2012 and 2011:

Description of financial asset or liability	Category & valuation of financial asset or liability	Current 12/31/2012 ThCh$	Current 12/31/2011 ThCh$	Non-current 12/31/2012 ThCh$	Non-current 12/31/2011 ThCh$	Fair value 12/31/2012 ThCh$	Fair value 12/31/2011 ThCh$
Bank loans, bonds payable & other loans	Financial liabilities at amortized cost	159,751,139	67,589,331	570,638,835	466,915,937	730,389,974	534,505,268
Financial lease obligations	Financial liabilities at amortized cost	2,434,743	3,026,446	8,067,063	11,451,114	10,501,806	14,477,560
Interest-rate hedges	Cash-flow hedge instrument	-	825,584	-	-	-	825,584
Exchange-rate hedges	Hedge instrument at fair value	-	2,892	-	-	-	2,892
Commodity price hedges (copper)	Hedge instrument at fair value	21,010	60,789	-	-	21,010	60,789
Expected sales	Cash-flow hedge instrument	30,879	68,444	-	-	30,879	68,444
Other current & non-current financial liabilities		**162,237,771**	**71,573,486**	**578,705,898**	**478,367,051**	**740,943,669**	**549,940,537**
Trade creditors, social-security withholdings, taxes & other accounts payable	Financial liabilities at amortized cost	124,806,181	120,037,510	-	-	124,806,181	120,037,510
Accounts payable to related companies	Financial liabilities at amortized cost	122,103	258,425	-	-	122,103	258,425
Total financial liabilities		**287,166,055**	**191,869,421**	**578,705,898**	**478,367,051**	**865,871,953**	**670,236,472**

Note 27 - Equity

a) Capital and number of shares

The capital of the Company comprised the following as of December 31, 2012:

Number of shares:

Series	No. of shares subscribed	No. of shares paid	No. of shares with voting rights
001	1,344,577,775	1,344,577,775	1,344,577,775

Capital:

Series		Capital subscribed ThCh$	Capital Issued ThCh$
	Issued capital	855,336,413	855,336,413
	Share premium	50,151,431	50,151,431
001		**905,487,844**	**905,487,844**

The extraordinary shareholders' meeting held on October 6, 2011 agreed to the following:

- To approve the capitalization of the balance of Share premium account for ThCh$13,279,113.
- To increase the capital of the Company from ThCh$655,336,413 divided into 1,144,577,775 shares of one series and no par value, to ThCh$955,336,413, divided into 1,444,577,775 shares of the one series and no par value, in one or more stages.

As of December 31, 2012, 200,000,000 shares have been subscribed and paid, leaving the issued capital at ThCh$905,487,844.

b) Controlling shareholders

The issued and paid-in shares of Quiñenco S.A. are held 81.3% by the companies Andsberg Inversiones Ltda., Ruana Copper A.G. Agencia Chile, Inversiones Orengo S.A., Inversiones Consolidadas S.A., Inversiones Salta S.A., Inmobiliaria e Inversiones Río Claro S.A. and Inversiones Río Claro Ltda. The Luksburg Foundation indirectly holds 100% of the corporate rights in Andsberg Inversiones Ltda., 100% of the corporate rights in Ruana Copper A.G. Agencia Chile and 99.76% of the shares of Inversiones Orengo S.A.

Andrónico Luksic Craig and family control 100% of the shares of Inversiones Consolidadas S.A. and Inversiones Salta S.A. Guillermo Luksic Craig and family control 100% of the shares of Inmobiliaria e Inversiones Río Claro S.A. and Inversiones Río Claro Ltda. There is no joint-action agreement between the controllers of the Company.

Note 27 – Equity (continued)

c) Dividend policy

Article 79 of the Corporations Law states that, unless agreed otherwise by the respective shareholders' meeting by all the issued shares, open corporations should distribute a cash dividend annually to their shareholders pro rata to their shares or in the proportion established in the bylaws if there are preferred shares, of at least 30% of the earnings for each year, except when accumulated losses from previous years have to be absorbed.

The following dividends have been distributed between January 1, 2011 and December 31, 2012:

Dividend No.	Type of dividend	Date agreed	Payment date	Dividend per share Ch$
27 & 28	Final	04/28/2011	05/09/2011	127.38586
29 & 30	Final	04/26/2012	05/07/2012	32.71133

The Company's policy for determining distributable earnings, in order to calculate the dividends to be distributed, is to consider the total earnings (loss) attributable to holders of equity instruments in the equity of the controller.

d) Other reserves

Other reserves as of December 31, 2012 and 2011are detailed as follows:

	12/31/2012 ThCh$	12/31/2011 ThCh$
Reserves for currency translation differences	(37,462,130)	(21,174,547)
Reserves for revaluation surplus	384,026	384,026
Reserves for cash-flow hedges	1,676,885	(285,716)
Reserves for assets available for sale	687,546	(19,905,229)
Sale of LQIF-D shares, net of taxes	131,642,239	131,642,239
Other variations	54,370,495	57,057,943
Total	**151,299,061**	**147,718,716**

It should be mentioned that the amount shown in exchange differences in the statement of comprehensive income for the year relate mainly to the effect of the translation of the functional currency (US dollar) of the associates Compañía Sud Americana de Vapores (CSAV) and SM SAAM S.A. and the subsidiary Madeco, to Chilean pesos at the closing of the consolidated statement of financial position.

Note 28 – Revenues and expenses

(a) Ordinary income

Ordinary income as of December 31, 2012 and 2011 is detailed as follows:

	12/31/2012	12/31/2011
	ThCh$	ThCh$
Sale of goods	1,530,672,126	933,207,535
Provision of services	123,222,892	122,193,865
Total	**1,653,895,018**	**1,055,401,400**

(b) Other expenses by function

Other expenses by function as of December 31, 2012 and 2011 are detailed as follows:

	12/31/2012	12/31/2011
	ThCh$	ThCh$
Amortization of intangible assets	(5,210,555)	(8,171,532)
Restructuring costs	(600,362)	(23,957)
Depreciation of inactive assets	(137,356)	(183,822)
Lawsuits Brazil	(4,876,831)	(1,214,989)
Other operating expenses	(371,505)	(430,292)
Total	**(11,196,609)**	**(10,024,592)**

(c) Other gains (losses)

Other gains (losses) as of December 31, 2012 and 2011 are detailed as follows:

	12/31/2012	12/31/2011
	ThCh$	ThCh$
Other gains		
Booking of negative goodwill investment in associate Nexans S.A.	41,156,362	-
Booking of negative goodwill investment in Empaques Flexa S.A.	1,835,195	-
Extraordinary credit to subordinated obligation	-	3,437,822
Gain on sale of equity investments	-	2,324,480
Total other gains	**42,991,557**	**5,762,302**
Other losses		
Directors' allowances, profit sharing & remuneration	(1,248,282)	(1,528,270)
Exchange effect participation investment in associate Nexans S.A.	(3,616,976)	-
Sale of permanent investments	-	(1,017,337)
Contingencies	(505,914)	(384,180)
Sale of property, plant & equipment	(280,768)	(2,114)
Provision, fines & interest	-	(162,334)
Third-party consultancy	(615,811)	(1,275,262)
Other	(692,719)	(420,081)
Total other losses	**(6,960,470)**	**(4,789,578)**
Total Other gains, net	**36,031,087**	**972,724**

Note 28 – Revenue and expenses (continued)

(d) Financial costs

Financial costs as of December 31, 2012 and 2011 are detailed as follows:

	12/31/2012 ThCh$	12/31/2011 ThCh$
Interest in bank loans and bonds issued	(30,032,267)	(18,248,426)
Interest on other financial instruments	(1,025,766)	(65,209)
Fair value derivatives	812,438	114,367
Bank commission, stamp taxes & other financial costs	(1,204,346)	(1,767,084)
Total	**(31,449,941)**	**(19,966,352)**

Note 29 – Personnel expenses

Personnel expenses as of December 31, 2012 and 2011are detailed as follows:

	12/31/2012 ThCh$	12/31/2011 ThCh$
Wages & salaries	(48,501,986)	(39,336,580)
Short-term employee benefits	(6,843,933)	(2,011,879)
Post-employment benefits	(1,905,735)	(3,975,343)
Severance payments	(2,198,850)	(1,808,187)
Other personnel expenses	(1,557,869)	(831,313)
Total	**(61,008,373)**	**(47,963,302)**

Note 30 – Earnings per share

The basic earnings per share is calculated by dividing the income available to shareholders by the weighted average number of shares in circulation during the year.

The calculation as of December 31 each year is as follows:

	12/31/2012 ThCh$	12/31/2011 ThCh$
Earnings attributable to holders of equity instruments of the controller	139,642,577	87,965,846
Income available for common shareholders, basic	139,642,577	87,965,846
Weighted average number of shares, basic	1,338,335,100	1,144,578,817
Basic earnings per share	**0.1043405176**	**0.076854337**

Note 31 – The environment

The Parent company is not affected by this concept as it is an investment company.

As of December 31, 2012 the subsidiary Madeco has made no disbursements for this concept.

As of December 31, 2012 the subsidiary Enex disbursed ThCh$1,071,799 to control atmospheric emissions and change fuel tanks in the service station network, in the cleaning of soil and ground waters in order to mitigate the risk that active sources can cause to people and the environment, and the removal of waste.

Note 32 – Financial risk management policy

Credit risk

Investments at the corporate level of cash surpluses are made with first class national and foreign financial entities within limits established for each entity, which have credit ratings equal or superior to the limits pre-established for each type of instrument.

In the subsidiary Madeco, the risk related to customers is managed within its established policies and procedures. When granting credit to a customer, these are evaluated in order to reduce the risks of non-payment. The credits granted are reviewed periodically in order to apply the controls defined by the policies of Madeco and to monitor the statement of accounts pending payment.

The risk associated with liabilities or assets of a financial nature is managed by Madeco according to its defined policies. Cash surpluses or available funds are invested in accordance with the policy's criteria, in low-risk instruments (mainly time deposits) with institutions having high credit ratings and within the limits established for each institution (funds are places in a diversified way).

Regarding the risk related to copper and aluminum, Madeco uses financial derivatives assigned case by case, to cover cash flows or existing items (fair value). These financial instruments are contracted in accordance with the policies defined by the management of Madeco which sets hedge levels according to the market price of copper (the higher the price, the greater the hedge). Derivatives also comply with the necessary documentation (definition of the relationship between derivative and item hedged, the objectives of risk management, efficiency test, etc.). In contracting financial hedges, Madeco selects institutions with high credit ratings in order to ensure payments in the event of compensation in its favor. As of December 31, 2011 Madeco had 1,100 and 160 tons of copper and aluminum respectively, and as of December 31, 2012, 1,600 and 250 tons of copper and aluminum respectively, hedged by derivative contracts.

The subsidiary LQ Inversiones Financieras has no accounts receivable subject to credit risk. Its investments of surplus cash are made on market conditions in fixed-rate instruments to match the maturities of its financial commitments and operational expenses.

In the subsidiary Enex, the risk related to customers is managed according to its credit policy and authorizations manual. Sales on credit terms are controlled by the management system which blocks purchase orders when the customer's credit shows overdue payments and/or the previously agreed and approved credit line is exceeded. Approvals of customer credit lines is the responsibility of the administration and finance management of Enex, with support and recommendation of the trade credit lines, in accordance with a credit evaluation model which takes into account both commercial and technical aspects. When considered appropriate, collateral and/or other requirements are requested to support the credit requested. Should the credit approved be insufficient to meet the commercial needs, the case is taken to the Credit Committee.

Note 32 – Financial risk management policy (continued)

The investments of surplus cash of Enex are limited to fixed-rate instruments and are made in financial entities evaluated at least once a year, with exposure limits assigned by entity according to reports and opinions of credit-rating agencies, in line with the current treasury policy.

For the detail of balances of financial assets, see Note "Classes of financial assets and liabilities".

Liquidity risk

Quiñenco finances its activities and investments with the dividends and earnings distributions of the companies in which it participates and with funds obtained from the sale of assets and/or the issuance of debt or shares.

Quiñenco prefers long-term financing in order to maintain a financial structure that is in line with the liquidity of its assets and whose maturity structure is compatible with the cash-flow generation.

The subsidiary Madeco estimates periodically its projected liquidity needs for each year, between the cash receivable (customer receivables, dividends, etc.), the respective payments (commercial, financial, payment of hedge compensations, etc.) and available cash, in order not to have to resort to external short-term financing. Madeco's financing policy seeks that its sources of funds have a balanced structure between short and long term, a low risk exposure and match the cash flows generated by each of its companies.

The subsidiary LQIF distributes dividends as a function of free cash flows taking into account the company's indispensable expenses and previsions, including financial obligations. The principal source of funds for the payment of interest and principal of the obligations of LQIF corresponds to dividends on its direct and indirect shareholding in Banco de Chile. Consequently, its capacity to make the programmed payments of interest and principal depends entirely on the capacity of Banco de Chile to generate positive earnings from its operations and the agreements it makes annually at its shareholder meetings with respect to the distribution of dividends.

The subsidiary Enex estimates its short-term cash-flow projections periodically, based on information received from its commercial lines. Enex has credit lines with the principal banks with which it operates in order to cover any unexpected cash deficits.

For the details of balances and maturities of financial liabilities, see Note "Other current and non-current financial liabilities".

Market risk

Exchange-rate risk
At the corporate level as of December 31, 2012 there is no exposure for currency Exchange risk as there are no significant financial assets or liabilities in foreign currency. There are no hedge mechanisms in place at the corporate level at December 2012 or December 2011.

In the subsidiary Madeco the exchange-risk exposure derives from its cash and cash equivalents, bank debt, bonds and other assets and liabilities positions indexed to currencies other than its functional currency, the US dollar, and the fluctuations occurring between both currencies. Both the board and management of Madeco revise its net exposure periodically, projecting on the basis of variations in the currencies other than the functional currency the financial effects generated by balances of assets or liabilities in those currencies at the time of evaluation. Should significant and adverse effect for Madeco be projected, financial derivatives can be contracted (mainly cross-currency swaps) in order to mitigate these possible risks.

Note 32 – Financial risk management policy (continued)

As of December 31, 2012, Madeco's net exposure to exchange risk is an asset equivalent to Ch$14,167 million. If a variation of 5% is assumed between the different currencies and the functional currency on this exposure, this would generate an estimated effect of Ch$708 million in the consolidated statement of comprehensive income.

The subsidiary LQIF has no exchange-rate exposure as it has no foreign currency assets or liabilities as of December 31, 2012 and 2011. As of December 31, 2011 it had two bank loans in US dollars which were converted to UF through cross-currency swaps.

In the subsidiary Enex exchange-rate risk exposure arises from certain agreements with suppliers and customers in a currency other than the functional currency (Chilean peso). The most important cases relate to imports of fuels, lubricants and bitumen, where the obligation is generated and is payable in US dollars. As of December 31, 2012, the net exchange-rate exposure of Enex is an asset equivalent to Ch$10,697 million. If a 5% fluctuation is assumed against the functional currency on this exposure, an estimated effect of Ch$535 million would be generated in the statement of comprehensive income.

Exchange differences produced by converting the balances in the functional currencies of consolidated or associate entities, whose functional currency is other than the peso, to pesos, a credit or charge is booked in equity until the clearance of the balance when they will be booked to income.

Interest-rate risk
At the corporate level, Quiñenco as of December 31, 2012 has financial assets at fair value with changes in income for Ch$255,658 million which are subject to interest-rate risk. A variation of 10 basis points in the interest rate would generate an effect on financial income for the year of Ch$26 million.

At the corporate level, Quiñenco has all its obligations at fixed rates.

Madeco has 24.5% of its obligations at fixed rate and 75.5% at variable rates.

LQIF has all its financial commitments at fixed rates, implying a low exposure to rate risk.

Enex has 2.2% of its obligations at fixed rate and 97.8% at variable rates.

The following table shows the interest-rate structure at the consolidated level. As can be seen, the interest-rate risk exposure at the consolidated level is reduced as 80.6% of the debt is structured at fixed interest rates.

Net position	12/31/2012	12/31/2011
Fixed interest rate	80.6%	75.9%
Hedged interest rate	0.0%	0.0%
Variable interest rate	19.4%	24.1%
Total	**100.0%**	**100.0%**

As of December 31, 2012, the consolidated variable interest-rate exposure is Ch$143,734 million. A 100 basis point variation in the interest rate would generate an effect on Financial costs for the year of Ch$1,437 million.

Note 33 – Information by segment

General Information

Quiñenco is structured on the basis of the industrial and financial activities in which the financial resources are invested, establishing four business segments: Manufacturing, Financial, Energy and Other.

The Manufacturing segment includes Madeco.
The Financial segment includes LQIF and its subsidiaries.
The Energy segment includes Enex and its subsidiaries.
The Other segment includes Quiñenco corporate, CCU, CSAV, SM SAAM, others and eliminations.

With the exception of the subsidiary Madeco and the associates CCU, CSAV y SM SAAM, all the group's operations are conducted in Chile.

In order to determine the information by segments, those exceeding 10% of the consolidated ordinary income and the particular information characteristics of the group have been considered.

Quiñenco, as an investment company, defines its ordinary income as that coming from the sale of goods and services (Madeco and others) and the net revenue of the banking sector (Banco de Chile).

Geographical area

The ordinary income of external customers by geographical area as of December 31, 2012 and 2011 is as follows:

	12/31/2012 ThCh$	12/31/2011 ThCh$
South America	1,634,725,382	1,035,567,821
Central America	11,175,489	7,414,570
North America	7,962,111	12,387,584
Europe	20,920	31,338
Africa	1,223	87
Asia	9,893	-
Total ordinary income from external customers	**1,653,895,018**	**1,055,401,400**

Note 33 – Information by segment (continued)

The income by segment for the year 2012 is detailed as follows:

	Segments December 2012				
	Manufacturing	Financial	Energy	Other	Total
Statement of income	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Revenue from ordinary activities	205,777,977	-	1,340,622,690	107,494,351	1,653,895,018
Ordinary income from transactions between segments	-	-	-	-	-
Cost of sales	(168,207,613)	-	(1,246,250,757)	(20,317,718)	(1,434,776,088)
Gross margin	37,570,364	-	94,371,933	87,176,633	219,118,930
Other operating (expenses)	(32,444,831)	(6,187,133)	(86,487,476)	(65,986,988)	(191,106,428)
Other gains (losses)	38,928,227	-	(271,594)	(2,625,546)	36,031,087
Earnings (losses) from operating activities	44,053,760	(6,187,133)	7,612,863	18,564,099	64,043,589
Financial income	164,823	812,788	1,812,290	18,463,993	21,253,894
Financial costs	(5,263,569)	(7,212,358)	(5,751,596)	(13,222,418)	(31,449,941)
Participation in earnings (loss) of associates & joint ventures booked using the equity method	(756,615)	-	933,020	(13,505,397)	(13,328,992)
Exchange differences	625,374	-	597,120	(4,322,220)	(3,099,726)
(Loss) from indexation adjustments	(377,354)	(4,136,004)	(137,599)	(7,592,796)	(12,243,753)
Earnings (loss) before tax	38,446,419	(16,722,707)	5,066,098	(1,614,739)	25,175,071
Charge (credit) for income tax	(10,578,047)	(3,766,230)	23,321,075	(2,887,969)	6,088,829
Earnings (loss) from continuing operations	27,868,372	(20,488,937)	28,387,173	(4,502,708)	31,263,900
Earnings (loss) from discontinued operations	-	-	-	-	-
Earnings (loss)	**27,868,372**	**(20,488,937)**	**28,387,173**	**(4,502,708)**	**31,263,900**
Statement of income – banking services					
Total net operating income	-	1,157,215,311	-	-	1,157,215,311
Total operating expenses	-	(634,057,712)	-	-	(634,057,712)
Operating income	-	523,157,599	-	-	523,157,599
Interest on subordinated debt with Banco Central de Chile	-	(73,709,381)	-	-	(73,709,381)
(Loss) investments in related companies	-	(229,405)	-	-	(229,405)
Result before income tax	-	449,218,813	-	-	449,218,813
Income tax	-	(54,039,788)	-	-	(54,039,788)
Income from continuing operations	-	395,179,025	-	-	395,179,025
Earnings banking services	-	395,179,025	-	-	395,179,025
Earnings (Loss)	**27,868,372**	**374,690,088**	**28,387,173**	**(4,502,708)**	**426,442,925**
					-
Earnings attributable to owners of the controller	**14,173,595**	**108,451,448**	**28,387,173**	**(11,369,639)**	**139,642,577**
Earnings attributable to non-controlling interests	13,694,777	266,238,640	-	6,866,931	286,800,348
Earnings (Loss)	**27,868,372**	**374,690,088**	**28,387,173**	**(4,502,708)**	**426,442,925**

The earnings attributable to owners of the controller for each segment correspond to the final contribution of each segment, and of the companies comprising them, to the earnings of Quiñenco S.A.

Note 33 – Information by segment (continued)

The depreciation, amortization, components of cash flows and the assets and liabilities by segment, as of December 31, 2012 is as follows:

	Manufacturing	**Financial**	**Energy**	**Other**	**Total**
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Depreciation & amortization	(7,211,261)	(5,212,903)	(5,690,299)	(898,526)	(19,012,989)
Cash flow from non-banking services					
Operating cash flow	5,091,919	1,461,267	17,182,990	44,999,110	68,735,286
Investment cash flow	(27,235,176)	(89,398,175)	(25,469,772)	(141,361,368)	(283,464,491)
Financing cash flow	17,525,541	(14,691,992)	47,178,650	234,913,830	284,926,029
Cash flow from banking services					
Operating cash flow	-	(1,142,700,082)	-	-	(1,142,700,082)
Investment cash flow	-	313,832,403	-	-	313,832,403
Financing cash flow	-	741,883,447	-	-	741,883,447
				-	
Current assets	102,801,556	1,487,179	214,488,352	304,517,102	623,294,189
Non-current assets	355,584,801	926,361,278	308,072,393	657,829,018	2,247,847,490
Banking assets	-	23,261,067,990	-	(8,195,231)	23,252,872,759
Total assets	**458,386,357**	**24,188,916,447**	**522,560,745**	**954,150,889**	**26,124,014,438**
Current liabilities	73,127,580	108,189,119	103,884,977	74,854,488	360,056,164
Non-current liabilities	76,244,664	195,375,639	87,302,829	366,761,697	725,684,829
Banking liabilities	-	21,523,886,983	-	(74,086,176)	21,449,800,807
Total liabilities	**149,372,244**	**21,827,451,741**	**191,187,806**	**367,530,009**	**22,535,541,800**

Note 33 – Information by segment (continued)

The income by segment for the year 2011 is as follows:

	Segments December 2011				
	Manufacturing	**Financial**	**Energy**	**Other**	**Total**
Statement of income	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**
Revenue from ordinary activities	207,424,469	-	731,727,752	116,249,179	1,055,401,400
Ordinary income from transactions between segments	3,453,698	-	-	(3,453,698)	-
Cost of sales	(173,841,721)	-	(671,087,452)	(43,884,878)	(888,814,051)
Gross margin	37,036,446	-	60,640,300	68,910,603	166,587,349
Other operating (expenses)	(22,850,157)	(9,625,144)	(53,360,496)	(64,003,264)	(149,839,061)
Other gains (losses)	1,638,803	3,437,822	(569,925)	(3,533,976)	972,724
Earnings (losses) from operating activities	15,825,092	(6,187,322)	6,709,879	1,373,363	17,721,012
Financial income	532,595	1,285,571	(24,078)	20,823,511	22,617,599
Financial costs	(3,615,022)	(6,837,039)	(3,271,772)	(6,242,519)	(19,966,352)
Participation in earnings (loss) of associates & joint ventures booked using the equity method	-	-	782,009	(30,355,885)	(29,573,876)
Exchange differences	(1,078,258)	-	(764,098)	5,598,068	3,755,712
Income (loss) from indexation adjustments	367,077	(6,132,689)	(138,370)	(5,077,346)	(10,981,328)
Earnings (loss) before tax	12,031,484	(17,871,479)	3,293,570	(13,880,808)	(16,427,233)
Charge (credit) for income tax	114,974	1,866,652	(265,885)	(704,897)	1,010,844
Earnings (loss) from continuing operations	12,146,458	(16,004,827)	3,027,685	(14,585,705)	(15,416,389)
Earnings (loss) from discontinued operations	-	-	-	-	-
Earnings (loss)	**12,146,458**	**(16,004,827)**	**3,027,685**	**(14,585,705)**	**(15,416,389)**
Statement of income – banking services					
Total net operating income	-	1,101,373,226	-	-	1,101,373,226
Total operating expenses	-	(614,102,415)	-	-	(614,102,415)
Operating income	-	487,270,811	-	-	487,270,811
Interest on subordinated debt with Banco Central de Chile	-	(81,295,137)	-	-	(81,295,137)
Income from investments in related companies	-	3,300,409	-	-	3,300,409
Income before income tax	-	409,276,083	-	-	409,276,083
Income tax	-	(59,663,975)	-	-	(59,663,975)
Income from continuing operations	-	349,612,108	-	-	349,612,108
Earnings banking services	-	349,612,108	-	-	349,612,108
Earnings (Loss)	**12,146,458**	**333,607,281**	**3,027,685**	**(14,585,705)**	**334,195,719**
					-
Earnings attributable to owners of the controller	**4,655,501**	**96,186,993**	**3,027,685**	**(15,904,333)**	**87,965,846**
Earnings attributable to non-controlling interests	7,490,957	237,420,288	-	1,318,628	246,229,873
Earnings (Loss)	**12,146,458**	**333,607,281**	**3,027,685**	**(14,585,705)**	**334,195,719**

The earnings attributable to owners of the controller for each segment correspond to the final contribution of each segment, and of the companies comprising them, to the earnings of Quiñenco S.A.

Note 33 – Information by segment (continued)

The depreciation, amortization, components of cash flows and the assets and liabilities by segment, as of December 31, 2011is as follows:

	Manufacturing	**Financial**	**Energy**	**Other**	**Total**
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Depreciation & amortization	(7,006,410)	(8,175,915)	(5,708,734)	(232,208)	(21,123,267)
Cash flow from non-banking services					
Operating cash flow	28,365,671	(875,992)	(8,231,514)	(56,504,027)	(37,245,862)
Investment cash flow	(114,444,530)	(373)	(278,709,365)	78,005,382	(315,148,886)
Financing cash flow	65,680,838	(56,428,214)	285,092,920	(229,948,901)	64,396,643
Cash flow from banking services					
Operating cash flow	-	(249,990,405)	-	-	(249,990,405)
Investment cash flow	-	(348,337,576)	-	-	(348,337,576)
Financing cash flow	-	631,472,380	-	-	631,472,380
Current assets	99,036,163	13,422,144	170,013,058	249,854,026	532,325,391
Non-current assets	285,883,332	931,572,726	268,878,547	459,336,861	1,945,671,466
Banking assets	-	21,740,944,508	-	-	21,740,944,508
Total assets	**384,919,495**	**22,685,939,378**	**438,891,605**	**709,190,887**	**24,218,941,365**
Current liabilities	59,412,553	27,330,281	98,353,959	68,596,231	253,693,024
Non-current liabilities	69,983,760	190,172,696	111,469,574	254,796,487	626,422,517
Banking liabilities	-	20,351,545,374	-	(66,604,283)	20,284,941,091
Total liabilities	**129,396,313**	**20,569,048,351**	**209,823,533**	**256,788,435**	**21,165,056,632**

Note 34 – Effect of currency exchange rate variations

a) The assets by national and foreign currency as of December 31, 2012 is detailed as follows:

Assets **Non-banking businesses** **Current assets**	**US Dollars** **ThCh$**	**Chilean pesos** **ThCh$**	**Unidad de Fomento** **ThCh$**	**Euros** **ThCh$**	**Soles** **ThCh$**	**Argentine pesos** **ThCh$**	**Reales** **ThCh$**	**Other currencies** **ThCh$**	**Total** **ThCh$**
Cash & cash equivalents	14,604,672	239,261,800	-	7,058	117,900	20,059	1,602	116,657	254,129,748
Other financial assets, current	-	46,693,056	34,008,425	-	-	-	-	-	80,701,481
Other non-financial assets, current	217,612	19,453,785	6,601	410,468	20,086	409,193	-	52,077	20,569,822
Trade debtors & other accounts receivable, current	30,984,332	94,619,964	100,959	-	1,181,347	6,780,030	-	3,166,460	136,833,092
Accounts receivable from related companies, current	-	4,104,704	-	-	-	-	-	-	4,104,704
Inventory	35,581,888	68,858,486	-	-	-	-	-	2,810,726	107,251,100
Tax assets, current	-	14,599,893	-	-	-	-	-	-	14,599,893
Total current assets other than assets or groups of assets for disposal classified as held for sale or held for distribution to the owners	**81,388,504**	**487,591,688**	**34,115,985**	**417,526**	**1,319,333**	**7,209,282**	**1,602**	**6,145,920**	**618,189,840**
Non-current assets or groups of assets for disposal classified as held for sale	5,104,349	-	-	-	-	-	-	-	5,104,349
Total non-current assets other than assets or groups of assets for disposal classified as held for sale or held for distribution to the owners	**5,104,349**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5,104,349**
Current assets, total	**86,492,853**	**487,591,688**	**34,115,985**	**417,526**	**1,319,333**	**7,209,282**	**1,602**	**6,145,920**	**623,294,189**
Non-current assets									
Other financial assets, non-current	68,385,103	18,879,816	1,212,328	-	-	-	-	-	88,477,247
Other non-financial assets, non-current	-	2,591,832	974,759	-	-	3,836	8,251,218	64,906	11,886,551
Collection rights, non-current	936	1,176,824	-	-	-	-	-	-	1,177,760
Accounts receivable from related companies, non-current	-	-	585,232	-	-	-	-	-	585,232
Investments booked using the equity method	-	566,944,168	-	247,861,822	-	-	-	-	814,805,990
Intangible assets other than goodwill	1,339,796	205,849,897	-	-	-	-	-	460,428	207,650,121
Goodwill	407,079	863,805,689	-	-	-	-	-	-	864,212,768
Property, plant & equipment	81,770,452	126,684,948	-	-	-	-	-	8,015,044	216,470,444
Investment properties	-	8,804,681	-	-	-	-	-	-	8,804,681
Deferred tax assets	3,547,082	30,229,614	-	-	-	-	-	-	33,776,696
Total assets, non-current	**155,450,448**	**1,824,967,469**	**2,772,319**	**247,861,822**	**-**	**3,836**	**8,251,218**	**8,540,378**	**2,247,847,490**
Total assets, non-banking business	**241,943,301**	**2,312,559,157**	**36,888,304**	**248,279,348**	**1,319,333**	**7,213,118**	**8,252,820**	**14,686,298**	**2,871,141,679**

Note 34 – Effect of currency exchange rate variations (continued)

b) The liabilities by national and foreign currency as of December 31, 2012 are detailed as follows:

Liabilities		**Chilean**	**Unidad de**			**Argentine**		**Other**	
Non-banking businesses	**Dollars**	**pesos**	**Fomento**	**Euros**	**Soles**	**pesos**	**Reales**	**currencies**	**Total**
Current liabilities	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**
Other financial liabilities, current	22,949,777	108,555,261	24,800,247	-	-	2,958,191	-	2,974,295	162,237,771
Trade creditors & other accounts payable, current	26,397,999	91,903,001	459,910	63,609	375,513	3,426,350	10,600	2,169,199	124,806,181
Accounts payable to related companies, current	-	121,621	482	-	-	-	-	-	122,103
Other short-term provisions	429,905	5,419,744	47,983	-	-	441,887	6,021,985	89,026	12,450,530
Tax liabilities, current	395,571	5,522,641	-	-	13,364	160,944	-	268,605	6,361,125
Provisions for employee benefits, current	-	5,707,424	14,865	-	740,091	462,260	-	318,266	7,242,906
Other non-financial liabilities, current	447,328	46,189,218	-	-	359	132,821	-	65,822	46,835,548
Total current liabilities other than liabilities included in groups of assets for disposal classified as held for sale	**50,620,580**	**263,418,910**	**25,323,487**	**63,609**	**1,129,327**	**7,582,453**	**6,032,585**	**5,885,213**	**360,056,164**
Liabilities included in groups of assets for disposal classified as held for sale	-	-	-	-	-	-	-	-	-
Total current liabilities	**58,299,283**	**266,387,549**	**17,686,003**	**63,609**	**1,129,327**	**7,546,890**	**6,032,585**	**2,910,918**	**360,056,164**
Non-current liabilities									
Other financial liabilities, non-current	61,077,709	129,984,070	386,555,439	-	-	1,074,392	-	14,288	578,705,898
Accounts payable to related companies, non-current	-	-	-	-	-	-	-	-	-
Other long-term provisions	-	15,754,139	-	-	-	90,205	1,267,149	-	17,111,493
Deferred tax liabilities	471,283	54,697,881	-	-	1,083,586	2,797,920	-	760,443	59,811,113
Provisions for employee benefits, non-current	-	21,567,596	224,127	-	-	-	-	-	21,791,723
Other non-financial liabilities, non-current	-	48,264,602	-	-	-	-	-	-	48,264,602
Total non-current liabilities	**61,548,992**	**270,268,288**	**386,779,566**	**-**	**1,083,586**	**3,962,517**	**1,267,149**	**774,731**	**725,684,829**
Total non-banking business liabilities	**119,848,275**	**536,655,837**	**404,465,569**	**63,609**	**2,212,913**	**11,509,407**	**7,299,734**	**3,685,649**	**1,085,740,993**

Note 34 – Effect of currency exchange rate variations

c) The assets by national and foreign currency as of December 31, 2011 aredetailed as follows:

Assets		Chilean	Unidad de			Argentine		Other	
Non-banking businesses	**Dollars**	**pesos**	**Fomento**	**Euros**	**Soles**	**pesos**	**Reales**	**currencies**	**Total**
Current assets	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**
Cash & cash equivalents	12,485,908	59,205,444	-	1,357	317,184	188,978	351	-	72,199,222
Other financial assets, current	22,045	54,588,964	-	-	-	-	155,550	-	54,766,559
Other non-financial assets, current	1,366,315	15,440,136	325,226	420,213	35,704	144,066	-	-	17,731,660
Trade debtors & other accounts receivable, current	22,546,956	108,586,085	369,959	-	1,053,110	5,300,613	-	-	137,856,723
Accounts receivable from related companies, current	130,835,784	3,517,420	-	-	-	-	-	-	134,353,204
Inventory	34,592,455	64,752,380	-	-	-	-	-	-	99,344,835
Tax assets, current	874,831	12,171,226	-	-	196,996	428,530	216,708	-	13,888,291
Total current assets other than assets or groups of assets for disposal classified as held for sale or held for distribution to the owners	**202,724,294**	**318,261,655**	**695,185**	**421,570**	**1,602,994**	**6,062,187**	**372,609**	**-**	**530,140,494**
Non-current assets or groups of assets for disposal classified as held for sale	2,184,897	-	-	-	-	-	-	-	2,184,897
Total non-current assets other than assets or groups of assets for disposal classified as held for sale or held for distribution to the owners	**2,184,897**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,184,897**
Current assets, total	**204,909,191**	**318,261,655**	**695,185**	**421,570**	**1,602,994**	**6,062,187**	**372,609**	**-**	**532,325,391**
Non-current assets									
Other financial assets, non-current	6,682	122,031,678	-	153,930,290	-	201	-	-	275,968,851
Other non-financial assets, non-current	-	2,626,989	829,569	-	-	4,497	9,328,774	-	12,789,829
Collection rights, non-current	-	1,038	1,095,065	-	-	-	-	-	1,096,103
Accounts receivable from related companies, non-current	-	-	571,226	-	-	-	-	-	571,226
Investments booked using the equity method	-	342,141,199	-	-	-	-	-	-	342,141,199
Intangible assets other than goodwill	1,593,657	211,081,197	-	-	-	-	-	-	212,674,854
Goodwill	440,360	860,528,389	-	-	-	-	-	-	860,968,749
Property, plant & equipment	93,569,356	105,026,427	-	-	-	-	-	-	198,595,783
Investment properties	3,904,641	4,950,754	-	-	-	-	-	-	8,855,395
Deferred tax assets	22,981,838	9,027,639	-	-	-	-	-	-	32,009,477
Total assets, non-current	**122,496,534**	**1,657,415,310**	**2,495,860**	**153,930,290**	**-**	**4,698**	**9,328,774**	**-**	**1,945,671,466**
Total assets, non-banking business	**327,405,725**	**1,975,676,965**	**3,191,045**	**154,351,860**	**1,602,994**	**6,066,885**	**9,701,383**	**-**	**2,477,996,857**

Note 34 – Effect of currency exchange rate variations (continued)

d) The liabilities by national and foreign currency as of December 31, 2011 are detailed as follows:

Liabilities		**Chilean**	**Unidad de**			**Argentine**		**Other**	
Non-banking businesses	**Dollars**	**pesos**	**Fomento**	**Euros**	**Soles**	**pesos**	**Reales**	**currencies**	**Total**
Current liabilities	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**
Other financial liabilities, current	18,074,961	10,586,477	41,650,177	-	-	1,261,871	-	-	71,573,486
Trade creditors & other accounts payable, current	15,572,376	101,154,378	678,429	184,573	399,950	1,992,217	4,308	51,279	120,037,510
Accounts payable to related companies, current	-	258,425	-	-	-	-	-	-	258,425
Other short-term provisions	559,686	9,698,021	7,781	-	-	540,840	2,547,124	-	13,353,452
Tax liabilities, current	165,540	4,641,528	-	-	-	313,227	-	-	5,120,295
Provisions for employee benefits, current	186,912	8,275,716	24,113	-	797,133	411,677	-	-	9,695,551
Other non-financial liabilities, current	3,885,695	29,678,374	-	-	51	90,185	-	-	33,654,305
Total current liabilities other than liabilities included in groups of assets for disposal classified as held for sale	**38,445,170**	**164,292,919**	**42,360,500**	**184,573**	**1,197,134**	**4,610,017**	**2,551,432**	**51,279**	**253,693,024**
Liabilities included in groups of assets for disposal classified as held for sale	-	-	-	-	-	-	-	-	-
Total current liabilities	**38,445,170**	**164,292,919**	**42,360,500**	**184,573**	**1,197,134**	**4,610,017**	**2,551,432**	**51,279**	**253,693,024**
Non-current liabilities									
Other financial liabilities, non-current	53,293,840	71,989,836	351,138,597	-	-	1,944,778	-	-	478,367,051
Other long-term provisions	-	14,797,808	-	-	-	108,257	1,371,460	-	16,277,525
Deferred tax liabilities	726,995	46,814,688	-	-	1,177,851	3,018,455	-	-	51,737,989
Provisions for employee benefits, non-current	-	21,019,584	217,121	-	-	-	-	-	21,236,705
Other non-financial liabilities, non-current	528	-	58,802,719	-	-	-	-	-	58,803,247
Total non-current liabilities	**54,021,363**	**154,621,916**	**410,158,437**	**-**	**1,177,851**	**5,071,490**	**1,371,460**	**-**	**626,422,517**
Total non-banking business liabilities	**92,466,533**	**318,914,835**	**452,518,937**	**184,573**	**2,374,985**	**9,681,507**	**3,922,892**	**51,279**	**880,115,541**

Note 35 – Contingencies

(a) Lawsuits

The subsidiary VTR presented Case No.10,520-07 in 1999 which is pending before the Santiago Appeals Court, against the sentence in the first instance given on October 26, 1999 by the tax tribunal of Metropolitan Santiago Center of the Internal Revenue Service which rejected the tax appeal presented by VTR against Demand No.29 of January 21, 1998 for sole tax under paragraph 3 of article 21 of the Income Tax Law applied to a loss on a currency futures contract signed on January 2, 1995 between VTR and Citibank N.A.

Later, on May 11, 2007, the Santiago Appeals Court annulled the sentence in the first instance as it was given by a delegated tax judge (lacking jurisdiction) and ordered that the appeal be reconsidered by the regional director of the Metropolitan Santiago Center of the Internal Revenue Service, invalidating therefore all the previous proceedings. The proceedings are currently pending in the first instance, having re-entered the tax tribunal of the Metropolitan Santiago Center of the Internal Revenue Service on June 1, 2007 (Case No.10,520-2007). These proceedings are presently in the evidence stage. On August 28, 2007, the tribunal resolved to receive the tax appeal and ordered the inspector's report. On November 30, 2007 comments were presented on the report No.178-1 issued on October 29, 2007 by the selective inspectorate department of the Metropolitan Santiago Center of the Internal Revenue Service, and the tax tribunal resolved to acknowledge receipt of the comments in that report.

The subsidiary VTR has made an appeal before the Santiago Appeals Court (Case No.6,692-04) which is pending review by the court. This appeal was made against the sentence in the first instance by the Metropolitan Santiago East Regional Directorate of the Internal Revenue Service with respect to a tax appeal dated December 16, 1999 against Demand No.1,025 of that tax office. On March 25, 2009, the Santiago Appeals Court invalidated the sentence and all the previous proceedings in the first instance as sentence was given by a delegated tax judge who lacked jurisdiction.

As a result of this decision, the proceedings are currently pending in the first instance (in a new case) before Metropolitan Santiago East Regional Office of the Internal Revenue Service (Case No.10,384-2009). This tribunal rejected the company's tax appeal on September 8, 2009. As a result, an appeal was lodged on October 15, 2009 whereby if rejected again the case would be heard by the Santiago Appeals Court.

As of December 31, 2012 the subsidiary Madeco has lawsuits pending against it with respect to lawsuits related to its normal business which, according to the company's legal advisers, present no risk of significant losses.

Note 35 – Contingencies (continued)

(b) Financial contingencies

(1) As of December 31, 2012 Quiñenco and the group companies are in compliance with the financial covenants related to bond issuances. Quiñenco's principal financial covenants as of December 31, 2012 are:

- To maintain unencumbered assets to unsecured debt at book value of at least 1.3 times. As of December 31, 2012 the ratio of unencumbered assets to unsecured debt at book value is 5.5 times, as follows:

Quiñenco individual	**ThCh$**
Total assets	2,325,020,743
Encumbered assets	-
Unencumbered assets	**2,325,020,743**
Total current liabilities	62,088,230
Other current provisions	(2,510,893)
Provisions for employee benefits, current	(626,977)
Total non-current liabilities	369,212,952
Other long-term provisions	(2,831,928)
Unsecured debt	**425,331,384**

- To maintain an unconsolidated financial debt ratio to total equity of no more than 0.46:1. As of December 31, 2012 the financial debt to total equity at book value ratio is 0.17:1, as follows:

Financial debt	**ThCh$**
Other financial liabilities, current	15,121,665
Other financial liabilities, non-current	294,874,294
Accounts payable to related companies, non-current	68,663,312
Financial debt	**378,659,271**
Capitalization	
Equity attributable to owners of the controller	1,893,719,561
Financial debt	378,659,271
Capitalization	**2,272,378,832**

Note 35 – Contingencies (continued)

(b) Financial contingencies (continued)

- To maintain a consolidated financial debt ratio to total capitalization of no more than 0.61:1. As of December 31, 2012 the consolidated financial debt ratio to total capitalization at book value is 0.20, as follows:

Financial debt	**ThCh$**
Other financial liabilities, current	162,237,771
Accounts payable to related companies, non-current	122.103
Other financial liabilities, non-current	578.705.898
Financial debt	**741,065,772**
Capitalization	
Equity attributable to owners of the controller	1.893.719.561
Financial debt	741,065,772
Non-controlling participations (1)	987,692,793
Capitalization	**3,622,478,126**

(a) Relates to non-controlling participations Quiñenco ThCh$ 1,694,753,077 less non-controlling participations LQIF ThCh$ 707,060,284.

- To maintain a minimum equity of Ch$739,846 million. As of December 31, 2012 the equity attributable to owners of the controller is Ch$ 1,893,720 million.
- The Luksic Group must keep control of Quiñenco.

(2) The VTR S.A. share purchase agreement with SBC International Inc., dated June 16, 1999, states certain mutual obligations by the parties that translate into sale price adjustments.

(3) The subsidiary LQIF is subject to certain financial covenants contained in the bond-issue indenture and other loan agreements. The principal restrictions as of December 31, 2012 are:

- The company should maintain a debt level in its quarterly financial statements of no more than 0.40 times, measured by the ratio of total adjusted liabilities to total adjusted assets, equivalent to the balances of non-banking service accounts plus the calculation of the investment in related companies (equity value), the restitution of lesser and higher values fixed in UF as of December 31, 2008 and restituting balances eliminated in the consolidation.
- During three months prior to payment of coupons on these issues, it should maintain a liquidity reserve equivalent to at least the payment of that corresponding to bond-holders at that date.
- It should retain its control of Banco de Chile, and the present controller of the company should remain as such.
- The debt level as of December 31, 2012 is 0.14 times.

Note 35 – Contingencies (continued)

(b) Financial contingencies (continued)

(4) As of December 31, 2012, Madeco and its subsidiaries have various covenants whose principal terms are:

Long-term loans for the purchase of shares in Nexans.

On November 25, 2011, Madeco signed a line of credit with Banco Itaú for US$ 82 million, payable at maturity in 5 years. As well as the usual covenants and negative covenants and acceleration clauses in this kind of operation, the loan agreement states that should Madeco dispose of its shares in Nexans (except to its subsidiaries) the loan will be payable on demand in a percentage equivalent to the percentage reduction of its holding in Nexans. The agreement also requires the maintenance of a net total leverage in the consolidated statement of financial position of no more than 1:1; a minimum equity of US$ 250 million on a consolidated basis; and control by the Luksic Group of at least 45% of the share capital.

In October and December 2012, Madeco signed two loan agreements with BBVA for US$ 15 million each. Both loans are payable on October 26, 2015 and have conditions similar to those indicated in the preceding paragraph.

As of December 31, 2012, Madeco is in compliance with restrictions stated in the above loan agreements, as follows:

Covenants	**12/31/2012**	**Covenants**
Net total leverage of consolidated statement of financial position	0.47	< 1.00
Minimum equity	MUSD 643,834	> MUSD 250,000
Luksic Group holding in Madeco	55.4%	> 45.0%

(c) Other contingencies

<u>Sale of the Cable Unit to Nexans</u>

The extraordinary shareholders meeting held on April 25, 2008 approved the sale of the cable unit to Nexans. This was formalized on September 30, 2008.

As was reported to that shareholders meeting, the central points of this sale contract are summarized as follows:

a) Declarations and Warranties.

The sale contract with Nexans establishes declarations and warranties that are usual in this kind of contract. These refer essentially to the ownership by Madeco and its subsidiaries of the cables assets transferred to Nexans, compliance with prevailing regulations and the absence of contingencies, apart from those disclosed in the contract. Madeco, as the seller, was therefore responsible for the contingencies that might arise after September 30, 2008 whose origin is prior to that date.

The declarations and warranties made by Madeco were effective until December 2009, except for i) labor and taxation declarations which remain outstanding until their respective dates of prescription, ii) environmental declarations which expired on September 30, 2011, and iii) declarations relating to the ownership of the companies disposed of and titles to real estate which shall expire on September 30, 2018.

Note 35 – Contingencies (continued)

(c) Other contingencies (continued)

b) Covenants and restrictions for Madeco

Madeco shall be subject principally to the following covenants and restrictions: i) maintain shareholders' equity of at least US$ 250 million during the term of the declarations and warranties; ii) indemnify Nexans in the event of their breach; iii) grant the same collateral that it may grant to its creditors in the future to Nexans; and iv) maintain the confidentiality of information that is not public knowledge.

c) Indemnities

Nexans is entitled to be indemnified for any breach of the declarations and warranties, and the other obligations established in the sale contract.

Nexans also has the right to be indemnified for i) payments of taxes that the business has to assume but which originate from prior to September 30, 2008, except the proceedings declared with respect to Chile, Peru and Colombia in the declarations and warranties; ii) civil and labor lawsuits in Brazil listed as of September 30, 2008; iii) responsibilities in undeclared environmental matters; and iv) the obligations of the companies disposed of that are not related to their businesses. The company responds only for 90% of the obligation to indemnify for the taxes in Brazil until the sale date.

d) Limitation of responsibility of Madeco.

The sale contract states that Madeco is not liable for damages caused by individual events when these do not exceed US$73,000, nor for accumulated damages, excluding the individual damages mentioned above, that do not exceed US$ 1.46 million, and if these are exceeded, Madeco shall be liable according to the contract.

The contract also states that the liability of Madeco in the case of taxation contingencies and breaches of the declarations and warranties and other obligations under this contract, is limited to i) US$310 million with respect to taxation contingencies and ii) US$146 million with respect to the other matters, with a sub-limit in environmental matters of US$30 million. All the sub-limits shall be deducted from the total of the global limit, so Madeco is not liable for more than US$200 million in any event.

e) Transaction with Nexans.

On November 26, 2012, Madeco and Nexans signed a settlement to end differences originating from the indemnities stipulated in the cable unit sale contract with Nexans, through the payment by Madeco of R$23.68 million (reales). The amount of the settlement was fully reflected in the provision indicated in the Note ("Provision for lawsuits Brazil") to the financial statements as of September 30, 2012. This settlement also ended for Madeco the contingency indicated in the Note in those financial statements called "Collective Labor Demand Ficap" and some civil, labor and tax proceedings set out therein. The settlement also terminated the liability of Madeco for certain civil and labor proceedings listed in that agreement which were pending their signing until the damages reach a certain limit. Finally, Madeco retains responsibility for a number of tax lawsuits in Brazil whose causes pre-dated the sale of its subsidiary in that country, Ficap S.A., in accordance with the stipulations of the cables unit sale contract with Nexans.

Note 35 – Contingencies (continued)

(d) Tax contingencies

The subsidiary Inversiones Río Grande S.p.A. has appealed to the Metropolitan Regional Santiago East Tax Office of the Chilean SII (Case No.10,349-2002) against tax notification No.62, for the repayment of monthly tax prepayments for earnings absorbed by tax losses for the tax year 1999 (historic value ThCh$484,329).
On August 26, 2005, the subsidiary VTR S.A. received notification No.156 from the SII for special taxes for the tax year 2003, amounting to ThCh$484,269 (historic tax amount). On November 4, 2005 VTR appealed this notification, requesting the revision of the inspector's actions. On February 16, 2006, Resolution 32/2006 was issued stating that there was no case for reviewing the inspector's actions. On June 29, 2007, the inspector presented his comments to report No.93 issued on June 6, 2007 and the tax tribunal confirmed, on July 9, 2007, the receipt of these comments.

On July 19, 2006, Ficap S.A., a former Madeco cable subsidiary and now Nexans Brasil S.A. ("Nexans Brasil –ex Ficap"), received a tax assessment notice from the Brazilian Federal Authority for the tax years 2001, 2002, 2003, 2004 and 2005 relating to income tax differences amounting to a total of ThR$18,550 (ThUS$8,571 approx. historic value). However, applying the same criteria to the tax years 2006 onward, Ficap S.A. has made judicial deposits in order to avoid paying interest and fines on the difference of income tax that it might have to pay should the law be interpreted in the way stated in the tax assessment notice. Despite being deposits made by a company sold to Nexans, the court deposits have been recognized as an asset as these were excluded from the sale price; Madeco therefore retains control over the lawsuit. On February 10, 2010, the Brazilian tax authority notified Nexans Brasil – ex Ficap, of tax asssessments amounting to ThR$ 8,481 (equivalent on that date to ThUS$ 4,590) including interest and fines. The arguments and basis for these tax assessment notices are accessory to the lawsuit mentioned in the previous paragraph so the result is closely related to that lawsuit. According to Madeco's legal advisers in Brazil, there are well-founded arguments for reversing this situation. Our legal advisers also believe that the court deposits indicated in the previous paragraph would guarantee the payment of the demands by the tax authority.

On November 26, 2004, Nexans Brasil -ex Ficap- received a tax assessment notice arising from compensation declarations presented by the company in order to offset withheld tax credits (originating from financial operations) against income taxes, PIS, COFINS and CSLL related to the period 1998 - 2003.

The tax authorities mainly argue that the taxpayers should consolidate all the information relating to the calculation of income tax in their annual declaration and only if this resulted in a negative balance of tax can the balance be used as a credit against others, but not before the presentation of the annual tax declaration. They also allege that the declaration of federal contributions and taxes (DCTF) contain insufficient information to prove the existence of such credits.

Note 35 – Contingencies (continued)

Together with presenting documents showing the existence of the credits, Nexans Brasil –ex Ficap- alleges that (i) the formal questions should not affect the use of the credit, as it is legitimate, and (ii) that it would be possible to show in the administrative proceedings a kind of "clearing house" in which tax credits for one year can be offset against debts of the following year, when they are no longer considered premature.

While the contingency is ThR$ 18,239 (historic value), the credits associated with the contingency would contribute to reducing it significantly. However, in the event of a negative sentence, it will be necessary to present a legal recourse to request the return of these credits, which will generate a timing difference between the payment of the fiscal debits and the recovery of the credits.

The fiscal authorities of the state of Rio de Janeiro are demanding the payment by Nexans Brasil -ex Ficap- of ICMS taxes (similar to VAT in Chile) due by its plant located in that state. These taxes were allegedly not paid for the years 1983 to 1991, a time when it owned the plant of the company SAM Industrias S.A. The historic value of these demands is ThR$7,424.

According to Brazilian legislation, Nexans Brasil -ex Ficap-, being the legal successor of that plant (establishment), would therefore be alternatively liable for the taxes due by it because SAM Industrias S.A. continued its operations for more than 6 months. Nevertheless, the tax authorities understand that the liability of Nexans Brasil -ex Ficap- is several.

In order to be able to claim against these tax infractions and avoid their collection while the claims are pending, Nexans Brasil -ex Ficap- presented various bank guarantees to cover payment. The defense of Nexans Brasil -ex Ficap- is based mainly on the fact that (i) its liability for the tax debts of SAM Industrias S.A. is subsidiary as that company continued its operations for more than 6 months from the sale of the establishment, (ii) SAM Industrias S.A. has confessed being liable for the payment of these debts by adhering to an amnesty procedure established by the state of Rio de Janeiro, so Nexans Brasil -ex Ficap- cannot be liable, (iii) in accordance with Law 5,172 of October 25, 1966, the adhesion to an amnesty procedure causes the transformation of those debts included in that procedure into debts of another origin, independent and autonomous from the previous ones, (iv) the tax authorities did not recognize that a large part of the debts demanded were paid by SAM Industrias S.A. in the amnesty procedure, and (v) the prescription of the collection being that more than 5 years have passed between the notification of the executive collection and the last payment of the amnesty mentioned.

Note 36 – Collateral received

The Company has received no collateral from third parties as of December 31, 2012.

Note 37 – Sanctions

Neither the Company nor its directors or managers received any sanctions from the SVS or any other regulatory authority during 2012 and 2011.

Note 38 – Events after the Reporting Period

Division of Madeco S.A.

The Board of Madeco, at its extraordinary meeting held on January 7, 2013, agreed to submit for the approval of the shareholders the division of Madeco S.A. into two companies whereby i. the legal successor would retain the investment in Nexans, a part of the existing financial debt and other obligations related to the contract with Nexans at the sale of the cable unit to this French company, and ii. the new company receives the subsidiaries Alusa S.A., Madeco Mills S.A. and Indalum S.A. and the rest of the existing financial debt.

The subsidiary Madeco S.A. complemented this information on January 7, January 10 and March 5, 2013, for which details can be found on the company's web site www.madeco.cl

On January 31, 2013, Quiñenco reported to the SVS that:

1.- On September 2, 2011, Quiñenco informed the SVS and the market of the signing of a contract by which it promised to acquire from Organización Terpel S.A. and Petrolera Nacional S.A. (together "Terpel") all their holdings in their Chilean subsidiaries Petróleos Trasandinos S.A. and Operaciones y Servicios Terpel Limitada (the "Companies"), which involved the transfer of the fuel distribution business through service stations that the Companies operate throughout the country and other related businesses.

2.- This was subject to the authorization of the Antitrust Court to which a request was presented on November 10, 2011.

3.- By Resolution 39/2012 (with a split vote) of April 26, 2012, the Antitrust Court rejected the purchase of the Companies. Quiñenco S.A. then, on May 10, 2012, presented an appeal to the Supreme Court in order to annul the resolution of the Court in all its parts, which was reported as an Event of Interest on the company's web site.

4.- The Supreme Court on January 2, 2013 accepted the appeal but subject to compliance with the following mitigation measures:

A.- Service stations should be divested in those districts where both Enex and Terpel operate and in which, as a result of the operation consulted, the variation of concentration exceeds the thresholds established in the guide on operations of concentration prepared by the National Economic Inspector's office. This divestment should be carried out by public auction within six months of the consulted operation being carried out.

B.- With reference to the lease and storage capacity contracts signed by Terpel Chile, these should be terminated within the same term as the divestment, such that any individual or legal entity may require storage capacity of such installations for their operations.

Note 38 – Events after the Reporting Period (continued)

As the contracting parties believed that the manner for implementing these mitigation measures was unclear, since they led to interpretations that made the operation unviable on the terms originally agreed, the Supreme Court was approached again to overcome this inconvenience, which resolved that: *"the request is rejected as there are no obscure or doubtful points to clarify":*

5.- As a result of this judgment of the Supreme Court, and having made the materialization of the sale commitment between Terpel and Quiñenco S.A. unviable on the terms originally foreseen, the latter has communicated to the sellers that despite this it was prepared to negotiate alternative terms to enable the sale of Terpel in a manner harmonious with the demands of the resolution of the Supreme Court.

On March 15, 2013, Quiñenco informed the SVS that, complementing that which was reported on September 2, 2011 and January 31, 2013, relating to the contract (the "Contract") by which Quiñenco, directly or through one or more subsidiaries, committed to acquire from Organización Terpel Chile S.A. and de Petrolera Nacional S.A. (together "Terpel") all their holdings in their Chilean subsidiaries Petróleos Transandinos S.A. and Operaciones y Servicios Terpel Limitada (together "Terpel Chile"), involving the transfer of the fuel distribution business through service stations that Terpel Chile operates throughout the country and other related businesses ("Terpel assets"):

1. Consistent with the contents of point 5 of the complementary report to the SVS dated January 31, 2013, Quiñenco has presented a proposal making viable the formalization of the Contract, taking into account the costs involved in the mitigation measures required by the Supreme Court in this matter.

2. This proposal considered an adjustment to the price offered for the Terpel assets as a function of the impact on it that implementation by the buyer would have of the mitigation measures ordered by the Supreme Court, reported to the SVS on January 31, 2013.

3. As a consequence of the requirements of the judgment of the Supreme Court and that indicated by the National Economic Inspector's office (FNE) in this respect, the divestment has been considered of a service station in each of 61 districts of the country identified by the FNE, which means that Quiñenco and subsidiaries, as the case may be, should sell approximately 30% of the service stations included in the Terpel assets.

4. As a result, the new adjusted price agreed by the parties amounts to UF5,567,069, having in the next few days to formalize the respective commitment contract so that the final sale contract can be signed within the following 90 days, which will close the transaction referred to, reported at the time by report to the SVS dated September 2, 2011.

Note 38 – Events after the Reporting Period (continued)

As stated in the report to the SVS of September 2, 2011, the above will enable Quiñenco to increase its competitiveness in the fuel and lubricants distribution business, an industry in which it has a presence through its ownership of Enex.

There are no other events of a financial or other nature occurring between December 31, 2012 and the date of issuance of these consolidated financial statements that might significantly affect their interpretation.

Note 39 – Additional notes

The following are the Notes to the financial statements of SM-Chile S.A. and subsidiaries under the regulations of the Superintendency of Banks and Financial Institutions (SBIF).

Note 39.1 – Corporate Information

The extraordinary shareholders' meeting held on July 18, 1996, recorded by public deed dated July 19, 1996 before the Santiago notary, René Benavente Cash, resolved that the company previously called Banco de Chile accept the provisions of the third and fifth paragraphs of Law 19,396 which modified the conditions of payment of the Subordinated Obligation with Banco Central de Chile. By this resolution, the company was transformed, changing its name to Sociedad Matriz del Banco de Chile S.A., or SM Chile S.A., and modifying its corporate object to being the holder of shares in Banco de Chile and carrying out the other activities permitted by Law 19,396. It was also agreed to transfer all the assets and liabilities of the company, with the sole exception of the Subordinated Obligation with the Banco Central de Chile, to a new banking corporation to be called Banco de Chile, and agreed to create a closely-held corporation called Sociedad Administradora de la Obligación Subordinada SAOS S.A., to which this obligation with Banco Central de Chile would transfer as a part of the shares in the new banking company, Banco de Chile.

On November 8, 1996, Banco de Chile thus became Sociedad Matriz del Banco de Chile S.A., or SM Chile S.A., to which all its assets, liabilities and memorandum accounts were transferred, except for the Subordinated Obligation, to the new banking company Banco de Chile. On the same date, the company subscribed and paid a capital increase in Sociedad Administradora de la Obligación Subordinada SAOS S.A. through the transfer of ownership of 28,593,701,789 shares in the new Banco de Chile, granting a special pledge in favor of Banco Central de Chile, whose shares represent 31.81% of the share capital of that bank (32.89% in 2011) and transferred to that company the responsibility for paying the Subordinated Obligation, thus releasing Sociedad Matriz del Banco de Chile S.A. from that obligation. The Company retains the commitment to transfer to Sociedad Administradora de la Obligación Subordinada SAOS S.A. the dividends and free shares corresponding to 567,712,826 shares in Banco de Chile that its holds, while the latter company maintains the Subordinated Obligation with Banco Central de Chile.

The shareholders in SM Chile S.A. directly exercise the speaking and voting rights of the shares pledged in favor of Banco Central de Chile in the proportions established in the corporate bylaws. These shareholders have a preferential right to acquire those shares should SAOS S.A. dispose of them in any circumstances.

Note 39 – Additional notes (continued)

Note 39.1 – Corporate information (continued)

As of December 31, 2012, the total balance of the Subordinated Obligation with Banco Central de Chile, including interest, amounts to U.F. 33,025,256.10 (U.F. 36,839,994.00 in 2011), net of the surplus balance in the Surpluses for Future Deficits account.

The Subordinated Obligation is to be amortized over a period expiring on April 30, 2036, contemplating fixed annual payments of U.F. 3,187,363.9765 each. However, SAOS S.A. is obliged to pay annually an amount called annual quota, constituted by the sum of the dividends received on the shares it holds in Banco de Chile, plus an amount it will receive annually from SM-Chile equal to the dividends on that company's holding of 567,712,826 shares in Banco de Chile. The so-called annual quota may be greater or lower than the fixed quota. If the annual quota is more than the fixed quota, the excess will be recorded in an account with Banco Central de Chile called "Surpluses for Future Deficits Account", whose balance will be used to cover future deficits. If the annual quota is below the fixed quota, the difference will be covered by the accumulated balance in the Surpluses for Future Deficits Account, should there be a balance, or booked in that account. If at some time the Surpluses for Future Deficits Account accumulates a balance due by SAOS S.A. of more than 20% of the paid capital and reserves of Banco de Chile, SAOS S.A. shall sell the shares pledged in the form established in Law 19,396 and the respective contract, to cover the whole deficit with the proceeds.

The annual quota for 2012 amounts to ThCh$142,318,228 (ThCh$124,341,793 in 2011). As of December 31, 2012 there is a surplus in the Surpluses for Future Deficits Account of U.F.11,911,513.59 (U.F.9,055,381.76 in 2011).

The obligation with Banco Central de Chile will be extinguished if this has been fully paid or if no shares of Banco de Chile remain held by Sociedad Administradora de la Obligación Subordinada SAOS S.A. pledged in favor of Banco Central de Chile.

SM-Chile will exist until it has extinguished the Subordinated Obligation that its subsidiary Sociedad Administradora de la Obligación Subordinada SAOS S.A. has with Banco Central de Chile and, at that moment, its shareholders will be awarded the shares that the company holds in Banco de Chile.

SM-Chile is governed by Law 19,396 and is subject to the regulatory authority of the SBIF.

Note 39.2 – Accounting changes

During the year ended December 31, 2012, there have been no significant accounting changes that affect the presentation of these consolidated financial statements.

Note 39 – Additional notes (continued)

Note 39.3 – Material information of the banking subsidiaries

(a) At its meeting SM183 of January 26, 2012, the board of SM-Chile agreed to call the ordinary shareholders' meeting for March 22, 2012, to propose, among other things, the distribution of dividend No.16 of Ch$2.984740 per share of the "B", "D" and "E" Series and agree on the distribution among the shareholders of the same series of the fully paid-in shares received by SM-Chile as a result of the capitalization of the earnings of Banco de Chile for the year 2011, which will be distributed on the basis of 0.018956 shares in Banco de Chile for each share of the series mentioned.

(b) The ordinary shareholders' meeting of SM-Chile on March 22, 2012 approved the payment of dividend No.16 of Ch$2.937587 as proposed in the ordinary meeting SM 183. As a result of the capitalization made by the subsidiary Banco de Chile, the direct participation of SM-Chile in that Bank fell from 13.96% to 13.79%, while the indirect participation fell from 46.85% to 46.27%.

(c) At the board meeting of SM-Chile held on April 26, 2012, the resignation was accepted of the director Fernando Quiroz Robles. The board appointed Francisco Aristeguieta Silva as director until the next ordinary shareholders' meeting.

(d) On January 26, 2012, at its ordinary meeting BCH 2,748, the board of the subsidiary Banco de Chile agreed to call the ordinary shareholders' meeting for March 22, 2012 in order to propose, among other things, the distribution of dividend No.200 of Ch$2.984740 to each of the 86,942,514,973 shares issued by Banco de Chile, as a charge to the distributable earnings for the year ended December 31, 2011, corresponding to 70% of such earnings.

    The board of Banco de Chile also agreed to call an extraordinary shareholders' meeting for the same date in order to propose, among other things, the capitalization of 30% of the distributable earnings of the Bank corresponding to 2011, through the issuance of full paid-in shares of no par value, determined at a value of Ch$67.48 per share, distributed among shareholders at the rate of 0.018956 shares for each share and adopt the necessary agreements subject to the exercise of the options foreseen in article 31 of Law 19,396.

    At the ordinary and extraordinary shareholders' meetings of Banco de Chile held on March 22, 2012 it was agreed to proceed with the agreements mentioned above.

(e) On February 16, 2012, in accordance with article 116 of the Securities Market Law 18,045 and as representative of the holders of Series A bonds issued by Compañía Sud Americana de Vapores S.A., the subsidiary Banco de Chile reported that, finding itself in a position of incapacity as contemplated in the first paragraph of article 116 of Law 18,045, i.e. the representative of bond-holders in a related company, it will abstain from continuing to act as such and resign as the bond-holders representative for that issuance.

(f) On March 27, 2012, Banco Central de Chile informed the subsidiary Banco de Chile that, at its extraordinary council meeting No.1666E, it agreed to opt for all the surpluses corresponding to the year 2011, including the part of proportional earnings of the agreed capitalization, to be paid in cash.

Note 39 – Additional notes (continued)

Note 39.3 – Material information of the banking subsidiaries (continued)

(g) On June 5, 2012 the subsidiary Banco de Chile reported the following with respect to the capitalization of 30% of the distributable earnings for 2011 through the issuance of fully paid-in shares, as agreed at the extraordinary shareholders' meeting of March 22, 2012:

(i) At the above extraordinary shareholders' meeting it was agreed to increase the capital of the Bank by Ch$73,910,745,344 through the issuance of 1,095,298,538 fully paid-in shares of no par value, against the distributable earnings for 2011 which were not distributed as a dividend, as agreed at the ordinary shareholders' meeting held the same day.

The SBIF approved the amendment of the bylaws, by Resolution 118 of May 17, 2012, registered on sheet 33,050 number 23,246 in the Santiago Trade Register on May 18 and published in the Official Gazette No.40,267 on May 22, 2012.

The issuance of the fully paid-in shares was registered in the Securities Register of the SVS with No.4/2012 on June 4, 2012.

(ii) The board of Banco de Chile, at its meeting 2,754 held on May 24, 2012, agreed to set June 28, 2012 as the date for the issuance and distribution of the fully paid-in shares.

(iii) Shareholders registered in the shareholders register of the company at June 22, 2012 shall have the right to receive the new shares on the basis of 0.018956 fully paid-in shares for each share held in Banco de Chile.

(iv) The respective certificates will be duly assigned to each shareholder and will only be printed for those who request them in advance in writing to the Shares Department of Banco de Chile.

(v) As a result of the issuance of fully paid-in shares, the capital of the Bank is divided into 88,037,813,511 nominative shares of no par value, fully subscribed and paid.

(h) In July 9, 2012 and in accordance with the powers conferred by article 19 of the General Banking Law, the SBIF fined the subsidiary Banco de Chile an amount of Ch$40,000,000 relating to the service of sending and distribution by electronic mail of checking-account statements of the month of June 2012.

Note 39 – Additional notes (continued)

Note 39.3 – Material information of the banking subsidiaries (continued)

(i) On September 13, 2012, the subsidiary Banco de Chile reported that the ordinary meeting No.2761 of the board agreed to call an extraordinary shareholders' meeting for October 17, 2012 in order to propose a capital increase of Ch$250,000,000,000 through the issuance of shares to be subscribed and paid at the price, term and other conditions to be determined by the meeting and amend the bylaws of the Bank adopting all the resolutions necessary for formalizing the bylaw amendments agreed upon. The shares for payment will be ordinary shares with the same rights as the other shares of Banco de Chile, except that holders will not be allowed to receive dividends and/or fully paid-in shares, as the case may be, corresponding to the earnings of 2012.

(j) On October 17, 2012, the subsidiary Banco de Chile reported that the extraordinary shareholders' meeting agreed to increase the capital by Ch$250,000,000,000 through the issuance of 3,939,489,442 shares for payment, "*Banco de Chile-T"*, which will have the same rights as the other shares of Banco de Chile, except that holders will not be allowed to receive dividends and/or fully paid-in shares, as the case may be, corresponding to the earnings of 2012. Once these dividends and/or fully paid-in shares have been paid, the "Banco de Chile-T" shares will automatically become "Banco de Chile" shares.

The placement price of the shares will be fixed by the board within 180 days of the shareholders' meeting, on the terms and conditions agreed by it, taking into account the market price of the Bank's share, and in any event at no more than 8% higher or lower than the weighted average closing share price over the last 30 days of share trading, as informed by Santiago Stock Exchange, less the distributable earnings per share accumulated to the last day of the month prior to the determination date.

It was also agreed that the shares would be offered to shareholders in accordance with the law and the remainder on the country's stock market, or possibly abroad, in the manner and opportunities determined by the board.

The meeting was also informed that the principal shareholder, LQ Inversiones Financieras S.A., has advised, by letter dated October 16, its intention to subscribe and pay for all the shares corresponding to it in the ordinary preferential offering period, and to assign and transfer its right to acquire subscription options corresponding to it in the special preferential offering period of the capital increase mentioned.

Note 39 – Additional notes (continued)

Note 39.3 – Material information of the banking subsidiaries (continued)

(k) On November 22, 2012, Banco de Chile reported that at its board meeting No.2,766, the issuance was agreed upon of 3,939,489,442 shares for payment, of no par value, series "Banco de Chile-T", as determined by the extraordinary shareholders' meeting held on October 17, 2012. It was also agreed that these shares would be offered at Ch$64 per share.

(l) On December 20, 2012, Banco de Chile reported that by public deed dated December 19, 2012, signed before the Santiago notary, René Benavente Cash, Banco de Chile and its subsidiary Banchile Corredores de Seguros Limitada signed with Banchile Seguros de Vida S.A. a collective mortgage-protection insurance contract to cover their mortgage loan operations.

This contract was signed in accordance with the provisions of article 40 of Decree Law 251 of 1931, General Rule No.330 of the SVS and Circular 3,530 of the SBIF, both of March 21, 2012, by which the public tender for the mortgage-protection policy for the mortgage loans of Banco de Chile was awarded to Banchile Seguros de Vida S.A., which offered the lowest rate, amounting to 0.0119800% monthly which includes the commission of the insurance broker Banchile Corredores de Seguros Limitada of 14.00%, which will act as intermediary of the policy.

Note 39 – Additional notes (continued)

Note 39.4 – Business segments

For management purposes, the subsidiary Banco de Chile is organized into 4 segments which were defined based on the type of products and services offered, and the type of customer targeted, as follows:

Retail: Business focused on individuals and SMIs with annual sales of up to UF70,000, where the offer of products is mainly in consumer loans, commercial loans, checking accounts, credit cards, lines of credit and mortgage loans.

Wholesale: Business focused on corporations and large company customers whose sales exceed UF70,000 annually, where the offer of products is mainly in commercial loans, checking accounts and cash management services, debt instruments, foreign trade, derivative contracts and leasing.

Treasury: Includes revenues associated with the proprietary business of financial and exchange operations.

Business with customers handled by Treasury is reflected in the above-mentioned segments. In general these products are highly transactional, including exchange operations, financial derivatives and instruments, etc.

Subsidiaries: Companies controlled by the Bank, where incomeis obtained by company individually although their management is related to the segments mentioned above. The companies in this segment are:

Entity

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

Note 39 – Additional notes (continued)

Note 39.4 – Business segments (continued)

The financial information used to measure the returns of the Bank's business segments is not necessarily comparable to similar information from other financial institutions because each institution is based on its own policies. The accounting policies described in the summary of accounting principles are applied in the same way to all business segments. The Bank obtains most of its income from interest, indexation and fees, less allowances and expenses. Management is mainly based on these concepts in its evaluation of segment performance and decision-making regarding goals and allocation of resources for each unit. Although the income of the segments reconcile with those of the Bank at the overall level, it is not necessarily so at the level of the different concepts since management is measured and controlled individually and not on consolidated basis. The following criteria are also applied:

- The net interest margin on placements and deposits is measured at the level of individual transactions and this corresponds to the difference between the effective rate of the customer and the internal transfer price set as a function of the term and currency of each operation.

- The capital and its financial impacts on income have been assigned to each segment according to the Basel guidelines.

- Operating expenses are distributed at the level of each area. The assignment of expenses from functional areas to business segments is carried out using different expense-assignment criteria, for which specific drivers are defined for the different concepts.

There was no revenue from transactions with a customer or counterparty accounting for 10% or more of the total revenues of the Bank in 2012 and 2011.

Transfer prices between operative segments are at market values, as if they were transactions with third parties.

Taxes are managed at the corporate level and are not allocated by business segment.

Note 39 – Additional notes (continued)

Note 39.4 – Business segments (continued)

The following tables show the income for 2012 and 2011 by the above-defined segments:

	December 31, 2012						
	Retail	Wholesale	Treasury	Subsidiaries	Subtotal	Adjustment (*)	Total
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Net Interest & Indexation Revenue	664,862,314	252,009,494	18,355,673	6,177,236	941,404,717	11,434,572	952,839,289
Net fee Income	178,564,061	36,130,306	(512,442)	104,490,267	318,672,192	(11,419,982)	307,252,210
Other Operating Income	16,626,753	32,864,508	14,746,142	31,856,808	96,094,211	(14,152,063)	81,942,148
Total Operating Income	860,053,128	321,004,308	32,589,373	142,524,311	1,356,171,120	(14,137,473)	1,342,033,647
Allowances for Credit Risk	(179,522,221)	(6,751,398)	(21,374)	(1,893,651)	(188,188,644)	-	(188,188,644)
Depreciation & Amortization	(20,883,223)	(7,284,143)	(1,204,303)	(1,586,095)	(30,957,764)	-	(30,957,764)
Other Operating Expenses	(405,149,408)	(110,081,483)	(8,960,255)	(92,804,311)	(616,995,457)	14,137,473	(602,857,984)
Income (loss) from Investments in related companies	(288,227)	(228,200)	(17,891)	304,913	(229,405)	-	(229,405)
Earnings before Tax	254,210,049	196,659,084	22,385,550	46,545,167	519,799,850	-	519,799,850
Income Tax							(53,949,482)
Earnings after Tax							**465,850,368**
Assets	9,666,889,832	9,325,032,497	3,746,907,736	1,123,749,809	23,862,579,874	(731,339,159)	23,131,240,715
Current & Deferred Taxes							129,827,275
Total Assets							23,261,067,990
Liabilities	7,548,476,169	8,978,962,854	4,495,604,771	908,796,194	21,931,839,988	(731,339,159)	21,200,500,829
Current & Deferred Taxes							53,509,909
Total Liabilities							**21,254,010,738**

(*) This column relates to the consolidation adjustments of the subsidiary Banco de Chile incorporated in these consolidated financial statements.

Note 39 – Additional notes (continued)

Note 39.4 – Business segments (continued)

	December 31, 2011						
	Retail	Wholesale	Treasury	Subsidiaries	Subtotal	Adjustment (*)	Total
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Net Interest & Indexation Revenue	589,036,307	247,470,705	20,460,208	4,203,818	861,171,038	10,145,429	871,316,467
Net fee Income	169,297,355	33,341,785	(535,800)	116,954,693	319,058,033	(10,284,235)	308,773,798
Other Operating Income	15,477,518	1,180,624	11,507,668	27,510,630	55,676,440	(11,988,633)	43,687,807
Total Operating Income	773,811,180	281,993,114	31,432,076	148,669,141	1,235,905,511	(12,127,439)	1,223,778,072
Allowances for Credit Risk	(111,242,317)	(10,542,219)	(963,314)	(2,093,006)	(124,840,856)	-	(124,840,856)
Depreciation & Amortization	(21,174,586)	(6,298,895)	(1,717,878)	(1,519,922)	(30,711,281)	-	(30,711,281)
Other Operating Expenses	(377,158,667)	(123,355,425)	(8,486,223)	(86,259,315)	(595,259,630)	12,127,439	(583,132,191)
Income from Investments in related companies	2,253,058	709,581	-	337,770	3,300,409	-	3,300,409
Earnings before Tax	266,488,668	142,506,156	20,264,661	59,134,668	488,394,153	-	488,394,153
Income Tax							(59,588,265)
Earnings after Tax							**428,805,888**
Assets	8,416,822,451	9,268,379,847	3,415,922,152	1,069,135,160	22,170,259,610	(547,004,525)	21,623,255,085
Current & Deferred Taxes							117,689,423
Total Assets							21,740,944,508
Liabilities	6,468,019,840	8,983,598,885	4,214,432,425	855,006,335	20,521,057,485	(547,004,525)	19,974,052,960
Current & Deferred Taxes							27,715,107
Total Liabilities							**20,001,768,067**

(*) This column relates to the consolidation adjustments of the subsidiary Banco de Chile incorporated in these consolidated financial statements.

Note 39 – Additional notes (continued)

Note 39.5 – Cash and cash equivalents

(a) The detail of the balances of cash and cash equivalents and their reconciliation to the statement of cash flows for each year are as follows:

	2012 ThCh$	2011 ThCh$
Cash & bank deposits:		
Cash (*)	400,248,236	346,169,549
Deposits with Banco Central de Chile (*)	67,833,437	139,327,660
Deposits with banks in Chile	15,294,983	106,656,888
Foreign deposits	201,547,803	288,993,093
Subtotal – cash & deposits in banks	684,924,459	881,147,190
Operations pending settlement, net	237,392,177	218,216,153
Highly-liquid financial instruments	304,886,322	290,067,691
Repurchase agreements	9,119,523	40,476,529
Total cash & cash equivalents	**1,236,322,481**	**1,429,907,563**

(*) The level of funds in cash and with Banco Central de Chile reflect cash-reserve requirements that the Bank has to maintain for average monthly periods.

(b) Operations pending settlement:

Operations pending settlement are transactions for which the only remaining step is settlement, which will increase or decrease funds with Banco Central de Chile or in foreign banks, normally occurring within 12 to 24 business hours, detailed as follows:

	2012 ThCh$	2011 ThCh$
Assets		
Documents payable by other banks (clearing)	249,019,016	185,342,803
Funds receivable	147,591,634	188,297,723
Subtotal – assets	396,610,650	373,640,526
Liabilities		
Funds payable	(159,218,473)	(155,424,373)
Subtotal – liabilities	(159,218,473)	(155,424,373)
Operations pending settlement	**237,392,177**	**218,216,153**

Note 39 – Additional notes (continued)

Note 39.6 – Trading instruments

Instruments classified as financial instruments for trading are detailed as follows:

	12/31/2012 ThCh$	12/31/2011 ThCh$
Instruments of the State and Banco Central de Chile		
Bonds of Banco Central de Chile	25,585,091	66,243,042
Notes of Banco Central de Chile	3,067,609	4,657,436
Other instruments of the State & Banco Central de Chile	43,726,614	6,941,459
Instruments of Other National Institutions		
Deposits with banks in Chile	-	-
Mortgage-funding notes of banks in Chile	21,402	61,313
Bonds of banks in Chile	-	585,351
Deposits in banks in Chile	87,093,029	191,002,128
Bonds of other companies in Chile	-	-
Other instruments issued in Chile	187,999	369,608
Instruments of Foreign Institutions		
Foreign sovereign or central bank instruments	-	-
Other foreign instruments	-	-
Investments in Mutual Funds		
Funds managed by related companies	33,041,511	31,910,159
Funds managed by others	-	-
Total	**192,723,255**	**301,770,496**

Instruments issued by the State and Banco Central de Chile include instruments sold under repurchase agreements to customers and financial institutions, amounting to nil as of December 31, 2012 (ThCh$29,810,860 in 2011)

Instruments of other national institutions include instruments sold under repurchase agreements to customers and financial institutions, amounting to ThCh$86,863,494 as of December 31, 2012 (ThCh$152,430,814 in 2011).

Repurchase agreements have an average maturity of 11 days as of year-end 2012 (7 days in 2011).

The Bank also holds investments in its own mortgage-funding notes amounting to ThCh$51,153,723 as of December 31, 2012 (ThCh$64,928,987 in 2011), which are shown deducted from Debt instruments issued.

Note 39 – Additional notes (continued)

Note 39.7 – Repurchase agreements and loans of securities

(a) Repurchase agreement rights: The Bank grants finance to its customers through repurchase operations and loans of securities, in which it obtains financial instruments in guarantee. The detail as of December 31, 2012 and 2011 is as follows:

	Up to 1 month		1 to 3 months		3 to 12 months		1 to 3 years		3 to 5 years		More than 5 years		Total	
	2012 ThCh$	2011 ThCh$	2012 ThCh$	2011 ThCh$	2012 ThCh$	2011 ThCh$	2012 ThCh$	2011 ThCh$	2012 ThCh$	2011 ThCh$	2012 ThCh$	2011 ThCh$	2012 ThCh$	2011 ThCh$
Instruments of the state & Banco Central de Chile														
Bonds of Banco Central de Chile	-	10,020,900	-	-	-	-	-	-	-	-	-	-	-	10,020,900
Notes of Banco Central de Chile	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other instruments of the state & Banco Central de Chile	582,301	-	-	-	-	-	-	-	-	-	-	-	582,301	-
Instruments of Other National Institutions														
Deposit notes of banks in Chile	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mortgage-funding notes of banks in Chile	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bonds issued by banks in Chile	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deposits in banks in Chile	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bonds of other Chilean companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other instruments issued in Chile	7,755,814	30,190,945	855,030	6,269,947	25,906,531	1,499,089	-	-	-	-	-	-	34,517,375	37,959,981
Instruments of Foreign Institutions														
Foreign sovereign and central bank instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other foreign instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**8,338,115**	**40,211,845**	**855,030**	**6,269,947**	**25,906,531**	**1,499,089**	-	-	-	-	-	-	**35,099,676**	**47,980,881**

Note 39 – Additional notes (continued)

Note 39.7 – Repurchase agreements and loans of securities (continued)

(b) Obligations under repurchase agreements: the Bank obtains funds by selling financial instruments and promising to repurchase them at future dates plus interest at a pre-fixed rate. The detail of these repurchase agreements as of December 31, 2012 and 2011 is as follows:

	Up to 1 month		1 to 3 months		3 to 12 months		1 to 3 years		3 to 5 years		More than 5 years		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Instruments of the state & Banco Central de Chile														
Bonds of Banco Central de Chile	-	49,025,159	-	-	-	-	-	-	-	-	-	-	-	49,025,159
Notes of Banco Central de Chile	-	1,139,024	-	-	-	-	-	-	-	-	-	-	-	1,139,024
Other instruments of the state & Banco Central de Chile	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Instruments of Other National Institutions														
Deposit notes of banks in Chile	219,526,813	168,414,066	1,602,510	4,553,181	-	70,517	-	-	-	-	-	-	221,129,323	173,037,764
Mortgage-funding notes of banks in Chile	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bonds of banks in Chile	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deposits of banks in Chile	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bonds of other companies in Chile	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other instruments in the country	5,266,691	-	-	-	-	-	-	-	-	-	-	-	5,266,691	-
Instruments of Foreign Institutions														
Foreign sovereign and central bank instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other foreign instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**224,793,504**	**218,578,249**	**1,602,510**	**4,553,181**	**-**	**70,517**	**-**	**-**	**-**	**-**	**-**	**-**	**226,396,014**	**223,201,947**

Note 39 – Additional notes (continued)

Note 39.7 – Repurchase agreements and loans of securities (continued)

(c) Instruments bought

In purchases with resale commitments and loans of securities, the Bank has received financial instruments that may be sold or granted in guarantee should the owner of these instruments enter into a cessation of payments or a bankruptcy situation. As of December 31, 2012, the Bank has investments under resale agreements with a fair value of ThCh$34,865,475 (ThCh$47,021,902 in 2011). The Bank is obliged to return the investments to the counterparty against payment of the contracted obligation.

(d) Instruments sold:

The fair value of financial instruments given in guarantee by the Bank and its subsidiaries, under repurchase agreement and loans of securities operations as of December 31, 2012 amounts to ThCh$266,395,046 (ThCh$221,528,081 in 2011). Should the Bank and its subsidiaries enter into a cessation of payments or a bankruptcy situation, the counterparty is authorized to sell or give these investments in guarantee.

Note 39 – Additional notes (continued)

Note 39.8 – Financial Derivative Contracts and Accounting Hedges

(a) As of December 31, 2012 and 2011 the Bank has the following portfolio of derivative instruments:

	Notional amount of contracts with final maturity												Fair value			
	Up to 1 month		1 to 3 months		3 to 5 months		1 to 3 years		3 to 5 years		More than 5 years		Asset		Liability	
	2012 ThCh$	2011 ThCh$	2012 ThCh$	2011 ThCh$	2012 ThCh$	2011 ThCh$	2012 ThCh$	2011 ThCh$	2012 ThCh$	2011 ThCh$	2012 ThCh$	2011 ThCh$	2012 ThCh$	2011 ThCh$	2012 ThCh$	2011 ThCh$
Derivatives held for accounting hedges at fair value																
Currency & rate swaps	-	-	-	-	-	-	31,388,193	13,376,418	41,557,854	17,260,462	74,626,306	125,951,897	-	-	10,331,980	11,148,399
Interest-rate swaps	-	-	-	-	-	-	27,569,525	15,749,940	17,790,255	25,108,419	116,386,548	184,783,703	-	-	21,311,016	27,273,366
Total derivative hedges at fair value	-	-	-	-	-	-	58,957,718	29,126,358	59,348,109	42,368,881	191,012,854	310,735,600	-	-	31,642,996	38,421,765
Cash flow hedge derivatives																
Currency & rate swaps	151,912,880	57,128,143	-	-	-	-	55,382,252	55,939,791	14,082,728	-	78,861,215	-	22,414	-	2,055,051	1,513,751
Total cash flow hedge derivatives	151,912,880	57,128,143	-	-	-	-	55,382,252	55,939,791	14,082,728	-	78,861,215	-	22,414	-	2,055,051	1,513,751
Derivatives for trading																
Currency forwards	4,231,745,532	3,672,500,245	2,519,045,978	2,375,831,569	3,260,326,092	4,102,695,431	191,364,318	325,203,747	2,457,621	27,809,399	65,293	-	70,166,274	125,765,260	81,789,974	115,796,977
Currency & rate swaps	69,219,670	133,883,273	199,337,739	145,791,059	1,034,040,339	1,065,272,182	1,721,408,094	1,497,510,668	719,072,787	685,216,472	1,026,518,392	891,617,307	177,403,284	181,092,429	166,181,536	174,984,464
Interest-rate swap	353,132,640	200,243,261	905,870,222	506,595,362	3,298,276,159	1,473,711,513	3,540,462,193	1,620,358,861	1,505,936,054	621,418,110	1,650,102,794	584,081,970	81,092,794	77,588,581	97,870,414	97,991,716
Currency call options	30,306,158	11,071,740	20,937,893	34,670,660	46,685,563	46,262,200	4,794,700	-	-	-	-	-	472,266	1,239,167	394,874	1,148,805
Currency put options	26,009,478	467,820	15,287,620	987,620	25,979,867	3,118,800	-	-	-	-	-	-	341,172	1,738	387,326	34,882
Other	-	-	-	-	-	-	-	-	-	-	-	672,384,132	-	-	-	21,044
Total derivatives for trading	4,710,413,478	4,018,166,339	3,660,479,452	3,063,876,270	7,665,308,020	6,691,060,126	5,458,029,305	3,443,073,276	2,227,466,462	1,334,443,981	2,676,686,479	2,148,083,409	329,475,790	385,687,175	346,624,124	389,977,888
Total	**4,862,326,358**	**4,075,294,482**	**3,660,479,452**	**3,063,876,270**	**7,665,308,020**	**6,691,060,126**	**5,572,369,275**	**3,528,139,425**	**2,300,897,299**	**1,376,812,862**	**2,946,560,548**	**2,458,819,009**	**329,498,204**	**385,687,175**	**380,322,171**	**429,913,404**

Note 39 – Additional notes (continued)

Note 39.8 – Financial Derivative Contracts and Accounting Hedges (continued)

(b) Hedges of fair value:

The Bank uses cross-currency and interest-rate swaps to cover its exposure to changes in the fair value of the item hedged attributable to interest rates. The hedge instruments mentioned modify the effective cost of long-term issues, from a fixed interest rate to a variable interest rate, reducing the term and modifying the sensitivity to the shortest sections of the curve.

The elements and instruments hedged at fair value outstanding as of December 31, 2012 and 2011, by maturity are detailed as follows:

	2012 ThCh$	2011 ThCh$
Element hedged		
Commercial loans	147,572,353	156,588,777
Corporate bonds	161,746,328	225,642,062
Total	309,318,681	382,230,839
Hedge instruments (notional value)		
Cross-currency swaps	147,572,353	156,588,777
Interest-rate swaps	161,746,328	225,642,062
Total	**309,318,681**	**382,230,839**

Note 39 – Additional notes (continued)

Note 39.8 – Financial Derivative Contracts and Accounting Hedges (continued)

(c) Cash-Flow Hedges:

(c.1) The subsidiary Banco de Chile uses cross-currency swap derivative instruments to hedge the risk of variability of cash flows attributable to changes in interest rates and fluctuations in exchange rates with respect to bonds issued abroad in Mexican pesos at the TIIE rate (interbank interest rate) plus 0.6 percentage points, Hong Kong dollars and Peruvian soles at a fixed rate. The cash flows of the cross-currency swaps contracted are similar to the flows of the items hedged, and modify uncertain flows with known flows at a fixed interest rate.

These cross-currency swap contracts are also used to hedge the risk of variations in the Unidad de Fomento (UF) on asset flows denominated in UF up to a nominal amount equivalent to the notional of the part in UF of the hedge instrument, whose indexation impacts daily on interest and indexation income in the statement of income.

(c.2) Below are the cash flows of bonds issued abroad subject to this hedge and cash flows of the active part of the derivative instrument:

	2012						
	Up to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	More than 5 years	Total
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Element hedged							
Cash outflows:							
Corporate bond MXN	(234,759)	(469,518)	(2,347,592)	(58,199,362)	-	-	(61,251,231)
Corporate bond HKD	-	-	(3,148,518)	(6,308,897)	(6,332,112)	(110,408,412)	(126,197,939)
Corporate bond PEN	-	-	(1,137,885)	(2,275,769)	(16,358,499)	-	(19,772,153)
Hedge instrument							
Cash inflows:							
Cross-currency swap MXN	234,759	469,518	2,347,592	58,199,362	-	-	61,251,231
Cross-currency swap HKD	-	-	3,148,518	6,308,897	6,332,112	110,408,412	126,197,939
Cross-currency swap PEN	-	-	1,137,885	2,275,769	16,358,499	-	19,772,153
Net cash flow	-	-	-	-	-	-	-

	2011						
	Up to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	More than 5 years	Total
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Element hedged							
Cash outflows:							
Corporate bond MXN	(238,516)	(477,032)	(2,385,160)	(62,460,669)	-	-	(65,561,377)
Hedge instrument							
Cash inflows:							
Cross-currency swap MXN	238,516	477,032	2,385,160	62,460,669	-	-	65,561,377
Net cash flow	-	-	-	-	-	-	-

Note 39 – Additional notes (continued)

Note 39.8 – Financial Derivative Contracts and Accounting Hedges (continued)

(c) Cash-Flow Hedges (continued):

(c.2) The cash flows of underlying assets and cash flows of the liability part of the derivative instrument are as follows:

	2012						
	Up to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	More than 5 years	Total
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Element hedged							
Cash inflows:							
Cash flow in UF	-	-	4,496,403	66,537,281	20,316,830	106,868,535	198,219,049
Hedge instrument							
Cash outflows:							
Cross-currency swap UF	-	-	(1,643,774)	(60,172,879)	-	-	(61,816,653)
Cross-currency swap UF	-	-	(2,411,780)	(5,482,704)	(5,497,709)	(106,868,535)	(120,260,728)
Cross-currency swap UF	-	-	(440,849)	(881,698)	(14,819,121)	-	(16,141,668)
Net cash flow	-	-	-	-	-	-	-

	2011						
	Up to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	More than 5 years	Total
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Element hedged							
Cash inflows:							
Cash flow in UF	235,382	469,894	2,349,472	62,048,426	-	-	65,103,174
Hedge instrument							
Cash outflows:							
Cross-currency swap UF	(235,382)	(469,894)	(2,349,472)	(62,048,426)	-	-	(65,103,174)
Net cash flow	-	-	-	-	-	-	-

Note 39 – Additional notes (continued)

Note 39.8 – Financial Derivative Contracts and Accounting Hedges (continued)

(c) Cash-Flow Hedges (continued):

With respect to the UF assets hedged, these are revalued monthly as a function of the variation of the UF which is the equivalent of reinvesting the assets monthly until maturity of the hedge.

(c.3) The unrealized income generated in 2012 in the subsidiary Banco de Chile for derivative contracts comprising the hedge instruments in this cash-flow hedging strategy has been booked as a credit to equity amounting to ThCh$1,777,389 (charge to equity of ThCh$484,642 in 2011). The net effect of deferred taxes is a credit to equity of ThCh$1,429,181in 2012 (net credit of ThCh$394,983 in 2011).

The proportional booking of equity variations by the Bank implied a net tax credit to equity of ThCh$663,538 in 2012 (net charge of ThCh$185,048 in 2011).

The accumulated balance for this concept net of deferred taxes as of December 31, 2012 is a credit to equity of ThCh$478,490 (charge to equity of ThCh$185,048 in 2011).

(c.4) The effect this year of the cash-flow hedge derivatives, which compensate the income of the instruments hedged is a charge to income of ThCh$2,318,689 (charge of ThCh$1,029,109 in 2011).

Note 39 – Additional notes (continued)

Note 39.9 – Due by banks

(a) As of December 31, 2012 and 2011, the balances of Due by Banks are as follows:

	2012 ThCh$	2011 ThCh$
Banks in Chile		
Interbank commercial loans	14,309,402	15,059,456
Other credits with banks in Chile	-	-
Allowance for loans to banks in Chile	(5,151)	(5,421)
Subtotal	14,304,251	15,054,035
Foreign banks		
Interbank commercial loans	146,980,453	190,837,547
Foreign trade finance Chilean exports	67,786,653	127,076,242
Foreign trade loans between third countries	14,508,500	15,638,643
Allowance for loans to banks abroad	(953,959)	(1,000,985)
Subtotal	228,321,647	332,551,447
Banco Central de Chile		
Blocked deposits in Banco Central	1,100,000,000	300,000,000
Other credits with Banco Central	696,096	819,404
Subtotal	1,100,696,096	300,819,404
Total	1,343,321,994	648,424,886

(b) The movement in allowances for loans due by banks during 2012 and 2011 was as follows:

	Banks		
	In Chile ThCh$	Abroad ThCh$	Total ThCh$
Balance as of January 1, 2011	-	610,170	610,170
Write-offs	-	-	-
Allowances made	5,421	390,815	396,236
Allowances released	-	-	-
Impairments	-	-	-
Balance as of December 31, 2011	5,421	1,000,985	1,006,406
Write-offs			
Allowances made	-	-	-
Allowances released	(270)	(47,026)	(47,296)
Impairments	-	-	-
Balance as of December 31, 2012	5,151	953,959	959,110

Note 39– Additional notes (continued)

Note 39.10 – Loans and Accounts Receivable from Customers

(a) Loans and Accounts Receivable from Customers:

The composition of loans as of December 31, 2012 and 2011 is as follows:

	December 31, 2012						
	Assets before Allowances			Allowances made			
	Normal portfolio ThCh$	Impaired portfolio ThCh$	Total ThCh$	Individual Allowances ThCh$	Group Allowances ThCh$	Total ThCh$	Net Asset ThCh$
Commercial loans							
Commercial loans	8,286,622,944	246,355,189	8,532,978,133	(93,582,720)	(67,745,796)	(161,328,516)	8,371,649,617
Foreign trade finance	1,149,923,820	91,032,197	1,240,956,017	(55,215,749)	(491,468)	(55,707,217)	1,185,248,800
Debtors in checking accounts	187,245,664	2,153,390	189,399,054	(2,417,803)	(2,503,879)	(4,921,682)	184,477,372
Factoring operations	597,266,080	8,870,993	606,137,073	(9,535,077)	(556,304)	(10,091,381)	596,045,692
Commercial leasing operations (1)	1,084,876,546	28,395,499	1,113,272,045	(3,528,486)	(9,136,309)	(12,664,795)	1,100,607,250
Other loans & accounts receivable	35,735,977	4,910,983	40,646,960	(620,637)	(1,972,855)	(2,593,492)	38,053,468
Subtotal	11,341,671,031	381,718,251	11,723,389,282	(164,900,472)	(82,406,611)	(247,307,083)	11,476,082,199
Housing loans							
Loans with mortgage-funding notes	103,240,380	5,974,390	109,214,770	-	(723,236)	(723,236)	108,491,534
Endorsable mortgage loans	148,243,073	2,963,001	151,206,074	-	(526,639)	(526,639)	150,679,435
Other housing loans	3,897,641,453	40,124,249	3,937,765,702	-	(14,829,244)	(14,829,244)	3,922,936,458
Loans from the ANAP	26,772	-	26,772	-	-	-	26,772
Housing leases	-	-	-	-	-	-	-
Other loans & accounts receivable	112,829	340,144	452,973	-	(487)	(487)	452,486
Subtotal	4,149,264,507	49,401,784	4,198,666,291	-	(16,079,606)	(16,079,606)	4,182,586,685
Consumer loans							
Installment consumer loans	1,761,070,688	145,202,871	1,906,273,559	-	(124,885,197)	(124,885,197)	1,781,388,362
Checking account debtors	235,121,934	9,943,673	245,065,607	-	(6,949,892)	(6,949,892)	238,115,715
Credit card debtors	654,976,402	25,010,017	679,986,419	-	(31,996,462)	(31,996,462)	647,989,957
Consumer leases	-	-	-	-	-	-	-
Other loans & accounts receivable	182,952	6,054	189,006	-	(215,302)	(215,302)	(26,296)
Subtotal	2,651,351,976	180,162,615	2,831,514,591	-	(164,046,853)	(164,046,853)	2,667,467,738
Total	18,142,287,514	611,282,650	18,753,570,164	(164,900,472)	(262,533,070)	(427,433,542)	18,326,136,622

Note 39– Additional notes (continued)

Note 39.10 – Loans and Accounts Receivable from Customers (continued)

(a) Loans and Accounts Receivable from Customers (continued):

	December 31, 2011						
	Assets before Allowances			Allowances made			
	Normal portfolio ThCh$	Impaired portfolio ThCh$	Total ThCh$	Individual Allowances ThCh$	Group Allowances ThCh$	Total	Net Asset ThCh$
Commercial loans							
Commercial loans	7,652,935,886	210,905,633	7,863,841,519	(82,266,319)	(57,419,621)	(139,685,940)	7,724,155,579
Foreign trade finance	1,442,460,277	66,686,847	1,509,147,124	(58,457,974)	(504,030)	(58,962,004)	1,450,185,120
Debtors in checking accounts	212,594,597	1,883,916	214,478,513	(2,178,101)	(2,074,283)	(4,252,384)	210,226,129
Factoring operations	586,576,062	2,522,136	589,098,198	(7,827,702)	(612,836)	(8,440,538)	580,657,660
Commercial leasing operations (1)	973,013,518	23,552,618	996,566,136	(9,274,697)	(7,104,967)	(16,379,664)	980,186,472
Other loans & accounts receivable	27,428,983	4,177,006	31,605,989	(372,277)	(1,904,644)	(2,276,921)	29,329,068
Sub total	10,895,009,323	309,728,156	11,204,737,479	(160,377,070)	(69,620,381)	(229,997,451)	10,974,740,028
Housing loans							
Loans with mortgage-funding notes	123,796,542	10,579,895	134,376,437	-	(870,996)	(870,996)	133,505,441
Endorsable mortgage loans	169,424,282	5,833,668	175,257,950	-	(880,982)	(880,982)	174,376,968
Other housing loans	3,250,181,535	47,095,507	3,297,277,042	-	(14,130,397)	(14,130,397)	3,283,146,645
Loans from the ANAP	54,684	-	54,684	-	(20,854)	(20,854)	33,830
Housing leases	-	-	-	-	-	-	-
Other loans & accounts receivable	63,869	403,722	467,591	-	(1,282)	(1,282)	466,309
Sub total	3,543,520,912	63,912,792	3,607,433,704	-	(15,904,511)	(15,904,511)	3,591,529,193
Consumer loans							
Installment consumer loans	1,661,798,655	101,301,879	1,763,100,534	-	(110,189,817)	(110,189,817)	1,652,910,717
Checking account debtors	223,870,843	9,101,172	232,972,015	-	(5,806,184)	(5,806,184)	227,165,831
Credit card debtors	553,574,606	15,715,876	569,290,482	-	(22,569,879)	(22,569,879)	546,720,603
Consumer leases	-	-	-	-	-	-	-
Other loans & accounts receivable	251,278	5,885	257,163	-	(22,051)	(22,051)	235,112
Sub total	2,439,495,382	126,124,812	2,565,620,194	-	(138,587,931)	(138,587,931)	2,427,032,263
Total	16,878,025,617	499,765,760	17,377,791,377	(160,377,070)	(224,112,823)	(384,489,893)	16,993,301,484

(1) In this heading, the Bank finances its customers to acquire assets, whether movable or immovable, under financial lease contracts. As of December 31, 2012 ThCh$451,647,141 (ThCh$395,599,674 in 2011) relate to real-estate financial leases, and ThCh$661,624,904 (ThCh$600,966,462 in 2011) relate to movable asset financial leases.

Note 39 – Additional notes (continued)

Note 39.10 – Loans and Accounts Receivable from Customers (continued)

(b) Allowances for credit risk

The movement in allowances for credit risk during 2012 and 2011 was as follows:

	Allowances		
	Individual ThCh$	**Group ThCh$**	**Total ThCh$**
Balance at January 1, 2011	182,440,097	194,546,450	376,986,547
Write-offs:			
Commercial loans	(7,547,588)	(30,588,472)	(38,136,060)
Housing loans	-	(2,923,245)	(2,923,245)
Consumer loans	-	(92,951,297)	(92,951,297)
Total write-offs	(7,547,588)	(126,463,014)	(134,010,602)
Allowances made	-	156,029,387	156,029,387
Allowances released *	(14,515,439)	-	(14,515,439)
Balance at December 31, 2011	160,377,070	224,112,823	384,489,893
Balance at January 1, 2012	160,377,070	224,112,823	384,489,893
Write-offs:			
Commercial loans	(9,144,287)	(34,020,079)	(43,164,366)
Housing loans	-	(4,252,928)	(4,252,928)
Consumer loans	-	(135,316,411)	(135,316,411)
Total write-offs	(9,144,287)	(173,589,418)	(182,733,705)
Allowances made	13,667,689	212,009,665	225,677,354
Allowances released	-	-	-
Balance at December 31, 2012	164,900,472	262,533,070	427,433,542

(*) See Note 39.10 (e) – sale or assignment of loan portfolio

Apart from these allowances for credit risk, country-risk provisions are also made to cover foreign transactions as well as additional allowances agreed upon by the board of Banco de Chile, which are shown in liabilities in Provisions (Note 39.22).

Complementary Disclosures:

1. As of December 31, 2012 and 2011, loan portfolio purchases and sales were made by the Bank and its subsidiaries that had a net effect of no more than 5% of earnings before taxes. See detail in Note 39.10 (e).

2. As of December 31, 2012 and 2011, 100% of the sold loan portfolio of the Bank and its subsidiaries is retired.

Note 39 – Additional notes (continued)

Note 39.10 – Loans and Accounts Receivable from Customers (continued)

(c) Financial lease contracts

The cash flows receivable by the Bank under lease contracts have the following maturities:

	Total receivable		Deferred interest		Net balance receivable (*)	
	2012 ThCh$	2011 ThCh$	2012 ThCh$	2011 ThCh$	2012 ThCh$	2011 ThCh$
Up to 1 year	394,284,389	338,405,564	(50,643,341)	(42,362,012)	343,641,048	296,043,552
1 to 2 years	293,525,272	257,238,657	(36,615,005)	(31,668,098)	256,910,267	225,570,559
2 to 3 years	189,111,087	176,619,800	(23,440,134)	(20,846,561)	165,670,953	155,773,239
3 to 4 years	112,380,594	110,511,850	(15,766,304)	(14,279,763)	96,614,290	96,232,087
4 to 5 years	75,451,382	68,860,361	(11,338,591)	(10,089,400)	64,112,791	58,770,961
Over 5 years	206,025,259	183,112,334	(25,733,419)	(22,831,210)	180,291,840	160,281,124
Total	1,270,777,983	1,134,748,566	(163,536,794)	(142,077,044)	1,107,241,189	992,671,522

(*) The net balance receivable does not include past-due portfolio totaling ThCh$ 6,030,856 as of December 31, 2011 (ThCh$3,894,614 in 2011).

The Bank has financial lease operations mainly related to real estate, industrial machinery, vehicles and computer equipment. These leases have an average useful life of between 3 and 8 years.

(d) Loans by economic activity

As of December 31, 2012 and 2011, the portfolio before allowances by customers' economic activity is as follows:

	Loans in				Total			
	Country		Abroad					
	2012 ThCh$	2011 ThCh$	2012 ThCh$	2011 ThCh$	2012 ThCh$	%	2011 ThCh$	%
Commercial loans								
Commerce	2,286,500,320	2,275,780,477	28,172,677	2,803,966	2,314,672,997	12.34	2,278,584,443	13.11
Transport & telecommunications	1,470,358,250	1,407,357,518	-	-	1,470,358,250	7.84	1,407,357,518	8.10
Manufacturing	1,380,993,843	1,488,819,276	-	-	1,380,993,843	7.36	1,488,819,276	8.57
Services	1,310,572,756	1,084,379,934	-	-	1,310,572,756	6.99	1,084,379,934	6.24
Construction	1,252,546,394	944,841,678	-	-	1,252,546,394	6.68	944,841,678	5.44
Financial services	1,148,094,446	1,248,729,126	706,477,111	772,781,675	1,854,571,557	9.88	2,021,510,801	11.63
Agriculture & livestock	901,300,010	912,918,533	-	-	901,300,010	4.80	912,918,533	5.25
Electricity, gas & water	328,763,086	315,337,917	-	-	328,763,086	1.75	315,337,917	1.81
Mining	305,385,640	333,776,000	67,051,300	65,976,400	372,436,940	1.99	399,752,400	2.30
Fishing	233,893,098	271,900,746	-	-	233,893,098	1.25	271,900,746	1.56
Other	226,998,365	26,031,809	84,477,217	53,302,424	311,475,582	1.65	79,334,233	0.47
Subtotal	10,845,406,208	10,309,873,014	886,178,305	894,864,465	11,731,584,513	62.53	11,204,737,479	64.48
Housing loans	4,198,666,291	3,607,433,704	-	-	4,198,666,291	22.38	3,607,433,704	20.76
Consumer loans	2,831,514,591	2,565,620,194	-	-	2,831,514,591	15.09	2,565,620,194	14.76
Total	17,875,587,090	16,482,926,912	886,178,305	894,864,465	18,761,765,395	100.00	17,377,791,377	100.00

Note 39 – Additional notes (continued)

Note 39.10 – Loans and Accounts Receivable from Customers (continued)

(e) Sale or assignment of loans

During 2012 and 2011, the subsidiary Banco de Chile has sold or assigned loans as follows:

2012			
Loan value ThCh$	**Release of allowance (*) ThCh$**	**Sale value ThCh$**	**Effect on income gain ThCh$**
118,347,412	(198,799)	118,347,412	198,799

2011			
Loan value ThCh$	**Release of allowance (*) ThCh$**	**Sale value ThCh$**	**Effect on income gain ThCh$**
51,890,450	(44,011,631)	9,373,102	1,494,283

(*) This result is included in the release of allowances shown in Note 39.29.

During 2012, the Bank securitized assets (customer loans and accounts receivable) which are shown in Note 39.39, “Securitization of own assets”.

Note 39 – Additional notes (continued)

Note 39.11 – Investment instruments

As of December 31, 2012 and 2011, the detail of investment instruments designated as available for sale and held to maturity is as follows:

	2012			2011		
	Available for sale ThCh$	**Held to maturity ThCh$**	**Total ThCh$**	**Available for sale ThCh$**	**Held to maturity ThCh$**	**Total ThCh$**
Instruments of the State & Banco Central de Chile						
Bonds of Banco Central de Chile	110,569,461	-	110,569,461	158,864,552	-	158,864,552
Notes of Banco Central de Chile	968,312	-	968,312	58,564,577	-	58,564,577
Other state instruments & of Banco Central de Chile	140,246,385	-	140,246,385	194,964,849	-	194,964,849
Instruments of Other National Institutions						
Deposit notes of banks in Chile	-	-	-	-	-	-
Mortgage-funding notes of banks in Chile	85,687,865	-	85,687,865	87,966,314	-	87,966,314
Bonds of banks in Chile	116,099,522	-	116,099,522	124,203,086	-	124,203,086
Deposits with banks in Chile	560,390,552	-	560,390,552	521,880,198	-	521,880,198
Bonds of other companies in Chile	32,280,262	-	32,280,262	48,789,676	-	48,789,676
Notes of other companies in Chile	-	-	-	5,659,844	-	5,659,844
Other instruments issued in Chile	129,693,236	-	129,693,236	139,601,418	-	139,601,418
Instruments of Foreign Institutions						
Foreign sovereign or central bank instruments	-	-	-	-	-	-
Other instruments	88,504,327	-	88,504,327	128,403,083	-	128,403,083
Total	1,264,439,922	-	1,264,439,922	1,468,897,597	-	1,468,897,597

Note 39 – Additional notes (continued)

Note 39.11 – Investment instruments (continued)

Instruments issued by the Chilean State and Banco Central de Chile include instruments sold under repurchase agreements to customers and financial institutions, nil as of December 31, 2012 (ThCh$26,288,223 in 2011). The repurchase agreements had an average maturity of 12 days as of December 31, 2011.

Instruments of other institutions in Chile include instruments sold under repurchase agreements to customers and financial institutions amounting to ThCh$5,266,691 in 2012 (nil in 2011).

Instruments of foreign institutions mainly include bank bonds and shares.

The proportional booking to equity as of December 31, 2012 of the portfolio of instruments available for sale of the subsidiary Banco de Chile include a net accumulated unrealized gain of ThCh$8,325,646 (net unrealized loss of ThCh$770,044 in 2011), booked as valuation adjustment in equity.

As of December 31, 2012 there is an impairment of investment instruments available for sale of ThCh$550,506 (no evidence of impairment in 2011).

Realized gains and losses are determined using the procedure of sales less cost (specific identification method) of the investments identified to be sold. Any unrealized gain or loss previously booked at the liquid value of the investments is reversed through the income accounts.

Gross realized gains and losses on the sale of instruments available for sale are shown in Note 39.27 “Income of financial operations”, as of December 31, 2012 and 2011.

The gross realized gains and losses on sales of instruments available for sale in the subsidiary Banco de Chile as of December 31, 2012 and 2011 are shown as follows:

	2012 ThCh$	2011 ThCh$
Unrealized (loss) gain during the year	26,259,299	(10,415,984)
Realized (loss) gain - reclassified	(1,748,957)	931,988
Total unrealized income for year	24,510,342	(9,483,996)

Note 39 – Additional notes (continued)

Note 39.12 – Investments in Related Companies

(a) The heading Investments in related companies shows a total of ThCh$13,933,040 in 2012 (ThCh$15,417,686 in 2011), split as follows:

		Participation of the institution		Equity of the company		Investment			
						Value		Income	
		2012	2011	2012	2011	2012	2011	2012	2011
Company	**Shareholder**	**%**	**%**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**
Investments valued according to the equity method:									
Servipag Ltda.	Banco de Chile	50.00	50.00	6,755,707	7,397,416	3,377,869	3,698,725	(320,852)	610,859
Soc. Operadora de Tarjetas de Crédito Nexus S.A.	Banco de Chile	25.81	25.81	6,411,960	6,411,960	1,654,684	1,654,680	556,443	299,988
Transbank S.A.	Banco de Chile	26.16	26.16	6,305,598	6,274,299	1,649,333	1,641,148	321,576	312,479
Redbanc S.A.	Banco de Chile	38.13	38.13	4,109,443	5,479,823	1,567,109	2,089,692	(375,552)	492,162
Administrador Financiero del Transantiago S.A.	Banco de Chile	20.00	20.00	6,076,064	8,714,277	1,215,227	1,742,873	(527,640)	967,002
Soc. Operadora de la Cámara de Compensación de Pagos de Alto Valor S.A. (*)	Banco de Chile	15.00	14.17	4,337,252	3,795,366	650,602	537,811	111,529	102,319
Artikos Chile S.A.	Banco de Chile	50.00	50.00	1,128,628	1,984,346	564,328	992,190	(427,856)	72,281
Centro de Compensación Automatizado S.A.	Banco de Chile	33.33	33.33	1,608,894	1,251,927	536,258	417,283	115,286	105,153
Sociedad Interbancaria de Depósitos de Valores S.A.	Banco de Chile	26.81	26.81	1,711,129	1,572,849	458,723	421,646	79,161	92,161
Subtotal				38,444,675	42,882,263	11,674,133	13,196,048	(467,905)	3,054,404
Investments valued at cost (1):									
Bolsa de Comercio de Santiago S.A.						1,645,820	1,645,820	238,500	246,005
Banco Latinoamericano de Comercio Exterior S.A. (Bladex)						308,858	308,858	-	-
Bolsa Electrónica de Chile S.A.						257,033	257,033	-	-
Cámara de Compensación						7,986	7,986	-	-
Sociedad de Telecomunicaciones Financieras Interbancarias Mundiales (Swift) (**)						39,210	1,941	-	-
Subtotal						2,258,907	2,221,638	238,500	246,005
Total						13,933,040	15,417,686	(229,405)	3,300,409

(*) On September 13, 2012, 80 shares were bought at a cost of ThCh$33,745 from Sociedad Operadora de la Cámara de Compensación de Pagos de Alto Valor S.A.
(**) On August 27, 2012, 18 shares were bought at a cost of ThCh$37,386 from Inversiones Swift.
(1) The revenue relating to investments valued at cost is revenue booked on a received basis (dividends).

Note 39 – Additional notes (continued)

Note 39.12 – Investments in related companies (continued)

(b) The summary of the financial information of the companies valued according to the equity method is as follows:

	2012 ThCh$	2011 ThCh$
Financial position of the companies		
Current assets	421,012,598	479,842,135
Non-current assets	71,580,086	62,752,738
Total assets	492,592,684	542,594,873
Current liabilities	441,916,018	493,285,513
Non-current liabilities	12,231,991	6,427,097
Total liabilities	454,148,009	499,712,610
Equity	38,444,675	42,882,263
Total liabilities & equity	492,592,684	542,594,873
Income from the companies		
Operating income	1,339,312	21,042,943
Earnings	817	10,901,482
Book value of the investment	11,674,133	13,196,048

(c) The movement of investments in related companies that are not consolidated in 2012 and 2011 is as follows:

	2012 ThCh$	2011 ThCh$
Initial book value	15,417,686	13,293,070
Sale of investments	-	-
Acquisition of investments	71,131	-
Participation in results with significant influence	(467,905)	3,054,404
Dividends receivable	(653,070)	(508,054)
Dividends received	(942,717)	(760,526)
Payment of provisioned dividends	507,915	338,792
Total	13,933,040	15,417,686

(d) There was no impairment of these investments in 2012 and 2011.

Note 39 – Additional notes (continued)

Note 39.13 – Intangible assets

a) Intangible assets as of December 31, 2012 and 2011 are detailed as follows:

	Years									
	Useful life		Average remaining amortization		Gross balance		Accumulated amortization & impairment		Net balance	
	2012	2011	2012	2011	2012 ThCh$	2011 ThCh$	2012 ThCh$	2011 ThCh$	2012 ThCh$	2011 ThCh$
Type of intangible asset:										
Goodwill:										
Goodwill	7	7	2	3	4,138,287	4,138,287	(3,000,172)	(2,379,446)	1,138,115	1,758,841
Other intangible assets:										
Software or computer programs	6	6	3	4	82,733,759	74,522,751	(50,639,150)	(41,535,624)	32,094,609	32,987,127
Intangible assets from combinations of business	7	7	2	3	1,740,476	1,740,476	(1,261,845)	(1,000,774)	478,631	739,702
Other intangible assets	-	-	-	-	612,737	102,347	(35,126)	(71,721)	577,611	30,626
Total					89,225,259	80,503,861	(54,936,293)	(44,987,565)	34,288,966	35,516,296

Note 39 – Additional notes (continued)

Note 39.13 – Intangible assets (continued)

b) The movement in intangible assets during 2012 and 2011 is detailed as follows:

	Goodwill ThCh$	Software or computer programs ThCh$	Intangible assets from combinations of business ThCh$	Other intangible assets ThCh$	Total ThCh$
Gross balance					
Balance at January 1, 2011	4,138,287	65,663,272	1,740,476	81,293	71,623,328
Acquisitions	-	9,575,824	-	21,054	9,596,878
Retirements	-	(716,345)	-	-	(716,345)
Balance at December 31, 2011	4,138,287	74,522,751	1,740,476	102,347	80,503,861
Acquisitions	-	8,544,076	-	571,938	9,116,014
Retirements	-	(333,068)	-	(61,548)	(394,616)
Balance at December 31, 2012	4,138,287	82,733,759	1,740,476	612,737	89,225,259
Accumulated amortization & impairment					
Balance as of January 1, 2011	(1,758,721)	(32,687,682)	(739,702)	(65,443)	(35,251,548)
Amortization for year (*)	(620,725)	(9,280,085)	(261,072)	(6,278)	(10,168,160)
Loss for impairment (*)	-	(295,882)	-	-	(295,882)
Retirements	-	156,342	-	-	156,342
Other	-	571,683	-	-	571,683
Balance at December 31, 2011	(2,379,446)	(41,535,624)	(1,000,774)	(71,721)	(44,987,565)
Amortization for year (*)	(620,726)	(9,436,594)	(261,071)	(24,954)	(10,343,345)
Loss for impairment (*)	-	-	-	-	-
Retirements	-	333,068	-	61,549	394,617
Other	-	-	-	-	-
Balance at December 31, 2012	(3,000,172)	(50,639,150)	(1,261,845)	(35,126)	(54,936,293)
Net balance at December 31, 2012	1,138,115	32,094,609	478,631	577,611	34,288,966

(*) See Note 39.32 on depreciation, amortization and impairment,

c) As of December 31, 2012 and 2011, the following commitments have been made for the acquisition of intangible assets which have not been capitalized:

Detail	Amount of commitment 2012 ThCh$	Amount of commitment 2011 ThCh$
Software & licenses	6,681,133	6,638,623

Note 39 – Additional notes (continued)

Note 39.14 – Property, plant & equipment

(a) The composition of property, plant and equipment as of December 31, 2012 and 2011 is as follows:

	Land & buildings ThCh$	Equipment ThCh$	Other ThCh$	Total ThCh$
Gross balance				
Balance at January 1, 2011	173,731,434	120,913,261	128,508,673	423,153,368
Additions	3,480,857	8,797,483	9,794,570	22,072,910
Retirements/write-offs	(945,004)	(3,893,171)	(847,043)	(5,685,218)
Transfers	-	4,704	(4,704)	-
Reclassification	-	-	-	-
Total	176,267,287	125,822,277	137,451,496	439,541,060
Accumulated depreciation	(33,504,043)	(103,015,181)	(94,799,068)	(231,318,292)
Impairment (*)	-	(3,519)	(331,865)	(335,384)
Balance at December 31, 2011	142,763,244	22,803,577	42,320,563	207,887,384
Balance at January 1, 2012	176,267,287	125,818,758	137,119,631	439,205,676
Additions	337,072	7,751,059	9,894,413	17,982,544
Retirements/write-offs	(452,670)	(1,512,364)	(2,232,140)	(4,197,174)
Transfers	-	-	-	-
Reclassification	-	-	18,599	18,599
Total	176,151,689	132,057,453	144,800,503	453,009,645
Accumulated depreciation	(35,971,565)	(109,931,959)	(101,721,623)	(247,625,147)
Impairment (*)(***)	-	(30,607)	(164,461)	(195,068)
Balance at December 31, 2012	140,180,124	22,094,887	42,914,419	205,189,430
Accumulated depreciation				
Balance at January 1, 2011	(31,136,305)	(98,464,914)	(87,038,670)	(216,639,889)
Depreciation for year (**) (*)	(2,960,391)	(8,438,966)	(8,763,060)	(20,162,417)
Write-offs & sales in year	592,653	3,888,699	1,002,662	5,484,014
Balance at December 31, 2011	(33,504,043)	(103,015,181)	(94,799,068)	(231,318,292)
Reclassification	-	-	(18,599)	(18,599)
Depreciation for year (**) (*)	(2,920,192)	(8,428,855)	(8,884,668)	(20,233,715)
Write-offs & sales in year	452,670	1,512,077	1,980,712	3,945,459
Balance at December 31, 2012	(35,971,565)	(109,931,959)	(101,721,623)	(247,625,147)

(*) See Note 39.32 on depreciation, amortization and impairment
(**) Excludes depreciation for the year of investment properties that are included in Other assets for ThCh$380,704 (ThCh$380,704 in 2011).
(***) Excludes allowance for write-offs of Property, Plant and Equipment of ThCh$152,599.

Note 39 – Additional notes (continued)

Note 39.14 – Property, plant & equipment (continued)

(b) As of December 31, 2012 and 2011, there are operating lease contracts that cannot be rescinded unilaterally. Future rental payments are as follows:

		2012						
	Expense for year ThCh$	**Up to 1 month ThCh$**	**1 to 3 months ThCh$**	**3 to 12 months ThCh$**	**1 to 3 years ThCh$**	**3 to 5 years ThCh$**	**Over 5 years ThCh$**	**Total ThCh$**
Lease contracts	28,036,076	2,273,921	4,561,327	19,219,419	37,093,505	27,066,288	49,523,268	139,737,728

		2011						
	Expense for year ThCh$	**Up to 1 month ThCh$**	**1 to 3 months ThCh$**	**3 to 12 months ThCh$**	**1 to 3 years ThCh$**	**3 to 5 years ThCh$**	**Over 5 years ThCh$**	**Total ThCh$**
Lease contracts	25,924,416	2,054,156	4,017,437	16,964,368	32,143,417	25,505,043	54,930,721	135,615,142

As these are operating lease contracts, the assets leased are not shown in the statement of financial position, in accordance with IAS17.

The Bank has commercial leases of investment properties. These leases have an average life of 10 years. There are no restrictions for the lessee.

(c) There are no financial lease contracts outstanding as of December 31, 2012 and 2011, so there are no balances of Property, Plant and Equipment under financial leases as of those dates.

Note 39 – Additional notes (continued)

Note 39.15 – Current taxes and deferred taxes

a) Current taxes

As of each year end, the Bank has made a provision for income tax determined in accordance with current tax laws. This provision is shown as net recoverable or payable taxes as of December 31 each year, as per the following detail:

	2012 ThCh$	2011 ThCh$
Income tax	61,967,311	64,621,013
Tax on disallowed expenses 35%	3,859,632	1,701,135
Less:		
Monthly provisional payments	(42,032,163)	(62,224,975)
Training expense credits	(1,544,834)	(741,791)
Other	965,103	(229,816)
Total	23,215,049	3,125,566

	2012 ThCh$	2011 ThCh$
Income tax rate	20%	20%
Current tax assets	2,683,809	1,407,209
Current tax liabilities	(25,898,858)	(4,532,775)
Total tax payable	(23,215,049)	(3,125,566)

b) Tax Income:

The tax charge during the years ended December 31, 2012 and 2011 is detailed as follows:

	2012 ThCh$	2011 ThCh$
Charges for income tax:		
Tax current year	61,967,311	64,621,013
Tax previous years	(1,147,252)	(1,203,000)
Subtotal	60,820,059	63,418,013
Credit (charge) for deferred taxes:		
Origination & reversal of timing differences	2,672,492	(8,478,941)
Tax-rate change effect on deferred taxes	(14,205,486)	2,234,069
Sub total	(11,532,994)	(6,244,872)
Taxes on disallowed expenses Art 21 of the tax law	3,859,632	1,701,135
Other	893,091	789,699
Net charge to income for income taxes	54,039,788	59,663,975

Note 39 – Additional notes (continued)

Note 39.15 – Current taxes and deferred taxes (continued)

c) Reconciliation of effective tax rate:

The following is the reconciliation between the rate of income tax and the effective rate applied in the determination of the charge as of December 31, 2012 and 2011:

	2012		2011	
	Tax rate %	ThCh$	Tax rate %	ThCh$
Tax on financial income	20.00	104,093,921	20.00	97,774,044
Additions or deductions	(7.13)	(37,100,027)	(7.56)	(36,948,199)
Sole tax (disallowed expenses)	0.74	3,859,632	0.35	1,701,135
Previous years' taxes	(0.22)	(1,147,251)	(0.25)	(1,203,000)
Deferred tax rate change effects (*)	(2.73)	(14,205,486)	0.46	2,234,069
Adjustment deferred tax leasing	0.57	2,941,677	-	-
Other	(0.85)	(4,402,678)	(0.80)	(3,894,074)
Effective rate & charge for income tax	10.38	54,039,788	12.20	59,663,975

The effective rate for income tax for the year 2012 is 10.38% (12.20% in 2011).

(*) In accordance with Law 20,630 of September 27, 2012, the corporate income tax rate was modified permanently to 20%.

Note 39 – Additional notes (continued)

Note 39.15 – Current taxes and deferred taxes (continued)

d) Effect of deferred taxes on income and equity

During 2012, the Bank and its subsidiaries have booked in their financial statements the effects of deferred taxes in accordance with that described in Note 2 (pp).

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

	Balance as of 12/31/2011	Timing differences not booked	Booked in		Balance as of 12/31/2012
			Income	Equity	
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Debtor Differences:					
Allowance for credit risk	76,909,747	-	22,203,721	-	99,113,468
Obligations under repurchase agreements	1,850,000	-	(1,735,722)	-	114,278
Materials leasing	12,319,851	-	(16,037,521)	-	(3,717,670)
Provision related to personnel	4,929,706	-	1,161,801	-	6,091,507
Provision for vacation	3,636,970	-	420,747	-	4,057,717
Accrued interest & indexation impaired loans	1,573,515	-	549,734	-	2,123,249
Severance payments	1,462,851	-	663,764	-	2,126,615
Other adjustments	13,599,574	118,684	3,516,044	-	17,234,302
Total Net Assets	**116,282,214**	**118,684**	**10,742,568**	**-**	**127,143,466**
Creditor Differences:					
Investments under repurchase agreements	2,111,996	-	(1,986,694)	-	125,302
Depreciation & monetary correction Property, Plant and Equipment	11,608,958	-	1,318,044	-	12,927,002
Adjustment valuation of investments available for sale	(373,055)	-	-	4,871,819	4,498,764
Adjustment of cash-flow hedge derivatives	(89,659)	-	-	348,208	258,549
Transitory assets	1,524,446	-	924,286	-	2,448,732
Adjustment derivative instruments	2,057,335	-	(1,679,181)	-	378,154
Other adjustments	6,373,357	(5,539)	633,119	(7,860)	6,993,077
Total Net Liabilities	**23,213,378**	**(5,539)**	**(790,426)**	**5,212,167**	**27,629,580**
Total net assets (liabilities)	**93,068,836**	**124,223**	**11,532,994**	**(5,212,167)**	**99,513,886**

Note 39 – Additional notes (continued)

Note 39.15 – Current taxes and deferred taxes (continued)

e) In compliance with Joint Circular 47 of the Internal Tax Service (S.I.I.) and 3,478 of the SBIF dated August 18, 2009, the following provides a detail of the movement and effects generated by the application of article 31, number.4 of the Income Tax Law.

As required, the information relates just to credit operations of the Bank and not the operations of the subsidiaries consolidated in these consolidated financial statements.

(e.1) Loans & accounts receivable from customers at 12/31/2012			**Assets at tax value**		
	Assets at value of financial statements (*) ThCh$	**Assets at tax value ThCh$**	**Past-due portfolio with collateral ThCh$**	**Unsecured past-due portfolio ThCh$**	**Total past-due portfolio ThCh$**
Due by banks	1,343,321,994	1,344,281,104	-	-	-
Commercial loans	10,080,225,377	10,536,628,979	16,168,855	33,162,511	49,331,366
Consumer loans	2,667,467,737	2,977,356,850	312,401	17,130,812	17,443,213
Housing mortgage loans	4,182,586,685	4,196,560,081	3,188,814	151,181	3,339,995
Total	18,273,601,793	19,054,827,014	19,670,070	50,444,504	70,114,574

(*) According to the circular mentioned and the SII instructions, the value of the assets in the financial statements is shown on individual basis net of allowances for credit risk and excludes leasing and factoring operations.

(e.2) Allowances for past-due portfolio	**Balance at 01/01/2012 ThCh$**	**Write-offs against allowances ThCh$**	**Allowances made ThCh$**	**Allowances released ThCh$**	**Balance at 12/31/2012 ThCh$**
Commercial loans	30,947,321	(22,134,937)	44,896,876	(20,546,749)	33,162,511
Consumer loans	11,651,766	(133,560,726)	156,932,554	(17,892,782)	17,130,812
Housing mortgage loans	390,259	(3,150,951)	3,309,408	(397,535)	151,181
Total	42,989,346	(158,846,614)	205,138,838	(38,837,066)	50,444,504

(e.3) Direct write-offs and recoveries	**ThCh$**
Direct write-offs Art. 31 No.4, 2nd paragraph	29,173,545
Condonations originating release of allowances	27,458
Recoveries or renegotiation of written-off loans	39,303,231

(e.4) Application of Art. 31 No.4 1st & 3rd paragraphs of the IncomeTax Law	**ThCh$**
Write-offs according to the 1st paragraph	-
Condonations per the 3rd paragraph	833,726

Note 39 – Additional notes (continued)

Note 39.16 – Other Assets

a) Composition

The composition of Other Assets as of December 31, 2012 and 2011 is:

	2012 ThCh$	2011 ThCh$
Assets for leasing (*)	74,987,645	74,184,516
Assets received in lieu of payment (**)		
Assets received in payment	80,540	1,862,841
Assets adjudicated in judicial auction	2,475,172	2,744,771
Allowances for assets received in payment	(40,306)	(1,117,517)
Subtotal	2,515,406	3,490,095
Other Assets		
Trading of documents (***)	89,799,904	77,612,902
Deposits in guarantee	25,984,244	35,050,855
Other accounts & notes receivable	20,000,550	9,851,037
Investment properties (Note 2 ww)	16,698,133	17,078,837
VAT fiscal credit	9,291,572	9,557,256
Pending operations	8,675,908	1,340,294
Commissions receivable	6,391,655	4,192,973
Recoverable tax	6,280,396	5,373,332
Prepaid expenses	4,155,978	5,445,367
Rental guarantees	1,386,174	1,344,107
Leased goods recovered for sale	776,533	202,618
Materials & implements	609,614	653,804
Accounts receivable for past-due assets received in payment	422,685	529,772
Balance with branches	114,111	3,531,914
Other	28,788,758	14,143,805
Sub total	219,376,215	185,908,873
Total	296,879,266	263,583,484

(*) Relate to Property, Plant and Equipment to be delivered under financial leases.

(**) Assets received in lieu of payment are those with respect to customers with past-due debts. The combination of assets held acquired in this way does not at any time exceed 20% of the Bank's equity. These assets currently represent 0.0032% (0.0737% in 2011) of the Bank's equity.

Assets adjudicated in a judicial auction are not subject to the margin commented above. These are assets available for sale and it is expected to complete the sale within one year of the asset being received or acquired. Should the asset not be sold within a year, it has to be written off.

The allowance for assets received in lieu of payment is booked as indicated in the Compendium of Accounting Standards, which implies the booking of an allowance for the difference between the initial value plus any additions and their realizable value, when the former is greater.

(***) This mainly includes simultaneous operations made by the subsidiary Banchile Corredores de Bolsa S.A.

Note 39 – Additional notes (continued)

Note 39.16 – Other Assets (continued)

b) The movement in the allowance for assets received in payment or adjudicated during 2012 and 2011 is as follows:

	ThCh$
Balance at January 1, 2011	15,026
Application of allowances	(21,738)
Allowances made	1,137,796
Allowances released	(13,567)
Balance at December 31, 2011	1,117,517
Application of allowances	(1,177,393)
Allowances made	100,182
Allowances released	-
Balance at December 31, 2012	40,306

Note 39.17 – Current accounts and Other Demand Deposits

As of December 31 each year, the composition is as follows:

	2012 ThCh$	2011 ThCh$
Current accounts	4,489,484,065	3,968,354,831
Other demand deposits & accounts	599,320,344	616,396,529
Other sight obligations	311,043,993	245,837,260
Total	5,399,848,402	4,830,588,620

Note 39.18 - Deposits and Other Loans at Term

As of December 31 each year, the composition is as follows:

	2012 ThCh$	2011 ThCh$
Time deposits	9,367,799,897	9,079,619,646
Time savings accounts	179,464,471	177,899,996
Other term creditor balance	63,422,509	23,088,378
Total	9,610,686,877	9,280,608,020

Note 39 – Additional notes (continued)

Note 39.19 – Obligations with Banks

(a) As of December 31, 2012 and 2011, obligations with Banks is as follows:

	2012 ThCh$	2011 ThCh$
Banks in Chile	-	-
Banks abroad		
Foreign trade financing		
Bank of America N.T. & S.A.	189,500,521	169,482,198
Commerzbank A.G.	182,925,734	156,137,533
Wells Fargo Bank	131,763,322	197,067,186
Standard Chartered Bank	117,217,580	124,411,583
Citibank N.A.	107,248,647	193,048,596
The Bank of New York Mellon	57,160,896	36,412,464
Toronto Dominion Bank	38,402,181	67,682,047
JP Morgan Chase Bank	24,002,732	122,698,951
Mercantil Commercebank N.A.	19,183,892	-
Sumitomo Banking	16,828,109	36,456,454
Zuercher Kantonalbank	14,401,314	41,037,942
Deutsche Bank AG	12,003,424	-
Bank of China	828,384	1,206,118
Banco de Sabadell	337,268	-
Bank of Montreal	-	125,053,413
Banca Nazionale del Lavoro	-	78,198,274
Royal Bank of Scotland	-	64,583,948
ING Bank	-	39,108,024
Branch Banking and Trust Company	-	10,412,853
Bank of Nova	-	3,119,060
Banco Espiritu Santo	-	2,605,171
Other	21,844	73,980
Loans & other obligations		
Wells Fargo Bank	96,370,414	104,174,612
Standard Chartered Bank	36,083,723	39,591,439
China Development Bank	35,995,729	52,032,262
Citibank N.A.	27,571,162	1,009,853
Other	815,573	2,478,753
Sub total	1,108,662,449	1,668,082,714
Banco Central de Chile	17,780	22,854,629
Total	1,108,680,229	1,690,937,343

Note 39 – Additional notes (continued)

Note 39.19 – Obligations with banks (continued)

(b) Obligations with Chile

Neither the Bank nor its subsidiaries have obligations for loans from financial institutions in Chile as of December 31, 2012 and 2011.

(c) Obligations abroad

The maturities of these obligations are as follows:

	2012 ThCh$	2011 ThCh$
Up to 1 month	181,954,232	115,694,494
1 to 3 months	153,701,631	200,786,187
3 to 12 months	631,051,043	1,079,317,467
1 to 3 years	141,955,543	220,367,816
3 to 5 years	-	51,916,750
More than 5 years	-	-
Total	1,108,662,449	1,668,082,714

(d) Obligations with Banco Central de Chile:

The debt with Banco Central de Chile includes lines of credit for the renegotiation of loans and other debts with Banco Central de Chile.

The following are the total amounts due to the Banco Central de Chile:

	2012 ThCh$	2011 ThCh$
Loans & other obligations	-	22,792,553
Line of credit for renegotiation of obligations with Banco Central	17,780	62,076
Total	17,780	22,854,629

Note 39 – Additional notes (continued)

Note 39.20 – Debt Instruments Issued

Debt instruments issued are as follows as of December 31, 2012 and 2011:

	2012 ThCh$	2011 ThCh$
Mortgage-funding notes	115,195,795	152,098,808
Bonds	2,412,232,783	1,488,368,881
Subordinated bonds	746,503,303	747,874,344
Total	3,273,931,881	2,388,342,033

During 2012, Banco de Chile placed bonds amounting to ThCh$1,233,983,615, corresponding to unsubordinated and subordinated bonds amounting ThCh$1,207,806,705 and ThCh$26,176,910 respectively, as follows:

Current bonds

Series	Amount ThCh$	Term	Issue rate %	Currency	Issue date	Maturity date
BCHIUO0911	89,896,198	10 years	3.40	UF	02/15/2012	02/15/2022
BCHIUD0510	14,108,867	6 years	2.20	UF	02/16/2012	02/16/2018
BCHIUI0611	1,338,293	7 years	3.20	UF	03/05/2012	03/05/2019
BCHIUI0611	3,351,978	7 years	3.20	UF	03/07/2012	03/07/2019
BCHIUI0611	1,115,623	7 years	3.20	UF	03/23/2012	03/23/2019
BCHIUP1211	88,344,787	10 years	3.40	UF	04/04/2012	04/04/2022
BCHIUI0611	2,235,532	7 years	3.20	UF	04/17/2012	04/17/2019
BCHIUQ1011	27,342,834	11 years	3.40	UF	05/08/2012	05/08/2023
BCHIUQ1011	48,568,374	11 years	3.40	UF	05/11/2012	05/11/2023
BCHIUQ1011	12,448,702	11 years	3.40	UF	06/04/2012	06/04/2023
BCHIUS0212	46,428,452	11 years	3.40	UF	06/04/2012	06/04/2023
BCHIUS0212	20,551,714	11 years	3.40	UF	06/07/2012	06/07/2023
BCHIUT0112	66,849,550	12 years	3.40	UF	06/12/2012	06/12/2024
BCHIUR1011	33,294,714	12 years	3.40	UF	06/20/2012	06/20/2024
BCHIUR1011	4,449,944	12 years	3.40	UF	07/30/2012	07/30/2024
BCHIUR1011	13,468,623	12 years	3.40	UF	09/14/2012	09/14/2024
BCHIUR1011	1,798,634	12 years	3.40	UF	09/24/2012	09/24/2024
BCHIUR1011	5,284,323	12 years	3.40	UF	09/25/2012	09/25/2024
BCHIUJ0811	1,334,493	8 years	3.20	UF	10/05/2012	10/05/2020
BCHIUJ0811	33,455,597	8 years	3.20	UF	10/10/2012	10/10/2020
BCHIUV1211	67,842,308	13 years	3.50	UF	10/10/2012	10/10/2025
BCHIUJ0811	1,566,252	8 years	3.20	UF	10/19/2012	10/19/2020
BCHIUJ0811	2,241,179	8 years	3.20	UF	10/22/2012	10/22/2020
BCHIAC1011	11,118,285	15 years	3.50	UF	10/22/2012	10/22/2027
BONO HKD (*)	24,487,360	15 years	4.00	HKD	09/05/2012	09/05/2027
BONO HKD (*)	54,373,813	15 years	4.00	HKD	11/07/2012	11/07/2027
BONO PEN (**)	14,082,728	5 years	4.04	PEN	10/30/2012	10/30/2017
Sub total December 2012	691,379,157					
Short-term bond (***)	516,427,548					
Total December 2012	1,207,806,705					

Note 39 – Additional notes (continued)

Note 39.20 – Debt Instruments Issued (continued)

(*) On August 9, 2012 the Board Meeting No.2,759 approved a bond issue program under Regulation S of the Securities and Exchange Commission ("SEC") for an amount equivalent to US$60,000,000 to be placed on the international markets, of which 400,000,000 Hong Kong dollars were issued and placed on September 5, 2012.

Later, on October 25, 2012, the Board Meeting No.2,764 approved a bond issue program under Regulation S of the SEC for an amount equivalent to US$130,000,000 to be placed on the international markets, of which 875,000,000 Hong Kong dollars were issued and placed on November 7, 2012.

(**) On October 11, 2012 the Board Meeting No.2,763 approved a bond issue program under Regulation S of the SEC for an amount equivalent to US$100,000,000 to be placed on the international markets, of which 75,000,000 Peruvian soles, equivalent approximately to US$ 28,000,000, were issued and placed on October 30, 2012.

(***) On May 4, 2012 an issuance of short term bonds, called commercial papers, began to be made gradually with a maximum maturity of January 15, 2013. The total issuance amounted to US$ 1,077,080.

Subordinated bonds

Series	Amount ThCh$	Term	Issue rate %	Currency	Issue date	Maturity date
UCHI-G1111	13,191,003	25 years	3.75	UF	07/30/2012	07/30/2037
UCHI-G1111	1,099,254	25 years	3.75	UF	07/31/2012	07/31/2037
UCHI-G1111	1,781,958	25 years	3.75	UF	08/31/2012	08/31/2037
UCHI-G1111	10,104,695	25 years	3.75	UF	12/28/2012	12/28/2037
Total	26,176,910					

Note 39 – Additional notes (continued)

Note 39.20 – Debt Instruments Issued (continued)

During 2011, Banco de Chile placed bonds amounting to ThCh$749,585,778, corresponding to straight bonds.

Current bonds

Series	Amount ThCh$	Term	Issue rate	Currency	Issue date	Maturity date
BCHIUE0510	82,638,806	6 years	2.20	UF	05/25/2011	05/20/2017
BCHIUG0610	81,801,507	11 years	2.70	UF	05/27/2011	05/27/2022
BCHIUC0510	37,865,920	5 years	2.20	UF	07/07/2011	07/07/2016
BCHIUF0610	36,608,172	10 years	2.70	UF	07/07/2011	07/07/2021
BCHIUI0611	42,944,499	7 years	3.20	UF	07/12/2011	07/12/2018
BCHIUI0611	34,095,502	7 years	3.20	UF	07/20/2011	07/20/2018
BCHIUK0611	52,865,969	11 years	3.50	UF	07/28/2011	07/28/2022
BCHIUD0510	46,014,419	6 years	2.20	UF	07/28/2011	07/28/2017
BCHIUK0611	33,451,132	11 years	3.50	UF	07/29/2011	07/29/2022
BCHIUI0611	431,909	7 years	3.20	UF	08/02/2011	08/02/2018
BCHIUI0611	755,757	7 years	3.20	UF	08/03/2011	08/03/2018
BCHIUJ0811	48,045,364	8 years	3.20	UF	09/12/2011	09/12/2019
BCHI-B1208	84,911,881	7 years	2.20	UF	09/12/2011	09/12/2018
BCHIUD0510	12,789,670	6 years	2.20	UF	09/22/2011	09/22/2017
BCHIUH0611	21,668,090	6 years	3.00	UF	09/29/2011	09/29/2017
BCHIUI0611	65,013,870	7 years	3.20	UF	09/30/2011	09/30/2018
BCHIUD0510	10,675,486	6 years	2.20	UF	09/30/2011	09/30/2017
BCHIUD0510	1,068,034	6 years	2.20	UF	10/13/2011	10/13/2017
BNCHIL (*)	55,939,791	3 years	5.41	MXN	12/08/2011	12/04/2014
Total	749,585,778					

(*) The Board Meeting No.2,738 held on August 11, 2011, authorized a revolving stock certificates placement program in Mexico for $10,000,000,000 (ten billion Mexican pesos), of which $1,500,000,000 (one thousand five hundred million Mexican pesos) was issued and placed on December 8.

The Bank has not defaulted on the payment of principal or interest with respect to its debt instruments issued during 2012 and 2011.

Note 39 – Additional notes (continued)

Note 39.21 – Other Financial Obligations

As of December 31, 2012 and 2011, other financial obligations are as follows:

	2012 ThCh$	2011 ThCh$
Other obligations in Chile	103,445,093	121,135,507
Obligations with the public sector	55,586,725	61,734,090
Other foreign obligations	-	-
Total	159,031,818	182,869,597

Note 39.22 - Provisions

(a) As of December 31, 2012 and 2011, the provisions are as follows:

	2012 ThCh$	2011 ThCh$
Provisions for minimum dividends shareholders SM-Chile	23,811,703	20,803,988
Provisions for minimum dividends other shareholders	64,890,747	55,368,710
Provisions for employee benefits & remuneration	64,545,449	60,634,771
Allowances for contingent loans risk	36,585,455	35,332,915
Provisions for contingencies:		
Additional loan allowances (*)	97,756,672	95,485,849
Allowances for country risk	3,106,518	4,280,820
Other provisions for contingencies	2,083,103	2,701,774
Total	292,779,647	274,608,827

(*) A net amount was provided in 2012 of ThCh$2,270,823 (ThCh$24,052,077 in 2011) as an anti-cyclical allowance for commercial loans.

Note 39 – Additional notes (continued)

Note 39.22 - Provisions (continued)

(b) The following shows the movement in provisions during 2012 and 2011:

	Minimum dividend ThCh$	Employee benefits & remuneration ThCh$	Contingent credit risks ThCh$	Additional allowances ThCh$	Country risk & other contingencies ThCh$	Total ThCh$
Balance at January 1, 2011	63,936,699	55,433,123	30,113,973	71,433,772	4,619,431	225,536,998
Provisions made	76,172,698	47,933,940	5,368,199	24,052,077	2,750,914	156,277,828
Application of provisions	(63,936,699)	(41,892,278)	-	-	(214,555)	(106,043,532)
Release of provisions	-	(840,014)	(149,257)	-	(173,196)	(1,162,467)
Balance at December 31, 2011	76,172,698	60,634,771	35,332,915	95,485,849	6,982,594	274,608,827
Balance at January 1, 2012	76,172,698	60,634,771	35,332,915	95,485,849	6,982,594	274,608,827
Provisions made	88,702,450	50,798,544	1,252,540	2,270,823	228,390	143,252,747
Application of provisions	(76,172,698)	(46,814,172)	-	-	(222,920)	(123,209,790)
Release of provisions	-	(73,694)	-	-	(1,798,443)	(1,872,137)
Balance at December 31, 2012	88,702,450	64,545,449	36,585,455	97,756,672	5,189,621	292,779,647

(c) Provisions for employee benefits and remuneration:

	2012 ThCh$	2011 ThCh$
Provisions for performance bonuses	29,648,607	28,827,164
Provisions for vacation	20,841,541	20,361,301
Provisions severance payments	10,633,078	8,511,135
Provisions for other employee benefits	3,422,223	2,935,171
Total	64,545,449	60,634,771

(d) Severance payments:

(i) Movement in severance payments:

	2012 ThCh$	2011 ThCh$
Present value of obligations at start of year	8,511,135	7,980,996
Increase in provision	807,756	885,879
Payments made	(864,062)	(281,754)
Payments advanced	(21,569)	(20,411)
Effect of change in discount rate	2,199,818	(53,575)
Total	10,633,078	8,511,135

(ii) Benefit expenses, net:

	2012 ThCh$	2011 ThCh$
Increase in provision	807,756	885,879
Financial costs of benefit obligations	468,112	482,052
Actuarial (gains) losses	1,731,706	(535,627)
Benefit expenses, net	3,007,574	832,304

Note 39 – Additional notes (continued)

Note 39.22 - Provisions (continued)

(d) Severance payments (continued)

(iii) Factors used in the calculation of the provision:

The principal assumptions used in the determination of severance payments for the Bank's plan are as follows:

	December 31 2012 %	**December 31, 2011 %**
Discount rate	5.50	6.04
Wage increase rate	5.08	2.00
Probability of payment	99.99	93.00

The most recent actuarial valuation of the provision for severance payments was made at the close of the year ended December 31, 2012.

(e) Movement in provisions for employee benefits and remuneration:

	2012 ThCh$	**2011 ThCh$**
Balance at January 1	28,827,164	25,919,968
Provisions made	28,405,791	30,654,684
Application of provisions	(27,584,348)	(27,723,565)
Release of provisions	-	(23,923)
Total	29,648,607	28,827,164

(f) Movement in provisions for vacation:

	2012 ThCh$	**2011 ThCh$**
Balance at January 1	20,361,301	18,773,410
Provisions made	5,655,118	5,821,134
Application of provisions	(4,364,091)	(4,186,245)
Release of provisions	(810,787)	(46,998)
Total	20,841,541	20,361,301

(g) Provision for employee benefits in shares:

As of December 31, 2012 and 2011, the Bank and its subsidiaries have no share compensation plan.

(h) Allowances for contingent credits:

As of December 31, 2012 and 2011, the Bank and its subsidiaries maintain allowances for contingent credits of ThCh$36,585,455 in 2012 (ThCh$35,332,915 in 2011), as shown in Note 39.24 (d).

Note 39.23 – Other liabilities

As of December 31, 2012 and 2011, the composition of other liabilities is as follows:

	2012 ThCh$	2011 ThCh$
Accounts & notes payable (*)	111,358,402	79,031,315
Advance payments received	5,357,042	5,378,198
Agreed dividends payable	882,704	785,939
Other liabilities		
Document trading operations (**)	132,650,950	134,819,632
Co-branding	23,065,867	20,893,672
VAT fiscal debit	11,689,161	12,464,793
Deferred leasing earnings	5,900,294	7,038,856
Operations pending	5,079,724	1,941,028
Insurance payments	135,117	1,156,647
Other	6,063,048	3,329,822
Total	302,182,309	266,839,902

(*) Include obligations that fall outside the business operations such as withholding taxes, social-security payments, balances due for materials purchases and provisions for expenses pending payment.

(**) Includes mainly the financing of simultaneous operations by the subsidiary Banchile Corredores de Bolsa S.A.

Note 39 – Additional notes (continued)

Note 39.24 - Contingencies and Commitments

a) Commitments and responsibilities booked in memorandum accounts:

In order to meet its customers' needs, the Bank acquired several irrevocable commitments and contingent obligations. Although these obligations cannot be shown in the statement of financial position, they involve credit risks and are therefore part of the Bank's overall risk.

The Bank and its subsidiaries book in memorandum accounts the following balances related to such commitments and business-related liabilities:

	2012 ThCh$	2011 ThCh$
Contingent liabilities		
Guarantees	323,924,455	216,249,201
Confirmed foreign letters of credit	85,271,890	137,253,062
Documentary letters of credit opened	138,713,631	131,566,567
Performance bonds	1,437,311,918	1,235,031,186
Credit lines available on demand	5,481,235,282	4,881,219,778
Other credit commitments	122,997,447	164,360,620
Operations on behalf of third parties		
Documents in collection	386,005,974	582,089,943
Third-party funds managed by the Bank:		
Financial assets managed on behalf of third parties	12,144,226	2,765,863
Other assets managed on behalf of third parties	-	-
Financial assets acquired in own name	22,801,684	62,701,286
Other assets acquired in own name	-	-
Custody of securities		
Valuables held in power of the Bank	6,237,859,142	5,613,494,649
Valuables in custody deposited in other entity	4,483,567,222	4,088,670,208
Total	18,731,832,871	17,115,402,363

The above only includes the most important balances.

Note 39 – Additional notes (continued)

Note 39.24 - Contingencies and commitments (continued)

b) Lawsuits and legal proceedings:

b.1) Normal judicial contingencies of the industry:

There are legal actions against the subsidiary Banco de Chile at the date of issuance of these consolidated financial statements with respect to their ordinary course of business. In the management's opinion, it is not foreseen that this combination of cases is likely to result in significant losses not contemplated by the Bank and its subsidiaries in these consolidated financial statements. As of December 31, 2012, allowances have been established amounting to ThCh$474,000 (ThCh$736,000 in 2011), which form part of Provisions in the statement of financial position. The following shows the estimated dates of termination of the lawsuits:

	December 31					
	2013 ThCh$	**2014 ThCh$**	**2015 ThCh$**	**2016 ThCh$**	**2017 ThCh$**	**Total ThCh$**
Judicial contingencies	65,000	5,000	16,000	388,000	-	474,000

b.2) Contingencies for significant lawsuits in the courts:

As of December 31, 2012 and 2011, there are no significant lawsuits in the courts that affect or could affect these consolidated financial statements.

c) Guarantees granted for operations:

c.1) In subsidiary Banchile Administradora General de Fondos S.A.:

In compliance with article 226 and subsequent articles of Law 18,045, Banchile Administradora General de Fondos S.A. has appointed the subsidiary Banco de Chile as the representative of the beneficiaries of the guarantees it has established and as such the Bank has issued performance bonds in this respect amounting to UF 2,442,000 expiring on January 4, 2013.

Apart from these performance bonds for the creation of mutual funds, there are other performance bonds covering the returns of certain mutual funds amounting to ThCh$118,734,299 as of December 31, 2012 (ThCh$104,301,061 in 2011).

Note 39 – Additional notes (continued)

Note 39.24 - Contingencies and commitments (continued)

c) Guarantees granted for operations (continued)

c.1) In subsidiary Banchile Administradora General de Fondos S.A. (continued)

The details of the performance bonds are as follows:

Fund	2012 ThCh$	Bond Number
Fondo Mutuo Banca Americana Voltarget Garantizado	11,878,106	336723-1
Fondo Mutuo Estrategia Commodities Garantizado	6,301,944	336721-5
Fondo Mutuo Muralla China Garantizado	17,794,774	336716-8
Fondo Mutuo Potencias Consolidadas Garantizado	30,381,079	336718-4
Fondo Mutuo Ahorro Plus I Garantizado	730,459	336720-7
Fondo Mutuo Ahorro Estable II Garantizado	11,270,198	336722-3
Fondo Mutuo Ahorro Estable III Garantizado	5,050,562	336717-6
Fondo Mutuo Depósito Plus Garantizado	14,957,720	004713-3
Fondo Mutuo Europa Accionario Garantizado	2,069,224	004716-7
Fondo Mutuo Twin Win Europa 103 Garantizado	3,541,145	004712-5
Fondo Mutuo Second Best Chile EEUU Garantizado	2,206,872	004820-2
Fondo Mutuo Depósito Plus II Garantizado	12,552,216	005272-2
Total	118,734,299	

c.2) In subsidiary Banchile Corredores de Bolsa S.A.:

In order to ensure the correct and full compliance with all its obligations as a stockbroker in accordance with article 30 onward of the Securities Market Law 18,045, Banchile Corredores de Bolsa S.A. contracted an insurance guarantee for UF 20,000 with Cía. de Seguros de Crédito Continental S.A. that expires on April 22, 2014, whereby the Santiago Stock Exchange was appointed as the creditors' representative.

Securities in guarantee:	2012 ThCh$	2011 ThCh$
Shares in guarantee of simultaneous transactions on:		
Santiago Stock Exchange	68,785	15,980,311
Chilean Electronic Exchange	33,693,159	21,731,372
Fixed-income securities to guarantee CCLV system, Santiago Stock Exchange	3,067,596	2,986,672
Fixed-income securities to guarantee loans of shares, Chilean Electronic Exchange	47,401	-
Total	36,876,941	40,698,355

In accordance with the internal regulations of the stock exchanges in which it participates, and to ensure the broker's correct performance, the company has granted a pledge over one share of the Santiago Stock Exchange in favor of that institution, as recorded by public deed on September 13, 1990, signed before the Santiago public notary Raúl Perry Pefaur, and over one share in the Chilean Electronic Exchange in favor of that institution, as recorded in a contract entered into by both parties on May 16, 1990.

Note 39 – Additional notes (continued)

Note 39.24 - Contingencies and Commitments (continued)

c) Guarantees granted for operations (continued)

c.2) In subsidiary Banchile Corredores de Bolsa S.A. (continued):

Banchile Corredores de Bolsa S.A. has an integral insurance policy with Chartis Chile - Compañía de Seguros Generales S.A., expiring on January 2, 2013, that covers employee fidelity, physical losses, falsification or adulteration, and currency fraud with a cover equivalent to US$ 10,000,000.

This insurance was renewed on January 2, 2013 with expiry of January 2, 2014 for the same amount, with Compañía de Seguros AIG Chile Compañía de Seguros Generales S.A.

d) Allowances for contingent credits:

The allowances made for the credit risk of contingent operations are as follows:

	2012 ThCh$	2011 ThCh$
Lines of credit	22,661,385	20,678,695
Performance bonds	11,406,943	12,519,753
Guarantees	2,064,433	1,525,809
Letters of credit	433,769	522,297
Other credit commitments	18,925	86,361
Total	36,585,455	35,332,915

Note 39 – Additional notes (continued)

Note 39.25 – Income and expenses for interest and indexation

(a) The composition of interest and indexation income and expense at the close of the financial statements is as follows:

	2012				2011			
	Interest ThCh$	Indexation ThCh$	Prepaid commissions ThCh$	Total ThCh$	Interest ThCh$	Indexation ThCh$	Prepaid commissions ThCh$	Total ThCh$
Commercial loans	691,745,848	95,690,136	1,966,863	789,402,847	572,409,058	138,729,556	3,506,839	714,645,453
Consumer loans	514,597,592	1,063,406	7,245,441	522,906,439	428,143,149	1,571,862	6,262,084	435,977,095
Housing loans	168,936,864	93,774,510	3,912,491	266,623,865	138,540,173	123,899,464	4,474,117	266,913,754
Investment instruments	60,790,505	15,546,196	-	76,336,701	49,422,482	22,000,120	-	71,422,602
Repurchase agreements	2,786,471	-	-	2,786,471	5,233,503	338	-	5,233,841
Loans granted to banks	12,993,836	-	-	12,993,836	10,322,690	-	-	10,322,690
Other interest & indexation income	142,959	1,569,268	-	1,712,227	189,210	2,472,354	-	2,661,564
Total	1,451,994,075	207,643,516	13,124,795	1,672,762,386	1,204,260,265	288,673,694	14,243,040	1,507,176,999

The amount of interest and indexation revenue booked as received on the impaired portfolio during 2012 amounted to ThCh$9,037,593 ThCh$9,111,978 in 2011).

(b) The details of interest and indexation income at the year-end not booked in income are as follows:

	2012			2011		
	Interest ThCh$	Indexation ThCh$	Total ThCh$	Interest ThCh$	Indexation ThCh$	Total ThCh$
Commercial loans	6,185,302	1,960,636	8,145,938	5,288,310	1,987,512	7,275,822
Housing loans	1,380,023	772,320	2,152,343	1,590,094	932,328	2,522,422
Consumer loans	268,613	-	268,613	184,893	210	185,103
Total	7,833,938	2,732,956	10,566,894	7,063,297	2,920,050	9,983,347

Note 39 – Additional notes (continued)

Note 39.25 – Income and expenses for interest and indexation (continued)

(c) The details of interest and indexation expenses at the year-end, excluding hedge income, are as follows:

	2012			2011		
	Interest ThCh$	Indexation ThCh$	Total ThCh$	Interest ThCh$	Indexation ThCh$	Total ThCh$
Time deposits & loans	440,344,095	55,728,257	496,072,352	341,107,576	84,125,781	425,233,357
Debt instruments issued	109,743,004	60,479,488	170,222,492	81,554,354	72,342,066	153,896,420
Other financial obligations	2,116,469	960,609	3,077,078	2,269,390	1,553,558	3,822,948
Repurchase agreements	14,975,887	10,016	14,985,903	10,848,781	-	10,848,781
Obligations with banks	22,308,023	-	22,308,023	23,784,406	-	23,784,406
Demand deposits	75,618	3,869,877	3,945,495	57,176	5,877,000	5,934,176
Other interest & indexation expenses	14,546	91,878	106,424	-	140,364	140,364
Total	589,577,642	121,140,125	710,717,767	459,621,683	164,038,769	623,660,452

(d) As of December 31, 2012 and 2011, the Bank uses interest-rate swaps to hedge, through a micro-hedge, its position in the fair value of corporate bonds and commercial loans.

	2012			2011		
	Revenue ThCh$	Expense ThCh$	Total ThCh$	Revenue ThCh$	Expense ThCh$	Total ThCh$
Accounting hedge gain	3,631,134	3,003,053	6,634,187	249,033	184,772	433,805
Accounting hedge loss	(12,637,025)	-	(12,637,025)	(30,521,298)	-	(30,521,298)
Income adjustment hedge element	(2,291,074)	-	(2,291,074)	17,861,439	-	17,861,439
Total	(11,296,965)	3,003,053	(8,293,912)	(12,410,826)	184,772	(12,226,054)

(e) The summary of interest and indexation at year end 2012 and 2011was as follows:

	2012 ThCh$	2011 ThCh$
Interest & indexation income	1,672,762,386	1,507,176,999
Interest & indexation expense	(710,717,767)	(623,660,452)
Subtotal interest & indexation income	962,044,619	883,516,547
Income of accounting hedges,net	(8,293,912)	(12,226,054)
Total net interest & indexation	953,750,707	871,290,493

Note 39 – Additional notes (continued)

Note 39.26 – Fee Income and Expense

The fee income and expense shown in the consolidated statements of comprehensive income refers to the following concepts:

	2012 ThCh$	2011 ThCh$
Fee income		
Card services	102,406,835	90,758,631
Collections & payments	60,340,622	49,763,993
Investments in mutual funds or other	56,042,882	63,809,599
Account management	27,317,070	28,523,095
Lines of credit & overdrafts	22,891,782	22,770,415
Remuneration from insurance brokerage	17,403,862	20,480,047
Securities trading & handling	16,890,787	27,779,143
Use of distribution channel & internet	15,942,205	18,429,839
Guarantees & letters of credit	14,451,994	12,886,731
Use of Banchile name	12,356,270	11,264,076
Financial advisory	3,954,579	3,186,474
Other fees earned	22,762,820	18,314,657
Total fee income	372,761,708	367,966,700
Fee expenses		
Card operation remuneration	(42,035,368)	(35,522,293)
Sales force	(10,097,795)	(8,311,601)
Collection & payment commissions	(6,533,957)	(6,619,420)
Securities trading commissions	(2,993,287)	(4,246,396)
Sale of mutual fund quotas	(2,488,207)	(3,038,302)
Other commissions	(1,360,884)	(1,454,890)
Total fee expenses	(65,509,498)	(59,192,902)

Note 39.27 – Financial Operation Income

The details of the net gain (loss) on financial operations are as follows:

	2012 ThCh$	2011 ThCh$
Financial instruments for trading	18,798,002	22,758,177
Sale of instruments available for sale	8,086,852	2,287,876
Net income of other operations	2,567,152	(353,085)
Trading derivatives	(4,852,796)	44,750,763
Income from sale of loan portfolio (*)	145,749	(42,517,348)
Total	24,744,959	26,926,383

(*) Net gain or loss on sale of loans, being the difference between the value in cash and the value booked on the date of sale, excluding allowances, even when involving the portfolio fully or partially written off. See Note 39.10 (e).

Note 39 – Additional notes (continued)

Note 39.28 – Net exchange gain (loss)

The details of exchange income are as follows:

	2012 ThCh$	2011 ThCh$
Foreign currency indexation	44,735,497	(18,495,030)
Exchange difference, net	(9,404,373)	11,488,801
Income from accounting hedges	(195,204)	(967,450)
Total	35,135,920	(7,973,679)

Note 39 – Additional notes (continued)

Note 39.29 – Allowances for credit risk

The movement during 2012 and 2011 in allowances was as follows:

			Loans & Accounts Receivable from Customers											
	Due by banks		Commercial loans		Housing loans		Consumer loans		Sub-total		Contingent liabilities		Total	
	2012 ThCh$	2011 ThCh$	2012 ThCh$	2011 ThCh$	2012 ThCh$	2011 ThCh$	2012 ThCh$	2011 ThCh$	2012 ThCh$	2011 ThCh$	2012 ThCh$	2011 ThCh$	2012 ThCh$	2011 ThCh$
Constitution of allowances:														
- Individual	-	(396,236)	(13,667,689)	-(*)	-	-	-	-	(13,667,689)	-	(1,030,085)	(5,368,199)	(14,697,774)	(5,764,435)
- Group	-	-	(46,806,309)	(42,131,494)	(4,428,023)	(3,553,424)	(160,775,333)	(110,344,469)	(212,009,665)	(156,029,387)	(222,455)	-	(212,232,120)	(156,029,387)
Income from constitution of allowances	-	(396,236)	(60,473,998)	(42,131,494)	(4,428,023)	(3,553,424)	(160,775,333)	(110,344,469)	(225,677,354)	(156,029,387)	(1,252,540)	(5,368,199)	(226,929,894)	(161,793,822)
Release of allowances:														
- Individual	47,296	-	-	14,515,439(*)	-	-	-	-	-	14,515,439	-	-	47,296	14,515,439
- Group	-	-	-	-	-	-	-	-	-	-	-	149,257	-	149,257
Income from release of allowances	47,296	-	-	14,515,439	-	-	-	-	-	14,515,439	-	149,257	47,296	14,664,696
Net income from allowances	47,296	(396,236)	(60,473,998)	(27,616,055)	(4,428,023)	(3,553,424)	(160,775,333)	(110,344,469)	(225,677,354)	(141,513,948)	(1,252,540)	(5,218,942)	(226,882,598)	(147,129,126)
Additional allowances	-	-	(2,270,823)	(24,052,077)	-	-	-	-	(2,270,823)	(24,052,077)	-	-	(2,270,823)	(24,052,077)
Recovery of assets written off	-	-	14,894,203	16,789,170	1,971,137	1,106,054	24,099,437	28,445,123	40,964,777	46,340,347	-	-	40,964,777	46,340,347
Net income allowances for credit risk	47,296	(396,236)	(47,850,618)	(34,878,962)	(2,456,886)	(2,447,370)	(136,675,896)	(81,899,346)	(186,983,400)	(119,225,678)	(1,252,540)	(5,218,942)	(188,188,644)	(124,840,856)

(*) See Notes 39.27 & 39.10 (e).

In the opinion of the management, the allowances constituted for credit risk cover all the possible losses that might arise from the non-recovery of assets, according to the information examined by the Bank.

Note 39 – Additional notes (continued)

Note 39.30 – Staff Remuneration and Expenses

The composition of staff remuneration and expenses for the years 2012 and 2011was as follows:

	2012 ThCh$	2011 ThCh$
Staff remuneration	185,653,598	169,114,029
Bonuses	71,674,285	100,494,327
Meals & health benefits	21,954,326	20,272,341
Severance payments	12,607,696	6,166,779
Training expenses	1,671,047	1,492,971
Other staff expenses	18,678,208	19,639,578
Total	312,239,160	317,180,025

Note 39.31 – Administrative Expenses

The composition of administrative expenses as of December 31, 2012 and 2011 is as follows:

	2012 ThCh$	2011 ThCh$
General administrative expenses		
Data processing & communications	48,670,421	47,061,974
Maintenance & repair of Property, Plant and Equipment	29,331,885	28,486,320
Office rentals	19,588,953	18,211,359
Guard & valuables transport services	9,217,036	9,203,299
External consultancy	7,600,634	7,162,772
Rental of automated teller machine spaces	7,283,213	6,462,463
Office materials	6,345,823	6,555,695
Lighting, heating & other utilities	4,732,802	5,984,785
Staff representation & travel expenses	3,611,109	3,849,891
Legal & notary costs	3,290,727	2,925,730
Insurance premiums	2,896,842	2,384,251
Postage & stamping expenses	2,738,760	3,182,164
Donations	2,028,979	1,545,203
Home product deliveries	1,648,003	1,532,652
Rental of equipment	1,163,910	1,250,594
External collection service	880,468	671,904
Fees for professional services	775,580	653,917
SBIF fines	40,000	-
Other administrative expenses	8,870,650	6,065,233
Subtotal	160,715,795	153,190,206
Sub-contracted services		
Credit evaluation	21,315,978	22,807,823
Data processing	7,646,176	7,275,073
External technological development expenses	6,196,070	3,045,649
Technology certification & testing	4,342,419	2,499,565
Other	2,514,663	1,973,028
Sub total	42,015,306	37,601,138
Directors' expenses		
Directors' remuneration	2,041,589	2,085,637
Other board expenses	613,526	646,880
Subtotal	2,655,115	2,732,517
Marketing expenses		
Publicity & advertising	30,572,326	26,515,257
Subtotal	30,572,326	26,515,257
Taxes, contributions		
Contribution to the SBIF	6,433,648	5,422,904
Property taxes	2,671,620	2,601,050
Municipal taxes	1,378,543	1,239,910
Other taxes	1,014,254	614,683
Subtotal	11,498,065	9,878,547
Total	247,456,607	229,917,665

Note 39 – Additional notes (continued)

Note 39.32 – Depreciation, Amortization and Impairment

(a) The charges to income for this concept during 2012 and 2011 were:

	2012 ThCh$	2011 ThCh$
Depreciation & amortization		
Depreciation of Property, Plant and Equipment (Note 39.14 a)	20,614,419	20,543,121
Amortization of intangible assets (Note 39.13 b)	10,343,345	10,168,160
Total	30,957,764	30,711,281

(b) The composition of the charge for impairment for 2012 and 2011 is as follows:

	2012 ThCh$	2011 ThCh$
Impairment		
Impairment of investment instruments	550,506	-
Impairment of Property, Plant and Equipment (Note 39.14 a)	347,667	335,384
Impairment of intangible assets (Note 39.13 b)	-	295,882
Total	898,173	631,266

Note 39 – Additional notes (continued)

Note 39.33 – Other Operating Income

Other operating income of the Bank and its subsidiaries during 2012 and 2011 was as follows:

	2012 ThCh$	2011 ThCh$
Revenue from assets received in payment		
Gain on sale of assets received in payment	5,673,977	5,918,319
Other revenue	7,545	114,565
Sub total	5,681,522	6,032,884
Releases of provisions for contingencies		
Allowances for country risk	1,174,302	-
Special allowances for foreign loans	-	-
Other provisions for contingencies	624,143	173,196
Sub total	1,798,445	173,196
Other revenue		
Rentals received	6,007,330	5,613,781
Expense reimbursements	2,895,080	2,371,821
Correspondent bank rebates	2,378,879	2,206,856
Custody & trust services	465,879	113,322
Gain on sales of Property, Plant and Equipment	325,134	1,337,504
Tax prepayments adjustment	315,124	1,005,996
Tax refunds	275,234	844,275
Income from difference in sale of leasing assets	135,326	1,020,933
Foreign trade income	50,695	47,983
Insurance claims	19,329	1,593,894
Other	1,713,591	2,372,658
Subtotal	14,581,601	18,529,023
Total	22,061,568	24,735,103

Note 39 – Additional notes (continued)

Note 39.34 – Other Operating Expenses

The other operating expenses of the Bank and its subsidiaries incurred in 2012 and 2011 are as follows:

	2012 ThCh$	2011 ThCh$
Allowances and expenses for assets received in payment		
Allowances for assets received in payment	100,182	1,124,229
Write-offs of assets received in payment	2,599,579	3,494,884
Maintenance expenses of assets received in payment	621,521	560,856
Subtotal	3,321,282	5,179,969
Allowances for contingencies		
Allowances for country risk	-	785,141
Special allowances for foreign loans	-	-
Other provisions for contingencies	1,108,663	2,494,907
Subtotal	1,108,663	3,280,048
Other expenses		
Co-branding	18,935,245	17,360,154
Operational risk write-offs	9,526,016	3,002,029
Allowances other assets	3,764,673	-
Card administration	2,162,633	2,602,059
Write-offs & provision for frauds	1,195,151	754,071
Leasing operating expenses & write-offs	779,724	791,534
Mortgage-protection insurance	308,671	231,801
Allowance leased assets recovered	226,668	50,027
Contribution fiscal organisms	224,984	208,004
Civil lawsuits	223,991	387,871
Losses on sales of Property, Plant and Equipment	7,018	25,058
Other	721,289	1,789,553
Subtotal	38,076,063	27,202,161
Total	42,506,008	35,662,178

Note 39 – Additional notes (continued)

Note 39.35 - Operations with related parties

In the case of open corporations and their subsidiaries, related parties are those of the same business group as the company; legal entities which, with respect to the company, are the parent, major shareholder, subsidiary, associate; who are directors, managers, administrators, senior executives or liquidators of the company, on their own behalf or on behalf of persons other than the company, and their respective spouses or family to the second degree of blood or affinity relationship, and any entity controlled, directly or indirectly, through any of them; companies or businesses in which the above persons are owners, directly or through other persons or entities, of 10% or more of their capital, or directors, managers, administrators or senior executives; any person who alone or with others under a joint-management agreement can appoint at least one member of the administration of the company or controls 10% or more of the capital, or capital with voting rights in the case of a company by shares; those established in the bylaws of the company, or justifiably identified by the directors' committee; and those in which they have performed as director, manager, administrator, senior executive or liquidator of the company within the previous eighteen months.

Article 147 of the Corporations Law states that an open corporation may only carry out operations with related parties when their object is to contribute to the corporate interest, they reflect in price, terms and conditions those prevailing in the market at the time of their approval, and meet the requirements and procedures set out in this law.

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

Note 39 – Additional notes (continued)

Note 39.35 – Operations with Related Parties (continued)

(a) Loans with related parties

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

	Productive companies (*)		Investment companies (**)		Individuals (***)		Total	
	2012 ThCh$	2011 ThCh$	2012 ThCh$	2011 ThCh$	2012 ThCh$	2011 ThCh$	2012 ThCh$	2011 ThCh$
Loans & accounts receivable:								
Commercial loans	250,982,785	209,763,689	63,576,171	81,798,318	703,811	575,011	315,262,767	292,137,018
Housing loans	-	-	-	-	14,974,333	13,919,405	14,974,333	13,919,405
Consumer loans	-	-	-	-	3,920,126	3,386,610	3,920,126	3,386,610
Gross loans	250,982,785	209,763,689	63,576,171	81,798,318	19,598,270	17,881,026	334,157,226	309,443,033
Allowances for loans	(761,333)	(602,070)	(135,616)	(294,777)	(68,344)	(68,382)	(965,293)	(965,229)
Net Loans	**250,221,452**	**209,161,619**	**63,440,555**	**81,503,541**	**19,529,926**	**17,812,644**	**333,191,933**	**308,477,804**
Contingent liabilities:								
Guarantees	1,863,530	18,669,921	-	-	-	-	1,863,530	18,669,921
Letters of credit	279,883	157,922	-	-	-	-	279,883	157,922
Performance bonds	24,361,028	21,313,352	2,373,823	2,037,778	-	-	26,734,851	23,351,130
Freely-available lines of credit	46,179,328	32,405,852	4,532,093	1,450,912	9,695,517	9,392,594	60,406,938	43,249,358
Total contingent liabilities	72,683,769	72,547,047	6,905,916	3,488,690	9,695,517	9,392,594	89,285,202	85,428,331
Allowances for contingent liabilities	(44,479)	(95,293)	(1,238)	(1,915)	-	-	(45,717)	(97,208)
Net contingent liabilities	**72,639,290**	**72,451,754**	**6,904,678**	**3,486,775**	**9,695,517**	**9,392,594**	**89,239,485**	**85,331,123**
Amounts covered by collateral								
Mortgages	31,034,305	27,958,137	54,778	54,778	15,324,951	15,430,894	46,414,034	43,443,809
Warrants	-	-	-	-	-	-	-	-
Pledges	12,500	-	-	-	6,500	6,500	19,000	6,500
Other (****)	2,841,594	2,855,120	17,299,900	17,299,900	9,505	9,505	20,150,999	20,164,525
Total collateral	**33,888,399**	**30,813,257**	**17,354,678**	**17,354,678**	**15,340,956**	**15,446,899**	**66,584,033**	**63,614,834**
Instruments acquired								
For trading	-	2,153,716	-	-	-	-	-	2,153,716
For investment	-	-	-	-	-	-	-	-
Total instruments acquired	**-**	**2,153,716**	**-**	**-**	**-**	**-**	**-**	**2,153,716**

(*) For these purposes, productive companies are those that meet the following conditions:
i) they are involved in production activities and generate a separate revenue flow,
ii) less than 50% of their assets are trading or investment instruments.

(**) Investment companies include those legal entities which do not meet the conditions of productive companies and are profit-oriented.

(***) Individuals include key members of the management, being those who directly or indirectly have authority and responsibility for planning, managing and controlling the organization's activities, including directors. This category also includes members of their family who have influence or who are influenced by the individuals in their interactions with the organization.

(****) These guarantees relate mainly to shares & other financial assets.

Note 39 – Additional notes (continued)

Note 39.35 – Operations with Related Parties (continued)

(b) Other assets and liabilities with related parties:

	2012 ThCh$	2011 ThCh$
Assets		
Cash & bank deposits	11,173,723	97,389,859
Financial derivative contracts	107,486,996	116,009,767
Other	2,931,468	2,665,261
Total	121,592,187	216,064,887
Liabilities		
Demand deposits	87,394,758	69,255,390
Time deposits & other loans	376,701,882	529,732,211
Financial derivative contracts	83,582,458	100,237,748
Debt instruments issued	79,821,357	-
Due to Banks	134,819,809	194,058,449
Other	9,043,834	7,969,108
Total	771,364,098	901,252,906

(c) Revenue and expenses on operations with related parties (*):

	2012		2011	
Type of revenue or expense booked	**Revenue ThCh$**	**Expense ThCh$**	**Revenue ThCh$**	**Expense ThCh$**
Interest & indexation revenue & expense	18,759,132	20,589,766	15,521,888	30,454,617
Fees & services revenue & expense	56,716,692	33,336,921	56,978,919	30,647,282
Income from financial operations	188,989,636	152,818,828	499,960,408	399,773,210
Release or constitution of credit-risk allowances	-	677,029	220,847	-
Operational support costs	-	64,212,910	-	65,717,920
Other revenue & expense	743,900	40,199	842,890	52,555
Total	265,209,360	271,675,653	573,524,952	526,645,584

(*) This does not constitute a statement of comprehensive income of related party transactions since assets with these parties are not necessarily equal to liabilities and each item reflects the total revenue and expense and is not related to matched transactions.

Note 39 – Additional notes (continued)

Note 39.35 – Operations with Related Parties (continued)

(d) Contracts with related parties:

These are no contracts signed during 2012 and 2011 that correspond to habitual transactions with customers in general, when such contracts are for amounts greater than UF 1,000.

(e) Payments to key management personnel:

During 2012 and 2011, key personnel have been paid a total remuneration of ThCh$37,719 (Th$36,129 in 2011).

(f) Directors' Expenses and Remuneration

	Remuneration		Per diem for board meetings		Committee Adviser		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
Director	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Andrónico Luksic Craig	108,566	126,493	-	-	-	-	108,566	126,493
Jorge Awad Mehech	-	-	2,428	2,339	-	-	2,428	2,339
Rodrigo Manubens Moltedo	-	-	1,214	781	-	-	1,214	781
Thomas Fürst Freiwirth	-	-	1,214	774	-	-	1,214	774
Total	108,566	126,493	4,856	3,894	-	-	113,422	130,387

As of December 31, 2012, SM-Chile made payments for concepts related to directors' remuneration of ThCh$113,422 (ThCh$130,387 in 2011). Banco de Chile and its subsidiaries have paid and accrued as a charge to income concepts related to directors' remuneration of ThCh$2,655,115 (ThCh$2,732,517 in 2011).

Note 39 – Additional notes (continued)

Note 39.36 – Fair Value of Financial Assets and Liabilities

The Bank and its subsidiaries have defined a framework of valuation and control related to the process of measurement of fair value.

This includes the function of product control, which is independent of the principal management and reports to the manager, financial management and control. The product control area has the responsibility for the independent verification of the income of trading and investment operations and all measurements of fair value.

The Bank and its subsidiaries take into account at least the following aspects in order to achieve suitable measurements and controls:

(i) Standard industry valuation.

The standard industry model is used to value financial instruments: quota value, share price, discounted cash flows and valuation of options using the Black-Scholes-Merton valuation model in the case of options. The entry parameters for the valuation correspond to rates, prices and volatility levels for different terms and market factors that are traded on the national and international markets.

(ii) Prices quoted on active markets.

The fair value of instruments quoted on active markets is determined using the daily quotations through electronic information systems (Santiago Stock Exchange, Bloomberg) mainly. This represents the value at which these instruments are regularly traded in the financial markets.

(iii) Valuation techniques.

Should no quotations be available for the instrument to be valued, techniques will be used to determine its fair value.

As valuation models generally require the entry of market parameters, it is sought to maximize the information based on observable or derivative quotations of prices for similar instruments on active markets. Should there be no information in active markets or information from external providers of market information (ICAP), similar transaction prices and historic information are used to validate the valuation parameters.

(iv) Valuation adjustments.

Two adjustments to the market value of each instrument are considered as part of the valuation process, calculated from market parameters: one for liquidity and the other for Bid/Offer. The latter represents the impact on the valuation of an instrument depending on whether the position corresponds to a long or bought position, or short or sold position. Active market quotations or indicative prices are used for calculating this adjustment, according the case of the instrument, considering the respective Bid, Mid and Offer.

In calculating the liquidity adjustment, the position of each factor is considered together with the relative size of Banco de Chile with respect to the market and the liquidity observed in recent market operations.

Note 39 – Additional notes (continued)

Note 39.36 – Fair Value of Financial Assets and Liabilities (continued)

(v) Valuation controls.

In order to control that the market parameters the Bank uses in the valuation of financial instruments correspond to the present state of the market and the best estimate of fair value, an independent prices and rates valuation is carried out daily. The purpose is to control that the market parameters foreseen by the respective business area before the valuation process, are within acceptable ranges of differences when comparing them with the same combination of parameters prepared independently by the product control area. Differences of value are thus obtained at the level of currency, product and portfolio which are compared against specific ranges for each level of grouping.

Should there be important differences, these are scaled according to their materiality, individual to each market factor and added at the portfolio level, according to the scaling tables within previously-defined ranges. These ranges are approved by the finance, international and financial risk committee.

At the same time and complementarily, the product control area prepares daily reports of gains and losses and exposure to market risks, which permit an adequate control and consistency with the parameters used in the valuation.

(vi) Reasoned analysis and information to the management.

In special cases where there are no market quotations for the instrument to be valued and there are no similar transaction prices or indicative parameters, a specific control and a reasoned analysis is made to estimate as far as possible the reasonable value of the operation. Within the framework for the valuation described in the reasonable value policy approved by the board of Banco de Chile, the level of approval is established for carrying out transactions where there is no market information or it is impossible to infer prices or rates from them.

(a) Hierarchy of instruments valued at fair value

Banco de Chile, in accordance with the above points, classifies its financial instruments at the following levels:

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

This level includes currency forwards, securities of Banco Central de Chile and the Chilean Treasury, investments in mutual funds and shares.

For instruments of Banco Central de Chile and the Chilean Treasury, Level 1 includes all ticker codes belonging to a benchmark, i.e. that correspond to one of the following categories published by the Santiago Stock Exchange: Pesos-02, Pesos-05, Pesos-07, Pesos-10, UF-02, UF-05, UF-07, UF-10, UF-20, UF-30. A benchmark corresponds to a group of ticker codes which are similar in terms of maturity and which are traded similarly, i.e. the price obtained is the same for all instruments comprising a benchmark. These characteristics define a greater market depth, with daily quotations that permit classifying these instruments as Level 1.

Note 39 – Additional notes (continued)

Note 39.36 – Fair Value of Financial Assets and Liabilities (continued)

(a) Hierarchy of instruments valued at fair value (continued)

Level 1 (continued)

There are observable daily market quotations (internal rates of return, quota value, price, respectively) for all these instruments, so it is unnecessary to make assumptions for valuation. In the case of government debt, the market internal rate of return is used to discount all cash flows to present value. In the case of mutual funds and shares, the current price is used which, multiplied by the number of instruments, results in the fair value.

The above valuation technique is that used by the Santiago Stock Exchange and is the standard methodology used in the market.

Level 2: There are no market quotations for the specific instrument or observable prices are sporadic and the market for the instrument is therefore not considered sufficiently deep. For this level, the valuation is made based on inference from observable factors: prices quoted for similar instruments in active markets.

This level mainly includes derivatives, debt issued by the Bank, mortgage-funding notes, financial trading instruments and some issues of Banco Central de Chile and the Treasury.

The valuation of derivatives will depend on whether these are affected by volatility as an important market factor in the standard valuation methodologies. The Black-Scholes-Merton model is used for options, while the net present value is used for other derivatives, forwards and swaps.

For the rest of the instruments in this level, as well as debt issuances in Level 1, the valuation is made through the internal rate of return.

Should there be no observable Price for the specific term, this is inferred from the interpolation between maturities that do have observable information in active markets. The models incorporate various market variables including the quality of the credit of the counterparties, exchange rates and interest-rate curves.

The above valuation techniques are those used by the Santiago Stock Exchange, Bloomberg and the over-the-counter market, and correspond to the standard methodology used in the local and international markets.

Level 3: The market parameters used in the valuation are not observable or cannot be inferred directly from information on active markets. This category also includes instruments that are valued based on quoted prices for similar instruments that require adjustments or significant non-observable assumptions to reflect the differences between them.

The instruments classified in Level 3 are mainly debt issuances of Chilean and foreign companies, made in Chile or abroad.

The above technique is that used by the Santiago Stock Exchange and Bloomberg, and corresponds to the standard methodology used in the local and international markets.

Note 39 – Additional notes (continued)

Note 39.36 – Fair Value of Financial Assets and Liabilities (continued)

(b) Table of Hierarchy Levels

The following table shows the classification by levels of the financial instruments booked at fair value.

	Level 1		Level 2		Level 3		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
Financial Assets	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Instruments for trading								
Del Estado & Banco Central de Chile	65,548,369	72,971,184	6,830,945	4,870,753	-	-	72,379,314	77,841,937
Other instruments issued in Chile	187,998	369,609	87,114,432	191,063,440	-	585,351	87,302,430	192,018,400
Instruments issued abroad	-	-	-	-	-	-	-	-
Investments in mutual funds	33,041,511	31,910,159	-	-	-	-	33,041,511	31,910,159
Su total	98,777,878	105,250,952	93,945,377	195,934,193	-	585,351	192,723,255	301,770,496
Derivative contracts for trading								
Forwards	-	-	70,166,274	125,765,260	-	-	70,166,274	125,765,260
Swaps	-	-	258,496,078	258,681,010	-	-	258,496,078	258,681,010
Call options	-	-	472,266	1,239,167	-	-	472,266	1,239,167
Put options	-	-	341,172	1,738	-	-	341,172	1,738
Futures	-	-	-	-	-	-	-	-
Subtotal	-	-	329,475,790	385,687,175	-	-	329,475,790	385,687,175
Accounting hedge derivative contracts								
Swaps	-	-	22,414	-	-	-	22,414	-
Sub total	-	-	22,414	-	-	-	22,414	-
Investment instruments available for sale								
Del Estado & Banco Central de Chile	136,553,944	-	115,230,214	412,393,978	-	-	251,784,158	412,393,978
Other instruments issued in Chile	-	-	646,078,417	606,723,022	278,073,020	321,377,514	924,151,437	928,100,536
Instruments issued abroad	30,538,080	-	-	-	57,966,247	128,403,083	88,504,327	128,403,083
Subtotal	167,092,024	-	761,308,631	1,019,117,000	336,039,267	449,780,597	1,264,439,922	1,468,897,597
Total	265,869,902	105,250,952	1,184,752,212	1,600,738,368	336,039,267	450,365,948	1,786,661,381	2,156,355,268
Financial liabilities								
Derivative contracts for trading								
Forwards	-	-	81,789,974	115,796,977	-	-	81,789,974	115,796,977
Swaps	-	-	264,051,950	272,976,180	-	-	264,051,950	272,976,180
Call options	-	-	394,874	1,148,805	-	-	394,874	1,148,805
Put options	-	-	387,326	34,882	-	-	387,326	34,882
Futures	-	-	-	-	-	-	-	-
Other	-	-	-	21,044	-	-	-	21,044
Sub total	-	-	346,624,124	389,977,888	-	-	346,624,124	389,977,888
Accounting hedge derivative contracts								
Swaps	-	-	33,698,047	39,935,516	-	-	33,698,047	39,935,516
Sub total	-	-	33,698,047	39,935,516	-	-	33,698,047	39,935,516
Total	-	-	380,322,171	429,913,404	-	-	380,322,171	429,913,404

Starting the last quarter of 2012, a greater precision was taken in the classification of levels of financial instruments, based on how observable their prices are. The new definition is described at the beginning of this disclosure. This change has no impact on the valuation of the financial assets and liabilities at fair value.

Note 39 – Additional notes (continued)

Note 39.36 – Fair Value of Financial Assets and Liabilities (continued)

(c) Reconciliation Level 3

The following table shows the reconciliation between the opening and closing balances of instruments classified in Level 3, whose fair value is shown in the financial statements:

	As of December 31, 2012					
		Gain (Loss)	Gain (Loss)			
Financial assets	**Balance at January 01, 2012 ThCh$**	**Booked in income ThCh$**	**Booked in Equity ThCh$**	**Net of Purchases, sales & agreements ThCh$**	**Transfers To Level 1 & 2 ThCh$**	**Balance at December 31, 2012 ThCh$**
Instruments for trading						
Del Estado & Banco Central de Chile	-	-	-	-	-	-
Other instruments issued in Chile	585,351	182,265	-	(767,616)	-	-
Instruments issued abroad	-	-	-	-	-	-
Investments in mutual funds	-	-	-	-	-	-
Sub total	585,351	182,265	-	(767,616)	-	-
Investment instruments available for sale:						
Del Estado & Banco Central de Chile	-	-	-	-	-	-
Other instruments issued in Chile	321,377,514	1,511,411	(1,410,211)	(43,405,694)	-	278,073,020
Instruments issued abroad	128,403,083	(5,712,976)	19,665,740	(59,432,082)	(24,957,518)	57,966,247
Subtotal	449,780,597	(4,201,565)	18,255,529	(102,837,776)	(24,957,518)	336,039,267
Total	450,365,948	(4,019,300)	18,255,529	(103,605,392)	(24,957,518)	336,039,267

	As of December 31, 2011					
		Gain	(Loss)			
Financial assets	**Balance at January 01, 2011 ThCh$**	**Booked in income ThCh$**	**Booked in Equity ThCh$**	**Net of Purchases, sales & agreements ThCh$**	**Transfers To Level 1 & 2 ThCh$**	**Balance at December 31, 2011 ThCh$**
Instruments for trading						
Del Estado & Banco Central de Chile						
Other instruments issued in Chile	1,739,673	94,710	-	(1,249,032)	-	585,351
Instruments issued abroad	-	-	-	-	-	-
Investments in mutual funds						
Sub total	1,739,673	94,710	-	(1,249,032)	-	585,351
Investment instruments available for sale:						
Del Estado & Banco Central de Chile	230,479,782	11,991,323	(2,130,070)	81,036,479	-	321,377,514
Other instruments issued in Chile	84,071,874	16,115,224	(3,896,810)	32,112,795	-	128,403,083
Instruments issued abroad	314,551,656	28,106,547	(6,026,880)	113,149,274	-	449,780,597
Total	316,291,329	28,201,257	(6,026,880)	111,900,242	-	450,365,948

Note 39 – Additional notes (continued)

Note 39.36 – Fair Value of Financial Assets and Liabilities (continued)

(d) Sensitivity of instruments classified in Level 3 to changes in key model assumptions.

The following table shows the sensitivity by type of instrument of those instruments classified in Level 3 to changes in the key valuation assumptions:

	As of December 31, 2012		As of December 31, 2011	
Financial assets	**Level 3 ThCh$**	**Sensitivity to changes in key assumptions of the model ThCh$**	**Level 3 ThCh$**	**Sensitivity to changes in key assumptions of the model ThCh$**
Instruments for trading				
Other instruments issued in Chile	-	-	585,351	(292)
Total	-	-	585,351	(292)
Investment instruments available for sale				
Other instruments issued in Chile	278,073,020	(801,675)	321,377,514	(421,413)
Instruments issued abroad	57,966,247	(762,423)	128,403,083	(249,302)
Total	336,039,267	(1,564,098)	449,780,597	(670,715)

In order to measure the sensitivity of the financial investments to changes in relevant market factors, the Bank has made alternative calculations of fair value, changing those key parameters for the valuation and those which are not directly observable. The reasonableness of these changes has been assured by the use of market data provided by specialized external suppliers.

Note 39 – Additional notes (continued)

Note 39.36 – Fair Value of Financial Assets and Liabilities (continued)

(e) Other assets and liabilities

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

	Book Value		Estimated Fair Value	
	2012 ThCh$	2011 ThCh$	2012 ThCh$	2011 ThCh$
Assets				
Cash & bank deposits	684,924,459	881,147,190	684,924,459	881,147,190
Operations pending settlement	396,610,650	373,640,526	396,610,650	373,640,526
Repurchase agreements & loans of securities	35,099,676	47,980,881	35,099,676	47,980,881
Subtotal	1,116,634,785	1,302,768,597	1,116,634,785	1,302,768,597
Due by banks				
Banks in Chile	14,304,251	15,054,035	14,304,251	15,054,035
Banco Central de Chile	1,100,696,096	300,819,404	1,100,696,096	300,819,404
Banks abroad	228,321,647	332,551,447	228,321,647	332,551,447
Subtotal	1,343,321,994	648,424,886	1,343,321,994	648,424,886
Loans & accounts receivable from customers				
Commercial loans	11,484,277,430	10,974,740,028	11,473,251,427	10,973,062,050
Housing loans	4,182,586,685	3,591,529,193	4,201,091,116	3,557,247,818
Consumer loans	2,667,467,738	2,427,032,263	2,683,593,472	2,426,959,393
Subtotal	18,334,331,853	16,993,301,484	18,357,936,015	16,957,269,261
Total	20,794,288,632	18,944,494,967	20,817,892,794	18,908,462,744
Liabilities				
Demand deposits & other obligations	5,470,841,944	4,895,278,998	5,470,841,944	4,895,278,998
Operations pending settlement	159,218,473	155,424,373	159,218,473	155,424,373
Repurchase agreements & loans of securities	226,396,014	223,201,947	226,396,014	223,201,947
Time deposits & other loans	9,610,686,877	9,280,608,020	9,589,642,980	9,273,009,673
Obligations with Banks	1,108,680,229	1,690,937,343	1,103,251,962	1,689,172,339
Other financial obligations	162,124,452	184,783,502	162,124,452	184,783,502
Subtotal	16,737,947,989	16,430,234,183	16,711,475,825	16,420,870,832
Debt instruments issued				
Mortgage-funding notes	85,967,252	106,965,451	87,087,918	115,824,637
General-funding notes	29,228,543	45,133,357	29,610,115	48,871,251
Bonds	2,412,232,783	1,488,368,881	2,282,013,936	1,459,144,995
Subordinated bonds	746,503,303	747,874,344	726,368,791	728,329,847
Subtotal	3,273,931,881	2,388,342,033	3,125,080,760	2,352,170,730
Total	20,011,879,870	18,818,576,216	19,836,556,585	18,773,041,562

Note 39 – Additional notes (continued)

Note 39.36 – Fair Value of Financial Assets and Liabilities (continued)

(e) Other assets and liabilities (continued)

The fair value of assets not shown at that value in the statement of financial position relates to the estimated cash flows. These cash flows are obtained from regulatory cash-flow reports, in particular the report of exposure to interest-rate risk and indexation of the trading book (accrual). The term and currency expected to be received are then determined and, discounting the relevant market interest rate for each type of operation, the net present value is obtained for each type. The discount rates used for the calculation of the present value are the marginal rates of each product, considering specific rates by currency and term to capture both the inherent risk of the term and the level of future expectations by currency.

In the case of loans, the allowances have been deducted by type of loan to reflect the fact that the Bank has models for estimating the probability that its customers will not meet their obligations.

The fair value of the liabilities without any market quotation is based on the discounted cash flow using the interest rate for similar maturities.

For financial assets and liabilities at short term (less than three months), book values are assumed to approximate their fair values. This assumption is also applied to deposits and savings accounts without maturity.

The Bank has incurred no one-day gain or loss during the period reported (difference between mark-to-market at the close of the day and the effective rate of the transaction).

Notes to the Consolidated Financial Statements
(Translation of consolidated financial statements originally issued in Spanish – see Note 2)

Note 39 – Additional notes (continued)

Note 39.37 – Maturities of Assets and Liabilities

The following table shows the principal financial assets and liabilities grouped according to their remaining term, including accrued interest as of December 31, 2012 and 2011. Instruments for trading or available for sale are included at their fair value.

	2012						
	Up to 1 month	**1 to 3 months**	**3 to 12 months**	**1 to 3 years**	**3 to 5 years**	**Over 5 years**	**Total**
Assets	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**
Cash & bank deposits	684,924,459	-	-	-	-	-	684,924,459
Operations pending settlement	396,610,650	-	-	-	-	-	396,610,650
Instruments for trading	192,723,255	-	-	-	-	-	192,723,255
Repurchase agreements & loans of securities	8,338,115	855,030	25,906,531	-	-	-	35,099,676
Financial derivative contracts	19,155,985	26,190,201	85,575,730	93,733,112	40,800,812	64,042,364	329,498,204
Due by banks (**)	1,152,642,491	14,409,056	177,229,557	-	-	-	1,344,281,104
Loans & accounts receivable from customers (*) (**)	1,743,729,723	1,863,498,755	3,512,461,323	4,110,399,044	1,945,583,865	4,653,378,910	17,829,051,620
Investment instruments available for sale	272,372,536	171,016,633	343,664,799	152,074,850	132,381,579	192,929,525	1,264,439,922
Investment instruments held to maturity	-	-	-	-	-	-	-
Total financial assets	4,470,497,214	2,075,969,675	4,144,837,940	4,356,207,006	2,118,766,256	4,910,350,799	22,076,628,890

	2011						
	Up to 1 month	**1 to 3 months**	**3 to 12 months**	**1 to 3 years**	**3 to 5 years**	**Over 5 years**	**Total**
Assets	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**
Cash & bank deposits	881,147,190	-	-	-	-	-	881,147,190
Operations pending settlement	373,640,526	-	-	-	-	-	373,640,526
Instruments for trading	301,770,496	-	-	-	-	-	301,770,496
Repurchase agreements & loans of securities	40,211,845	6,269,947	1,499,089	-	-	-	47,980,881
Financial derivative contracts	28,739,641	32,789,036	107,867,224	88,708,793	59,061,447	68,521,034	385,687,175
Due by banks (**)	300,819,404	-	348,611,888	-	-	-	649,431,292
Loans & accounts receivable from customers (*) (**)	2,130,409,117	2,190,492,093	3,906,372,049	3,243,769,824	1,477,636,733	3,536,944,460	16,485,624,276
Investment instruments available for sale	136,619,917	231,809,635	267,520,544	118,722,214	222,782,352	491,442,935	1,468,897,597
Investment instruments held to maturity	-	-	-	-	-	-	-
Total financial assets	4,193,358,136	2,461,360,711	4,631,870,794	3,451,200,831	1,759,480,532	4,096,908,429	20,594,179,433

(*) This only includes loans that are current as of the year end. It therefore excludes overdue loans amounting to ThCh$932,713,775 in 2012 (ThCh$892,167,101 in 2011) of which ThCh$524,552,969 (ThCh$500,603,487 in 2011) were less than 30 days overdue.

(**) The respective allowances, amounting to ThCh$427,433,542 in 2012 (ThCh$384,489,893 in 2011) for loans and accounts receivable from customers and ThCh$959,110 (ThCh$1,006,406 in 2011) for loans to banks, have not been deducted from these balances.

Notes to the Consolidated Financial Statements

(Translation of consolidated financial statements originally issued in Spanish – see Note 2)

Note 39 – Additional notes (continued)

Note 39.37 – Maturities of Assets and Liabilities (continued)

				2012			
	Up to 1 month	**1 to 3 months**	**3 to 12 months**	**1 to 3 years**	**3 to 5 years**	**Over 5 years**	**Total**
Liabilities	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**
Demand deposits & other obligations	5,470,841,944	-	-	-	-	-	5,470,841,944
Operations pending settlement	159,218,473	-	-	-	-	-	159,218,473
Repurchase agreements & loans of securities	224,793,504	1,602,510	-	-	-	-	226,396,014
Time deposits & other obligations (***)	3,832,539,153	2,356,385,891	2,846,608,848	397,643,065	278,867	29,732	9,433,485,556
Financial derivative contracts	27,981,698	30,469,369	60,283,655	116,047,678	48,616,131	96,923,640	380,322,171
Obligations with Banks	181,972,012	153,701,631	631,051,043	141,955,543	-	-	1,108,680,229
Debt instruments issued:							
Funding notes	5,350,935	5,853,015	15,858,995	35,502,061	21,842,993	30,787,796	115,195,795
Bonds	47,119,543	133,570,123	56,632,639	456,333,663	358,097,018	1,360,479,797	2,412,232,783
Subordinated bonds	1,163,444	2,276,042	34,731,133	48,378,230	151,611,814	508,342,640	746,503,303
Other financial obligations	106,972,923	1,004,777	5,140,350	10,534,277	7,201,040	31,271,085	162,124,452
Total financial liabilities	10,057,953,629	2,684,863,358	3,650,306,663	1,206,394,517	587,647,863	2,027,834,690	20,215,000,720
				2011			
	Up to 1 month	**1 to 3 months**	**3 to 12 months**	**1 to 3 years**	**3 to 5 years**	**Over 5 years**	**Total**
Liabilities	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**
Sight deposits & other obligations	4,895,278,998	-	-	-	-	-	4,895,278,998
Operations pending settlement	155,424,373	-	-	-	-	-	155,424,373
Repurchase agreements & loans of securities	218,578,249	4,553,181	70,517	-	-	-	223,201,947
Time deposits & other obligations (***)	4,333,689,407	1,937,012,328	2,540,910,731	292,426,456	355,343	29,744	9,104,424,009
Financial derivative contracts	36,738,984	34,975,681	91,148,425	98,012,779	58,077,444	110,960,091	429,913,404
Obligations with Banks	138,549,123	200,786,187	1,079,317,467	220,367,816	51,916,750	-	1,690,937,343
Debt instruments issued:							
Funding notes	6,190,889	7,062,862	19,699,440	44,373,835	30,581,009	44,190,773	152,098,808
Bonds	3,150,338	350,671	7,655,665	261,718,635	370,151,608	845,341,964	1,488,368,881
Subordinated bonds	2,639,077	2,068,055	42,598,573	45,081,965	162,619,456	492,867,218	747,874,344
Other financial obligations	123,509,228	1,009,460	5,370,975	12,355,184	8,191,460	34,347,195	184,783,502
Total financial liabilities	9,913,748,666	2,187,818,425	3,786,771,793	974,336,670	681,893,070	1,527,736,985	19,072,305,609

(***) Excludes term saving accounts, which amount to ThCh$179,464,472 in 2012 (ThCh$177,899,996 in 2011).

Note 39 – Additional notes (continued)

Note 39.38 –Risk Management

(1) Introduction

The Bank's risk management is based on the specialization, knowledge of the business and the experience of its teams, with professionals specifically dedicated to each of the different types of risk. The policy is to maintain an integrated, future-focused perspective on risk management, taking into account the current and forecasted economic environment and the risk/return ratio of all products of the Bank and its subsidiaries.

The credit policies and processes acknowledge the particularities of each market and segment, and grant specialized treatment to each of them. The integrated information prepared for risk analysis is key to developing strategic planning whose specific purpose is to determine the desired level of risk for each business, aligning the strategies with the established risk level, communicating the desired risk levels to the organization's commercial areas, developing models, processes and tools for evaluating, measuring and controlling risk throughout the different business lines and areas, informing the board of the characteristics and evolution of the risk, proposing action plans to address important deviations in risk indicators, and enforcing compliance with the various standards and regulations.

(a) Risk Management Structure

Credit and market risk management takes place at different levels throughout the organization, structured to recognize the importance and different types of risk. These levels are currently:

(i) Board of directors

The Board of Banco de Chile is responsible for approving the policies and setting the structure for the proper management of the various risks faced by the organization. It is therefore constantly informed of the evolution of the different risk areas, participating through its Finance, International and Financial Risk, Credit, Portfolio and Audit committees which revise the state of credit and market risks. It also participates actively in each of them, being informed of the state of the portfolio and taking part in the strategic definitions that impact on the portfolio quality.

Risk management policies are established to identify and analyze the risks faced by the Bank, set suitable risk limits and controls, and monitor the risks and compliance with the limits. Risk management policies and systems are revised regularly so that they reflect changes in market conditions and the Bank's activities. The Bank, through its management rules and procedures, endeavors to develop a disciplined and constructive control environment in which all staff understand their roles and obligations.

Note 39 – Additional notes (continued)

Note 39.38 –Risk Management (continued)

(1) Introduction (continued)

(a) Risk management structure (continued)

(ii) Finance, International and Financial Risk Committee

The principal purpose of the Finance, International and Financial Risk Committee is to revise the evolution of the financial positions and market risks, of price and liquidity, generated in the past and which could potentially be generated in the future, emphasizing the control of risks with respect to limits and/or warnings, both internal and of a regulatory nature. Knowledge of the present state of market risks permits estimating, with a certain degree of defined confidence, potential future losses in the event of adverse movements in the principal market variables (exchange and interest rates and volatility of options) or tightness of liquidity (whether liquidity in trading of financial instruments or funding liquidity).

The Committee also revises the estimated income that these financial positions generate on their own in order to measure the risk-return ratio of the businesses associated with the management of treasury financial positions: evolution in the use of capital and the estimate of credit and market risks that the Bank will face in the future. The Committee also analyzes the international exposure of liabilities and the principal credit exposures generated by trading in derivatives.

The Committee is responsible for the design of policies and procedures relating to the establishment of limits and warnings of financial positions, as well as their measurement, control and reporting. The policies and procedures are later submitted for the approval of the board of the Bank.

The members of the Finance, International and Financial Risk Committee are the chairman of the board, four directors, the chief executive officer, manager of the corporate risk division, the manager of the corporate banking and investments division, the manager of the financial management and control division, the manager of the treasury division and the manager of the financial risk area.

The Committee meets in ordinary sessions once a month and may meet extraordinarily at the request of the chairman, directors or chief executive.

Note 39 – Additional notes (continued)

Note 39.38 –Risk Management (continued)

(1) Introduction (continued)

(a) Risk management structure (continued)

(iii) Credit committees

The Bank's corporate governance structure contemplates different credit committees, responsible for the credit decisions associated with the different commercial segments and the types of risk involved. These committees have their maximum expression in the directors´ credit committee, comprising the chief executive, the manager of the corporate risk division and at least three directors who review weekly all operations exceeding UF 750,000.

The mission of each committee is to define the terms and conditions of acceptance of counterparty risks considered in the evaluation and their members are persons with sufficient decision-taking powers. The corporate risk division takes part in them independently and autonomously from the commercial areas.

(iv) Portfolio Risk Committee

The principal function of this committee is to know the evolution of the composition risk of the Bank's loan portfolio from a global perspective, i.e. by economic sectors, business segments, products, term and everything necessary for having a broad vision of the counterparty risk assumed. The committee revises in detail the principal exposures by economic groups, debtors and behavior parameters like overdue, past-due and impaired portfolio, write-offs and allowances of the loan portfolio for each segment.

This committee's mission is to approve and propose differentiated risk-management strategies to the board. This includes credit policies, portfolio evaluation methodologies, and the calculation of allowances to cover expected losses. It is also responsible for seeing the analysis of sufficiency of allowances, authorizing extraordinary write-offs when recovery efforts have been exhausted and controlling the liquidation of assets received in lieu of payment. It also revises the methodological guidelines for the development of credit-risk models that are evaluated in the technical committee for the supervision of internal models.

The portfolio risk committee meets monthly and is composed of the chairman of the board, two directors, the chief executive officer, the manager of corporate risk division, the manager of retail risk division, and the risk architecture manager. The committee may be called extraordinarily at the request of the chairman, two directors or the chief executive.

Note 39 – Additional notes (continued)

Note 39.38 –Risk Management (continued)

(1) Introduction (continued)

(a) Risk management structure (continued)

(v) Treasury

Treasury is responsible for managing price risks (interest rates, exchange rates and options volatility) for its trading and banking books within the limits approved by the board. In addition, it is the sole body responsible for ensuring that the bank maintains an adequate liquidity level in line with market conditions and the needs of the different business units.

(vi) Corporate risk division

Banco de Chile has a team with wide experience and knowledge in every matter related to credit, market, operational and technological risks to ensure their comprehensive and consolidated management, including the Bank and its subsidiaries, identifying and evaluating the risks generated in their customers, their own operation and their suppliers. The focus is placed on the future, seeking to determine, with different techniques and tools, the potential changes that could affect the solvency, liquidity, correct operation or reputation of Banco de Chile.

Regarding credit risk management, the corporate risk division controls the quality of the portfolio and optimization of the risk-return ratio for all the retail and corporate segments, managing their phases of approval, follow-up and recovery of loans granted.

(vii) Operational risk committee

The operational risk committee is responsible for identifying, setting priority and fixing strategies for mitigating the principal events of operational risk, ensuring the implementation of the management model, establishing levels of risk tolerance and appetite, checking compliance with programs, policies and procedures related to privacy and security of information, business continuity and operational risk of Banco de Chile.

Its frequency of execution was increased during the year, consisting of a monthly committee of the senior management and becoming the rector organism for the operating and technological risk management. Risk management also involves the Bank’s directors through the quarterly presentations to the Directors’ and Audit Committee in these matters.

The members of the operational risk committee are the chief executive, the manager of the corporate risk division, the manager of the financial management & control division, the manager of operations and technology division, the manager of commercial banking division and the manager of the operational and technological risk area.

Note 39 – Additional notes (continued)

Note 39.38 –Risk Management (continued)

(1) Introduction (continued)

(b) Internal Audit

Risk management processes throughout Banco de Chile are continually audited by the Internal Audit Area, which analyzes the adequacy of and compliance with the procedures and their compliance. Internal Audit discusses the results of all evaluations with management and reports its findings and recommendations to the directors through the Audit Committee.

(c) Measurement Methodology

In terms of credit risk, the levels of allowances and the cost of portfolio are basic measurements for determining the credit quality of the portfolio.

The monitoring and control of risks are mainly carried out based on limits set by the board. These limits reflect the Bank's business and market strategy, and also the level of risk it is prepared to accept, with additional emphasis on selected industries.

The Bank's chief executive receives daily, and the finance, international and market risk committee monthly, the evolution of the state of the Bank's pricing and liquidity risks, both against internal measurements and those of the regulators.

The board is presented annually with an allowances sufficiency test. This test attempts to show whether the Bank's present level of allowances, both for the individual and group portfolios is sufficient, based on historic losses or impairments suffered by the portfolio. The board has to formally pronounce on their sufficiency.

(2) Credit Risk

Credit risk is the risk of financial loss the Bank faces if a customer or counterparty of a financial instrument fails to meet their contractual obligations, which arise mainly from accounts receivable from customers and investment instruments.

This risk is managed through a global and unified strategy oriented to the future which recognizes the present and projected economic environment of the markets and segments, giving to each one the pertinent credit treatment, and using risk limits it is prepared to accept for counterparties.

It is therefore inherent to the business and its management to integrate each segment in which the corporation operates, in order to obtain an optimum balance between the risks assumed and the returns obtained. Capital is thus assigned to each line of business, always ensuring compliance with the regulations and criteria defined by the board, in order to have a suitable capital base for possible losses that might derive from credit exposure.

Note 39 – Additional notes (continued)

Note 39.38 –Risk Management (continued)

(2) Credit Risk (continued)

Counterparty limits are set following an analysis of financial information, credit rating, nature of the exposure, degree of documentation, collateral, market and sector conditions, etc. The credit-quality follow-up process provides an early identification of possible changes in the payment capacity of the counterparties, permitting the Bank to evaluate the resultant potential loss of the risks and take corrective actions.

(a) Approval Process

The analysis and approval of loans operate under a differentiated focus according to each market segment, three risk models being defined:

The focus of this type of evaluation model is oriented to the mass retail markets. These models check compliance with three important areas in the approval process:

- Minimum credit profile (scoring).
- Debt limits (exposure).
- Target market.

The credit profile is qualified through statistical credit scoring models segmented for the different kinds of customers of the retail segment's commercial areas. The predictive capacity of the models has been fundamental in being able handle risk management successfully in crisis scenarios. The retail risk management centralizes the information gathering process in order to ensure high standards in the quality of the data.

Regarding the target market and debt limits, the Bank identifies the market sub segments based on its objectives, business strategies and opportunities, establishing definitions that permit the identification of the acceptable credit profile of customers, the products offered to them, individual exposure limits and expected returns.

The Bank has also developed a broad level of intelligence in customer selection, with a significant capacity to discriminate among subjects of different credit basis. There are therefore specific, segmented and different models for Retail Banking and CrediChile. In the case of the CrediChile Consumer Credit Division, there are differences for dependent customers, separated into 5 sub-segments: pensioners, public employees, private-sector employees aged over 40, private-sector employees aged below 40 and independent people.

In Retail Banking, there are segments by activity and length of relationship with the Bank.

Note 39 – Additional notes (continued)

Note 39.38 –Risk Management (continued)

(2) Credit Risk (continued)

(a) Approval Process (continued)

<u>Parametric model:</u>
The SME segment is one for which ad-hoc evaluation and approval schemes have been developed according to their characteristics. A parametric model has been defined for this segment which incorporates the mass segment characteristics and a case-by-case analysis segment. The model considers the evaluation of customers according to three fundamental pillars: payment behavior internally and externally, the analysis of financial information and evaluation of the customer's business. This evaluation process produces a category that summarizes the customer's credit quality through a rating which is directly linked to the credit attributions required for each operation. Internal audits are made constantly to ensure the quality of the information used.

The corporate risk division also supports the commercial management significantly through the process of pre-approval of loans to customers, seeking to optimize the risk-return ratio of these segments. Both the retail market and the SMEs therefore have specialized units offering loans, according to strategies defined previously for the different segments.

<u>Case-by-case model:</u>
This type of analysis is applied to the market of large companies and corporations. It is characterized by expert individual evaluation, whether at the level of risk, amount or complexity of the business, among other variables. This approval process is also supported by a rating model which gives greater standardization in the evaluation and determines the level of credit attributions required. It has a consolidated process and team with considerable experience and specialization in credit approval for the various segments and sectors in which the Bank is present. In order for the approval process to be more effective, the gathering of information, analysis and discussion of the proposed loan are supported by the credit-risk areas in order to provide greater quality to the evaluation and achieve better response times to customer requirements.

(b) Control and Follow-up

The control and constant follow-up of credit risk is the basis of a proactive management of the portfolio and permits recognizing risk early, identifying business opportunities and detecting possible impairment in advance.

In the corporations market, control and follow-up is focused on a combination of revisions, the most important being:

Note 39 – Additional notes (continued)

Note 39.38 –Risk Management (continued)

(2) Credit Risk (continued)

(b) Control and Follow-up (continued)

- Structured portfolio fast-revision schemes, according to the impact of macroeconomic fluctuations in specific activity sectors, defining action plans case by case.
- Constant vigilance system for detecting those customers who present potential risks in advance, agreeing on specific action plans for them with the commercial areas.
- Management of overdue payments, backed by information of predictive risk-level indicators, with follow-up and action plans in the case of the most important customers, as well as managing differentiated structures or early recovery.
- Follow-up on the conditions, restrictions and covenants imposed by the credit committee to all the operations that require them, due to their importance or complexity.
- Control of the exposure and share-collateral cover, monitoring their fluctuations and generating action plans in the event of losses of minimum cover.
- Follow-up schemes of credit behavior variables and financial figures of the companies.

Risk-segmentation strategies in the collection processes and policies, managing to advance in the greater integration of the processes of granting and follow-up, aligned to a same vision of customers' credit basis.

(c) Derivative Instruments

The value of derivative financial instruments is at all times reflected in the systems used for the management and valuation of these portfolios. In addition, the risk generated by these, determined according to SBIF models, is controlled against lines of credit at the start of each transaction.

(d) Portfolio Concentration

The maximum exposure to credit risk, without considering collateral and other credit improvements, by customer or counterparty as of December 31, 2012 and 2011 does not exceed 10% of the Bank's effective equity.

Note 39 – Additional notes (continued)

Note 39.38 –Risk Management (continued)

(2) Credit Risk (continued)

The following tables show the exposure to credit risk by component of the statement of financial position, including derivatives, both by geographic region and industrial sector as of December 31, 2012:

	Chile MCh$	United States MCh$	Brazil MCh$	Other MCh$	Total MCh$
Financial assets					
Cash & bank deposits	499,473	167,186	-	18,266	684,925
Instruments for trading					
Del Estado & Banco Central de Chile	72,379	-	-	-	72,379
Other instruments issued in Chile	87,303	-	-	-	87,303
Instruments issued abroad	-	-	-	-	-
Investments in mutual funds	33,042	-	-	-	33,042
Subtotal	192,724	-	-	-	192,724
Repurchase agreements & loans of securities	35,100	-	-	-	35,100
Derivative contracts for trading					
Forwards	57,852	2,652	-	9,662	70,166
Swaps	99,245	123,676	-	35,575	258,496
Call options	439	-	-	33	472
Put options	341	-	-	-	341
Futures	-	-	-	-	-
Other	-	-	-	-	-
Subtotal	157,877	126,328	-	45,270	329,475
Accounting hedge derivative contracts					
Forwards	-	-	-	-	-
Swaps	22	-	-	-	22
Call options	-	-	-	-	-
Put options	-	-	-	-	-
Futures	-	-	-	-	-
Other	-	-	-	-	-
Sub total	22	-	-	-	22
Due by banks					
Banco Central de Chile	1,100,696	-	-	-	1,100,696
Banks in Chile	14,309	-	-	-	14,309
Banks abroad	80,458	-	109,505	39,313	229,276
Subtotal	1,195,463	-	109,505	39,313	1,344,281
Loans & accounts receivable from customers					
Commercial loans	11,570,499	17,534	15,507	128,044	11,731,584
Housing loans	4,090,683	4,277	4,107	99,600	4,198,667
Consumer loans	2,792,539	1,922	1,522	35,531	2,831,514
Sub total	18,453,721	23,733	21,136	263,175	18,761,765
Investment instruments available for sale					
Del Estado & Banco Central de Chile	251,784	-	-	-	251,784
Other instruments issued in Chile	924,152	-	-	-	924,152
Instruments issued abroad	-	83,759	4,745	-	88,504
Subtotal	1,175,936	83,759	4,745	-	1,264,440
Investment instruments held to maturity	-	-	-	-	-

Note 39 – Additional notes (continued)

Note 39.38 –Risk Management (continued)

(2) Credit Risk (continued)

	Financial services MCh$	Govern-ment MCh$	Individuals MCh$	Commerce MCh$	Manufac-turing MCh$	Mining MCh$	Electricity, Gas & Water MCh$	Agriculture & livestock MCh$	Forestry MCh$	Fishing MCh$	Transport & Tele-communications MCh$	Construc-tion MCh$	Services MCh$	Other MCh$	Total MCh$
Financial assets															
Cash & bank deposits	216,843	-	-	-	-	-	-	-	-	-	-	-	-	468,082	684,925
Instruments for trading															
Del Estado & Banco Central de Chile	-	-	-	-	-	-	-	-	-	-	-	-	-	72,379	72,379
Other instruments issued in Chile	87,115	-	-	-	-	-	-	-	-	-	-	-	-	188	87,303
Instruments issued abroad	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments in mutual funds	33,042	-	-	-	-	-	-	-	-	-	-	-	-	-	33,042
Subtotal	120,157	-	-	-	-	-	-	-	-	-	-	-	-	72,567	192,724
Repurchase agreements & loans of securities	25,979	-	2,280	3,212	-	-	-	160	-	-	-	1,854	1,615	-	35,100
Derivative contracts for trading															
Forwards	65,113	-	1	3,092	1,084	53	75	321	-	114	207	13	93	-	70,166
Swaps	232,459	-	-	6,039	5,447	725	4,986	1,819	-	279	5,569	963	210	-	258,496
Call options	354	-	-	92	26	-	-	-	-	-	-	-	-	-	472
Put options	85	-	-	215	27	-	-	-	9	5	-	-	-	-	341
Futures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	298,011	-	1	9,438	6,584	778	5,061	2,140	9	398	5,776	976	303	-	329,475
Accounting hedge derivative contracts															
Forwards	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Swaps	22	-	-	-	-	-	-	-	-	-	-	-	-	-	22
Call options	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Put options	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Futures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sub total	22	-	-	-	-	-	-	-	-	-	-	-	-	-	22
Due by banks															
Banco Central de Chile	-	-	-	-	-	-	-	-	-	-	-	-	-	1,100.696	1,100,696
Banks in Chile	14,309	-	-	-	-	-	-	-	-	-	-	-	-	-	14,309
Banks abroad	229,276	-	-	-	-	-	-	-	-	-	-	-	-	-	229,276
Sub total	243,585	-	-	-	-	-	-	-	-	-	-	-	-	1,100,696	1,344,281
Loans & accounts receivable from customers															
Commercial loans (*)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing loans	6,609	-	3,503,474	80,676	15,970	2,702	-	27,697	-	1,840	23,934	17,322	105,181	413,262	4,198,667
Consumer loans	3,131	-	2,557,411	40,109	9,400	1,532	5	33,664	-	840	16,280	9,870	38,440	120,832	2,831,514
Investment instruments available for sale															
State & Banco Central de Chile	-	-	-	-	-	-	-	-	-	-	-	-	-	251,784	251,784
Other instruments issued in Chile	801,159	-	-	18,262	-	5,024	41,309	-	44,303	-	7,640	-	2,164	4,291	924,152
Instruments issued abroad	88,504	-	-	-	-	-	-	-	-	-	-	-	-	-	88,504
Sub total	889,663	-	-	18,262	-	5,024	41,309	-	44,303	-	7,640	-	2.164	256,075	1,264,440
Investment instruments held to maturity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

(*) See commercial loans by economic activity in Note 39.10 (d).

Note 39 – Additional notes (continued)

Note 39.38 –Risk Management (continued)

(2) Credit Risk (continued)

The following tables show the exposure to credit risk by component of the statement of financial position, including derivatives, both by geographic region and industrial sector as of December 31, 2011:

	Chile MCh$	United States MCh$	Brazil MCh$	Other MCh$	Total MCh$
Financial assets					
Cash & bank deposits	622,082	228,796	-	30,268	881,146
Instruments for trading					
Del Estado & Banco Central de Chile	77,842	-	-	-	77,842
Other instruments issued in Chile	191,857	-	-	162	192,019
Instruments issued abroad	-	-	-	-	-
Investments in mutual funds	31,910	-	-	-	31,910
Subtotal	301,609	-	-	162	301,771
Repurchase agreements & loans of securities	47,945	-	-	36	47,981
Derivative contracts for trading					
Forwards	101,356	10,490	-	13,920	125,766
Swaps	110,203	117,592	-	30,886	258,681
Call options	1,239	-	-	-	1,239
Put options	2	-	-	-	2
Futures	-	-	-	-	-
Other	-	-	-	-	-
Subtotal	212,800	128,082	-	44,806	385,688
Accounting hedge derivative contracts					
Forwards	-	-	-	-	-
Swaps	-	-	-	-	-
Call options	-	-	-	-	-
Put options	-	-	-	-	-
Futures	-	-	-	-	-
Other	-	-	-	-	-
Subtotal	-	-	-	-	-
Due by banks					
Banco Central de Chile	300,819	-	-	-	300,819
Banks in Chile	15,059	-	-	-	15,059
Banks abroad	182,429	-	91,530	59,594	333,553
Subtotal	498,307	-	91,530	59,594	649,431
Loans & accounts receivable from customers					
Commercial loans	11,011,933	8,952	18,400	165,454	11,204,739
Housing loans	3,508,169	3,984	3,135	92,146	3,607,434
Consumer loans	2,528,655	1,960	1,243	33,762	2,565,620
Sub total	17,048,757	14,896	22,778	291,362	17,377,793
Investment instruments available for sale					
Del Estado & Banco Central de Chile	412,394	-	-	-	412,394
Other instruments issued in Chile	928,101	-	-	-	928,101
Instruments issued abroad	21,870	71,740	4,712	30,081	128,403
Subtotal	1,362,365	71,740	4,712	30,081	1,468,898
Investment instruments held to maturity	-	-	-	-	-

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Note 39 – Additional notes (continued)

Note 39.38 –Risk Management (continued)

(2) Credit Risk (continued)

	Financial services MCh$	Govern-ment MCh$	Individuals MCh$	Commerce MCh$	Manufacturing MCh$	Mining MCh$	Electricity, Gas & Water MCh$	Agriculture & livestock MCh$	Forestry MCh$	Fishing MCh$	Transport & Tele-communications MCh$	Construction MCh$	Services MCh$	Total MCh$	Total MM$
Financial assets															
Cash & bank deposits	328,933	-	-	-	-	-	-	-	-	-	-	-	72,759	479,454	881,146
Instruments for trading															
Del Estado & Banco Central de Chile	-	-	-	-	-	-	-	-	-	-	-	-	-	77,842	77,842
Other instruments issued in Chile	191,999	-	-	-	-	-	-	-	-	-	-	-	-	20	192,019
Instruments issued abroad	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments in mutual funds	30,626	-	-	-	-	-	-	-	-	-	-	-	-	1,284	31,910
Subtotal	222,625	-	-	-	-	-	-	-	-	-	-	-	-	79,146	301,771
Repurchase agreements & loans of securities	13,619	-	-	2,780	92	512	21,045	-	57	118	5,959	76	156	3,567	47,981
Derivative contracts for trading															
Forwards	60,037	-	9	2,006	5,787	1,457	160	5,337	151	326	148	313	101	49,934	125,766
Swaps	185,892	672	-	3,933	4,333	59	8,394	18,241	34	906	2,136	909	230	32,942	258,681
Call options	1,167	-	-	68	-	-	-	-	-	-	-	-	-	4	1,239
Put options	-	-	-	2	-	-	-	-	-	-	-	-	-	-	2
Futures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	247,096	672	9	6,009	10,120	1,516	8,554	23,578	185	1,232	2,284	1,222	331	82,880	385,688
Accounting hedge derivative contracts															
Forwards	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Swaps	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Call options	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Put options	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Futures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Due by banks															
Banco Central de Chile	-	-	-	-	-	-	-	-	-	-	-	-	-	300,819	300,819
Banks in Chile	15,059	-	-	-	-	-	-	-	-	-	-	-	-	-	15,059
Banks abroad	333,404	-	-	-	-	-	-	-	-	-	-	-	-	149	333,553
Subtotal	348,463	-	-	-	-	-	-	-	-	-	-	-	-	300,968	649,431
Loans & accounts receivable from customers															
Commercial loans (*)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing loans	5,175	-	3,101,327	71,639	14,687	2,506	-	21,524	2,819	1,442	22,073	15,208	95,712	253,322	3,607,434
Consumer loans	3,250	-	1,957,143	40,137	8,599	1,573	9	28,208	1,557	728	16,433	8,022	40,244	459,717	2,565,620
Investment instruments available for sale															
Del Estado & Banco Central de Chile	217,429	-	-	-	-	-	-	-	-	-	-	-	-	194,965	412,394
Other instruments issued in Chile	892,287	-	-	2,393	-	67	6,097	-	3,247	-	15,009	2,307	-	6,694	928,101
Instruments issued abroad	113,497	-	-	-	-	-	-	14,906	-	-	-	-	-	-	128,403
Subtotal	1,223,213	-	-	2,393	-	67	6,097	14,906	3,247	-	15,009	2,307	-	201,659	1,468,898
Investment instruments held to maturity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

(*) See commercial loans by economic activity in Note 39.10 (d).

Note 39 – Additional notes (continued)

Note 39.38 –Risk Management (continued)

(2) Credit Risk (continued)

(e) Security and other credit improvements

The amount and type of guarantees required depends on the evaluation of the counterparty's credit risk.

The Bank has guidelines with respect to the acceptability of types of guarantee and valuation parameters.

The principal types of security obtained are:

- For commercial loans: residential and non-residential properties, pledges and stocks.
- For retail loans: mortgages over residential properties.

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

The management concerns itself with having acceptable securities according to external regulations and in accordance with internal policy guidelines and parameters. The Bank has around 182,387 separate security instruments constituted, with the greatest concentration in properties in terms of valuation.

The Bank also uses credit-risk mitigating measures for derivative transactions. The mitigating tactics currently used are:

- Acceleration of transactions and net payment using market values on the date of the default by one of the parties.
- Option by both parties to call the advanced termination of all the transactions with a counterparty on a certain date, using their market values in the respective date.
- Margins in the form of time deposits by customers who close forward contracts in the subsidiary Banchile Corredores de Bolsa S.A.

(f) Credit quality by class of assets

The Bank determines the credit quality of financial assets using internal credit classifications. The classification process is linked to the approval and follow-up processes, and is carried out according to the risk categories under current regulations, constantly updating this according to the favorable or unfavorable evolution shown by the customers and their environment, considering commercial and payment behavior as well as financial information.

The Bank also makes focused revisions of companies in specific economic sectors that are affected by macroeconomic or the sector's own variables. It is thus possible to make the sufficient and necessary allowances in good time for covering losses in the event of non-payment of loans granted.

Note 39 – Additional notes (continued)

Note 39.38 –Risk Management (continued)

(2) Credit Risk (continued)

(f) Credit quality by class of assets (continued)

The following tables show the credit quality by class of asset for each of the lines of the statement of financial position, based on the Bank's loan classification system.

As of December 31, 2012:

	Individual Portfolio			Group Portfolio		
	Normal MCh$	Sub-standard MCh$	Impaired MCh$	Normal MCh$	Impaired MCh$	Total MCh$
Financial Assets						
Due by banks						
Banco Central de Chile	1,100,696	-	-	-	-	1,100,696
Banks in Chile	14,309	-	-	-	-	14,309
Banks abroad	229,276	-	-	-	-	229,276
Subtotal	1,344,281	-	-	-	-	1,344,281
Loans & Account Receivables from Customers (excluding allowance for credit risk)						
Commercial loans	9,331,407	204,369	145,022	1,864,798	185,988	11,731,584
Housing loans	-	-	-	4,148,374	50,293	4,198,667
Consumer loans	-	-	-	2,649,995	181,519	2,831,514
Sub total	9,331,407	204,369	145,022	8,663,167	417,800	18,761,765

As of December 31, 2011:

	Individual Portfolio			Group Portfolio		
	Normal MCh$	Sub-standard MCh$	Impaired MCh$	Normal MCh$	Impaired MCh$	Total MCh$
Financial Assets (*)						
Due by banks						
Banco Central de Chile	300,819	-	-	-	-	300,819
Banks in Chile	15,059	-	-	-	-	15,059
Banks abroad	333,553	-	-	-	-	333,553
Sub total	649,431	-	-	-	-	649,431
Loans & Account Receivables from Customers (excluding allowance for credit risk)						
Commercial loans	9,401,508	56,405	163,859	1,443,208	137,812	11,202,792
Housing loans	-	-	-	3,543,520	63,914	3,607,434
Consumer loans	-	-	-	2,439,495	126,125	2,565,620
Sub total	9,401,508	56,405	163,859	7,426,223	327,851	17,375,846

(*) There are loans subject to accounting hedge equivalent to Ch$1,947 million.

Notes to the Consolidated Financial Statements
(Translation of consolidated financial statements originally issued in Spanish – see Note 2)

Note 39 – Additional notes (continued)

Note 39.38 –Risk Management (continued)

(2) Credit Risk (continued)

(f) Credit quality by class of assets (continued)

Analysis of ageing of overdue loans by class of financial asset is as follows:

Term:
Overdue 1: 1 to 29 days
Overdue 2: 30 to 59 days
Overdue 3: 60 to 89 days

As of December 31, 2012:

	Overdue 1 MCh$	Overdue 2 MCh$	Overdue 3 MCh$	Total MCh$
Due by banks	52	-	-	52
Commercial loans	23,049	20,677	3,774	47,500
Foreign trade finance	22,717	102	193	23,012
Factoring operations	38,976	6,289	1,061	46,326
Commercial leasing operations	2,551	750	366	3,667
Other loans & accounts receivable	1,269	1,050	920	3,239
Housing loans	1,111	647	457	2,215
Consumer loans	16,010	6,775	6,873	29,658
Total	105,735	36,290	13,644	155,669

As of December 31, 2011:

	Overdue 1 MCh$	Overdue 2 MCh$	Overdue 3 MCh$	Total MCh$
Due by banks	19,694	-	-	19,694
Commercial loans	16,797	6,206	6,718	29,721
Foreign trade finance	15,802	962	406	17,170
Factoring operations	32,623	4,701	532	37,856
Commercial leasing operations	2,201	594	292	3,087
Other loans & accounts receivable	1,213	1,115	929	3,257
Housing loans	205	400	379	984
Consumer loans	13,732	6,815	5,575	26,122
Total	102,267	20,793	14,831	137,891

Note 39 – Additional notes (continued)

Note 39.38 –Risk Management (continued)

(2) Credit Risk (continued)

(f) Credit quality by class of assets (continued)

The value of the security held by the Bank relating to loans individually classified as impaired as of December 31, 2012 and 2011 is Ch$29,952 million and Ch$35,186 million, respectively.

The value of the security held by the Bank relating to non-impaired overdue loans as of December 31, 2012 and 2011 is Ch$214,093 million and Ch$104,543 million, respectively.

(g) Assets Received in Payment

The Bank has assets received in lieu of payment amounting to Ch$2,556 million and Ch$4,608 million as of December 31, 2012 and 2011, respectively, which are mainly properties. All these are managed for their sale.

(h) Restructured

Impaired loans shown as restructured in the statement of financial position relate to those where the corresponding financial commitments have been restructured and where the Bank considers that the probability of recovery is sufficiently high.

The following shows the book value by class of financial asset whose terms have been renegotiated:

Financial Assets	2012 MCh$	2011 MCh$
Due by banks		
Banco Central de Chile	-	-
Banks in Chile	-	-
Banks abroad	-	-
Subtotal	-	-
Loans & accounts receivable from customers, net		
Commercial loans	96,445	119,637
Housing loans	23,132	26,286
Consumer loans	220,451	192,802
Subtotal	340,028	338,725
Total renegotiated financial assets	340,028	338,725

The Bank approaches the evaluation of allowances through two areas: allowances individually evaluated and those evaluated by groups, which are fully described in Note 2 (xx).

Note 39 – Additional notes (continued)

Note 39.38 –Risk Management (continued)

(3) Market Risk

Market risk refers to the potential loss that the Bank could face due to adverse movements in market variables (pricing risk) or insufficient liquidity (liquidity risk).

(a) Liquidity risk

Measurement and limits of liquidity risk.

The Bank measures and controls its trading liquidity risk of derivative instruments and the debt of the trading book through DV01 limits to certain specific maturities for each curve traded on the market. The trading liquidity of debt instruments of the banking book is not limited explicitly, understanding that in this case it is sought to obtain returns to maturity or medium term.

Funding liquidity is controlled and limited by the regulatory report C08 ratio.

The SBIF establishes the following C08 ratio limits:

- ✓ Foreign currency 1-30 days C08 ratio < 1
- ✓ All currencies 1-30 days C08 ratio < 1
- ✓ All currencies 1-90 days C08 ratio < 2

The SBIF authorized Banco de Chile to use the Adjusted C08 Ratio report, which includes estimates of maturities behavior for some specific items of the statement of financial position, such as the presumption of the renewal of a proportion of the loan portfolio; a portion of checking accounts can be modeled and defined as stable and are therefore considered as not drawn, etc.

As of December 31, 2012, the Adjusted C08 Ratio up to 30 days for foreign currency assets and liabilities was slightly below 0.13 and the Adjusted C08 Ratio up to 30 days for total assets and liabilities was slightly below -0.31.
The Adjusted ratio up to 90 days for assets and liabilities including all currencies is 0.39 on that date.

Notes to the Consolidated Financial Statements

(Translation of consolidated financial statements originally issued in Spanish – see Note 2)

Note 39.38 –Risk Management (continued)

(3) Market Risk (continued)

(a) Liquidity risk (continued)

The maturity profile of the consolidated financial liabilities of Banco de Chile and its subsidiaries is as follows:

	Up to 1 month MCh$	1 to 3 months MCh$	3 to 12 months MCh$	1 to 3 years MCh$	3 to 5 years MCh$	More than 5 years MCh$	Total MCh$
Liabilities as of December 31, 2012							
Demand deposits & other obligations	5,470,842	-	-	-	-	-	5,470,842
Operations pending settlement	159,218	-	-	-	-	-	159,218
Repurchase agreements & loans of securities	226,396	-	-	-	-	-	226,396
Time deposits & other loans	4,271,345	2,508,688	2,814,055	393,247	279	30	9,987,644
Financial derivative contracts	231,117	134,729	321,148	244,826	132,688	236,071	1,300,579
Obligations with Banks	135,353	176,467	630,745	141,444	-	-	1,084,009
Other obligations	876,101	606,477	505,718	898,318	713,053	2,377,962	5,977,629
Total gross financial liabilities (excluding derivatives to be compensated)	11,370,372	3,426,361	4,271,666	1,677,835	846,020	2,614,063	24,206,317
Derivatives under compensation agreements	154,600	79,406	256,717	425,612	229,070	434,677	1,580,082

	Up to 1 month MCh$	1 to 3 months MCh$	3 to 12 months MCh$	1 to 3 years MCh$	3 to 5 years MCh$	More than 5 years MCh$	Total MCh$
Liabilities as of December 31, 2011							
Demand deposits & other obligations	4,895,279	-	-	-	-	-	4,895,279
Operations pending settlement	155,424	-	-	-	-	-	155,424
Repurchase agreements & loans of securities	222,756	446	-	-	-	-	223,202
Time deposits & other loans	4,441,786	1,951,047	2,607,906	290,481	355	30	9,291,605
Financial derivative contracts	515,787	439,237	244,021	48,804	-	-	1,247,849
Obligations with Banks	483,190	800,101	407,648	-	-	-	1,690,939
Other obligations	89,141	13,738	149,234	423,070	603,744	1,559,965	2,838,892
Total gross financial liabilities (excluding derivatives to be compensated)	10,803,363	3,204,569	3,408,809	762,355	604,099	1,559,995	20,343,190
Derivatives under compensation agreements	671,072	1,066,890	3,637,260	4,068,859	2,616,022	944,230	13,004,333

The loans to deposits ratios for 2012 and 2011 are as follows:

	December 31, 2012	December 31, 2011
Maximum	2.35	2.05
Minimum	2.20	1.93
Average	2.31	1.98

Note 39.38 –Risk Management (continued)

(3) Market Risk (continued)

(a) Liquidity risk (continued)

Banco de Chile has internal ratios in addition to those required by the regulators in order to guard against the concentration of providers of funds, ensure the diversification of sources of funds, avoid the concentration of maturities on any one day, etc. The Bank also sees the evolution over time of financial ratios that can detect structural changes in the characteristics of the statement of financial position and the evolution of certain conditions in the financial markets in order to detect timely a tightness in systemic liquidity.

(b) Pricing risk

Measurement and Limits of Pricing Risk

The measurement of pricing risk is carried out through reports, both regulatory and internal, and also separately for the Trading Book and Banking Book.

For the Trading Book, the regulatory report is obtained from standardized methodology which allows the Bank to estimate the potential loss it might face resulting from standardized fluctuations in tables for the regulator (relating to the Basle Agreement for the standardized measurement of this risk for the Trading Book). The SBIF has set no formal limit for this risk in particular but a global one that includes this risk (also called Market Risk Equivalent or MRE) and 10% of risk-weighted assets; the sum of both must not exceed the Bank's effective equity. In the future, the amount corresponding to operational risk will also be added to the above.

The Bank has also established for the Trading Book internal limits for net exchange-rate positions (Delta FX), limits of sensitivity of the positions to interest rates (DV01 or Rho) and limits of sensitivity of volatility in options (Vega); these are called Griegas, among other names, in financial literature.

Starting in January 2011, the Bank measures and controls the value at risk (Value-at-Risk or VaR) for the portfolios of the Trading Book through a parametric model, including 99% confidence and deriving volatilities of the fluctuations in market factors and correlations between these fluctuations through statistical methods; a year of observed market values is considered, taken at the close of each day and an escalation of 22 days (a calendar month). During November 2011 the historic VaR was added, obtained by Griegas impacted by historic fluctuations of the values of the market factors observed during the last year considering 99% confidence and an escalation of 22 days.

The interest-rate risk of the Banking Book is measured both through the standardized regulatory report (SBIF report C40) and using internal reports of differences between assets and liabilities considering the adjustment dates of interest rates.

Note 39.38 –Risk Management (continued)

(3) Market Risk (continued)

(b) Pricing Risk (continued)

The regulatory report of the Banking Book permits estimating the potential loss the Bank could have in the face of adverse movements of standardized interest rates, obtained from tables provided by the controller organism. The SBIF requires that banks themselves set limits for the short-term Banking Book pricing risk as a percentage of the bank's effective equity. The Bank set these two limits as 25%. The percentage use of these limits during 2012 was as follows:

	Banking Book Risk Short Term	Banking Book Risk Long Term
Maximum use	10.9%	19.4%
Average use	9.7%	18.7%
Minimum use	7.7%	18.1%

The Bank in 2011 also formalized the measurements, limits and reports of positions (IRE) and interest-rate risks (EaR) according to internal models for the Accrual Book. The Accrual Book includes the complete balance sheet of the Bank (including items that are not incorporated in the Banking Book, e.g. capital and property, plant and equipment), developing an analysis and study of the impact of fluctuations in interest rates, exchange rates and inflation which is more complete and real than that required by the regulators for the Banking Book.

Finally, internal policies require daily stress tests for Trading Book positions and with a monthly frequency for the Accrual Book. The potential losses as a result of these exercises are compared with the effective results during a calendar month for Trading Book positions with respect to the defined alert levels.

Note 39.38 –Risk Management (continued)

(3) Market Risk (continued)

(b) Pricing Risk (continued)

The following shows the exposure to interest-rate risks by maturity for the Banking Book of Banco de Chile on an individual basis as of December 31, 2012 and 2011:

	Up to 1 month MCh$	1 to 3 months MCh$	3 to 12 months MCh$	1 to 3 years MCh$	3 to 5 years MCh$	More than 5 years MCh$	Total MCh$
Assets as of December 31, 2012							
Cash & bank deposits	653,511	-	-	-	-	-	653,511
Operations pending settlement	366,036	-	-	-	-	-	366,036
Repurchase agreements & loans of securities	582	-	-	-	-	-	582
Hedge derivatives	128,964	81,085	150,971	7,463	21,564	110,414	500,461
Due by banks	1,152,648	14,731	178,761	-	-	-	1,346,140
Loans & accounts receivable from customers	3,172,424	2,390,933	4,769,542	4,329,131	2,083,220	5,314,078	22,059,328
Investment instruments available for sale	57,370	178,055	381,448	235,786	192,490	323,967	1,369,116
Investment instruments held to maturity	-	-	-	-	-	-	-
Total assets	5,531,535	2,664,804	5,480,722	4,572,380	2,297,274	5,748,459	26,295,174

	Up to 1 month MCh$	1 to 3 months MCh$	3 to 12 months MCh$	1 to 3 years MCh$	3 to 5 years MCh$	More than 5 years MCh$	Total MCh$
Assets as of December 31, 2011							
Cash & bank deposits	827,381	-	-	-	-	-	827,381
Operations pending settlement	295,420	-	-	-	-	-	295,420
Repurchase agreements & loans of securities	10,023	-	-	-	-	-	10,023
Hedge derivatives	173,624	64,468	195,555	-	-	-	433,647
Due by banks	390,315	58,436	172,557	31,678	-	-	652,986
Loans & accounts receivable from customers	3,019,622	2,342,355	4,343,456	4,091,996	1,920,759	4,537,489	20,255,677
Investment instruments available for sale	121,318	235,860	301,013	194,846	281,719	530,203	1,664,959
Investment instruments held to maturity	-	-	-	-	-	-	-
Total assets	4,837,703	2,701,119	5,012,581	4,318,520	2,202,478	5,067,692	24,140,093

	Up to 1 month MCh$	1 to 3 months MCh$	3 to 12 months MCh$	1 to 3 years MCh$	3 to 5 years MCh$	More than 5 years MCh$	Total MCh$
Liabilities as of December 31, 2012							
Demand deposits & other obligations	5,531,827	-	-	-	-	-	5,531,827
Operations pending settlement	127,611	-	-	-	-	-	127,611
Repurchase agreements & loans of securities	5,268	-	-	-	-	-	5,268
Time deposits & other loans	4,223,812	2,371,455	2,908,748	417,885	279	30	9,922,209
Hedge derivatives	3,903	3,477	26,924	175,376	83,186	260,272	553,138
Obligations with banks	304,070	450,332	348,390	-	-	-	1,102,792
Debt instruments issued	119,449	162,656	253,617	683,676	689,980	2,337,558	4,246,936
Other financial obligations	96,108	1,373	7,246	15,543	11,432	34,754	166,456
Total liabilities	10,412,048	2,989,293	3,544,925	1,292,480	784,877	2,632,614	21,656,237

Note 39.38 –Risk Management (continued)

(3) Market Risk (continued)

(b) Pricing Risk (continued)

	Up to 1 month MCh$	1 to 3 months MCh$	3 to 12 months MCh$	1 to 3 years MCh$	3 to 5 years MCh$	More than 5 years MCh$	Total MCh$
Liabilities as of December 31, 2011							
Demand deposits & other obligations	4,906,774	-	-	-	-	-	4,906,774
Operations pending settlement	87,821	-	-	-	-	-	87,821
Repurchase agreements & loans of securities	48,578	-	-	-	-	-	48,578
Time deposits & other loans	4,451,516	1,952,826	2,639,046	343,867	82,220	30	9,469,505
Hedge derivatives	1,739	3,119	20,276	167,445	78,059	246,035	516,673
Obligations with banks	498,777	788,018	401,493	-	-	-	1,688,288
Debt instruments issued	20,262	24,436	142,005	521,265	700,642	1,759,365	3,167,975
Other financial obligations	111,134	1,368	7,457	17,548	12,650	39,466	189,623
Total liabilities	10,126,601	2,769,767	3,210,277	1,050,125	873,571	2,044,896	20,075,237

Pricing Risks Analysis of Sensitivity

The Bank uses stress tests as the principal sensitivity analysis measure for pricing risk. The analysis is made of the Trading Book and the Banking Book separately. Following the financial crisis of 2008 and based on numerous studies and analyses on the subject, the Bank adopts this tool as perceiving it as more reliable and useful than the normal evaluations of distribution fluctuations (like VaR or EaR) as:

(a) The recent financial crisis shows fluctuations materially in excess of those used with VaR with 99% confidence.
(b) The crisis also showed correlations between these fluctuations materially different to those used via VaR, since the crisis indicateed severe decoupling between the evolution of market variables with respect to those normally observed.
(c) Trading liquidity reduced dramatically in emerging markets and in Chile during the financial crisis and therefore the escalation of VaR of daily fluctuations corresponds to a very broad approximation of the expected loss.

For implementing the stress tests, the Bank controls a follow-up of the evolution of the potential losses or gains of the Trading Book, and their causes daily.

An updated data base is maintained which includes historic information on exchange rates and interest rates of debt instruments and derivatives that permits the maintenance of a current record of historic volatilities of changes in market factors and also correlations between changes in the principal market factors. The stress tests are made modeling directional fluctuations but also knowing the size of the modeled fluctuations relating to statistical information and the frequency they occurred in the past.

Note 39.38 –Risk Management (continued)

(3) Market Risk (continued)

(b) Pricing Risk (continued)

In order to comply with IFRS 7.40, the following table shows an estimate of the probable but reasonable impact of fluctuations in interest rates, exchange rates and volatilities implicit in the trading portfolios. As the Bank's statement of financial position includes positions denominated in real interest rates, these fluctuations should be aligned with real predictions of changes in inflation rates.

This exercise is carried out under the following assumptions, put very simply: the impacts on the investment portfolios are estimated by multiplying the amounts of sensitivity or Griegas (FX Delta, DV01s, Vegas etc,) by the expected changes in interest rates; the impacts of the balances of accruals are estimated by multiplying accumulative gaps by modeled forward interest-rate fluctuations. This methodology presents the limitation because the convex shape of the interest-rate curve is not captured for the trading portfolios; in addition, neither the behavior of the convex shape or prepayments is captured in the analysis of the balance of accruals. In any event, given the size of these changes, the methodology appears reasonably precise for the purposes of the analysis.

The following table shows the fluctuations of the bond interest rates, derivatives curve, volatility of Chilean pesos/USD and inflation. Fluctuations in the prices of equities in the positions held by the Bank's stockbroking firm (Banchile Corredores de Bolsa) are not included as they are not considered material. Moreover, these positions are generally very small as this company is mainly focused on customer share transactions.

The directions of these fluctuations were chosen from among four scenarios (two positive economic scenarios and two negative) as they generate the worst impact within the above four scenarios:

Fluctuations in Market Factors

	CLP Derivatives (bps)	CLP Bonds (bps)	UF Derivatives (bps)	UF Bonds (bps)	USD Offshore 3m Derivatives (bps)	Spread USD On/Off Derivatives (bps)	Vol FX CLP/USD (%)	Inflation change Period n-1 a n Monthly (%)
3 m	-110	-101	410	395	-4	335	8.0%	-0.47%
6 m	-142	-114	49	41	-5	258	6.6%	0.02%
9 m	-157	-121	-37	-34	-6	246	5.9%	-0.08%
1 year	-171	-123	-30	-12	-7	224	5.4%	-0.27%
2 years	-166	-111	-10	10	-24	163	5.4%	-0.06%
4 years	-225	-128	-48	-31	-38	78	-	-0.02%
6 years	-205	-125	-67	-58	-45	76	-	0.00%
10 years	-157	-131	-97	-99	-54	83	-	0.02%
16 years	-147	-129	-98	-99	-62	83	-	-0.02%
20 years	-148	-131	-101	-101	-65	83	-	-0.02%

bps = basis points

Note 39.38 –Risk Management (continued)

(3) Market Risk (continued)

(b) Pricing Risk (continued)

The impact on the Bank's Trading Book as of December 31, 2012 is as follows:

EXPECTATION OF GAIN OR LOSS IN TRADING BOOK	
	BCh (MCh$)
Rates in CLP	(3,169)
Derivatives	(3,197)
Investments	27
Rates in UF	(3,157)
Derivatives	(1,867)
Investments	(1,291)
USD, EUR, JPY offshore	(175)
USD, EUR, JPY on/off spread	(107)
Total interest rate	**(6,609)**
Total FX	**171**
Total Vega Options FX	**451**
Stress test income: Rates + FX + Vega	**(5,986)**
Estimated Income Next 12 Months	490,000
Tier 1 Capital	2,007,573
Stress income/(Tier1 capital+ Estimate income BCh 12 months)	-0.2%
Stress income / Estimate income BCh 12 months	-1.2%

The modeled scenario would generate losses in the Trading Book of around Ch$6,000 million or something more than US$12,000,000. In any event, these fluctuations would not result in material losses compared to the earnings predictions for the next 12 months or the Bank's basic (Tier 1) capital.

The impact in the Accruals Book, which is not necessarily a loss/gain but higher/lower net income from funds generation (net funds inflow which is the net interest on the accruals portfolio), is shown below:

MARGINAL POTENTIAL INCREMENTAL ACCRUALS BOOK 12 months	
	(MCh$)
Higher/Lower Income	**(62,925)**
CLP TOTAL	(61,007)
UF TOTAL	(3,289)
FCY TOTAL	1,371

Note 39.38 –Risk Management (continued)

(3) Market Risk (continued)

(b) Pricing Risk (continued)

The principal negative impact would occur in the assets and liabilities book denominated in non-indexed pesos (CLP) as a result of a fall in inflation. The lower potential gain in the next 12 months would correspond to 1.5 months of the budgeted gain for 2013.

The next table shows the impact on capital as a result of the potential change in market value of the portfolio of instruments available for sale due to fluctuations in the interest rate:

Potential Impact on Capital of Portfolio Available for Sale			
Currency of instrument	DV01 (USD)	Impact for change in interest rates (MUS$)	Impact for change in interest rates (MCh$)
CLP	(86,798)	(3.4)	(1,645)
CLF	(362,128)	(26.6)	(12,732)
USD	(187,511)	(16.0)	(7,670)
Total impact		**(46.0)**	**(22,047)**

The modeled scenario would generate losses of capital (not income) on the portfolio available for sale, mainly due to the rise in the rates for terms greater than a year.

(4) Capital Requirements and Management of Capital:

The primary objectives of the Bank's capital management are to ensure compliance with regulatory capital requirements and maintain a solid credit rating and healthy capital ratios. During 2012, the Bank has fully complied with the capital requirements demanded.

As part of its capital management policy, the Bank has established capital sufficiency alerts, stricter values than those required by the regulator, which are constantly monitored. None of the internal alerts defined in the capital management policy have been triggered to date.

The Bank manages the capital by making adjustments in light of changes in economic conditions and the risk characteristics of its activities. For this, the Bank can adjust the amount paid as dividends or issue capital instruments.

The Bank maintains and actively manages its basic capital to cover the risks inherent in its businesses. The Bank's capital sufficiency is monitored by employing the indicators and rules set by the SBIF, among others.

Note 39.38 –Risk Management (continued)

(4) Capital Requirements and Management of Capital (continued)

Regulatory capital

In accordance with the General Banking Law, banks should maintain a minimum effective equity to risk-weighted assets ratio of 8%, net of required allowances, and a minimum basic capital to total consolidated assets ratio of 3%, net of required allowances. As a result of the merger of Banco de Chile and Citibank Chile in 2008, the SBIF, by its Resolution 209 of December 26, 2007, established that the institution is obliged to maintain an effective equity to risk-weighted assets ratio of no less than 10%. The regulator thus ratified the minimum of 10% that it had set in December 2001 when authorizing the merger by absorption of Banco Edwards into Banco de Chile.

Effective equity is determined based on the capital and reserves or basic capital with the following adjustments: (a) the balance of subordinated bonds is added with a maximum equivalent to 50% of basic capital; (b) additional allowances for loans are added, (c) the balance of goodwill and investments in related companies not included in the consolidation is deducted, and (d) the balance of the non-controlling interest is added.

Assets are weighted according to their risk categories which are assigned a risk percentage according to the amount of capital necessary for supporting each of these assets. 5 risk categories are applied (0%, 10%, 20%, 60% and 100%). For example, cash, deposits in other banks and financial instruments issued by Banco Central de Chile have 0% risk, which means that, under current regulations, no capital is required to support the assets. Property, plant and equipment have a 100% risk, which means that there should be a minimum capital of 8% of the amount of these assets, and of 10% in the case of Banco de Chile.

All derivative instruments not traded on stock markets are considered in the determination of risk assets with a conversion factor over the notional values, thus obtaining the amount of credit-risk exposure (or “credit equivalent”). Memorandum account contingent liabilities are also considered by a “credit equivalent” for their weighting.

Note 39.38 –Risk Management (continued)

(4) Capital Requirements and Management of Capital (continued)

The levels of basic capital and effective equity of the Bank and its subsidiaries at the end of 2012 and 2011 are as follows:

	Consolidated Assets		Risk-Weighted Assets	
	2012 MCh$	2011 MCh$	2012 MCh$	2011 MCh$
Balance sheet assets (net of allowances)				
Cash & bank deposits	684,925	881,146	832	16,472
Operations pending settlement	396,611	373,639	53,978	100,236
Instruments for trading	192,724	301,771	55,025	78,314
Repurchase agreements & loans of securities	35,100	47,981	35,100	47,981
Financial derivative contracts	329,497	385,688	328,642	378,788
Due by banks	1,343,322	648,425	231,182	335,562
Loans & accounts receivable from customers	18,326,136	16,993,303	16,658,476	15,555,760
Investment instruments available for sale	1,264,440	1,468,898	416,938	488,760
Investment instruments held to maturity	-	-	-	-
Investments in related companies	13,933	15,418	13,933	15,418
Intangible assets	34,290	35,517	33,151	33,757
Property, Plant and Equipment	205,189	207,888	205,189	207,887
Current taxes	2,684	1,407	268	141
Deferred taxes	127,143	116,282	12,714	11,628
Other assets	296,878	263,584	296,879	229,650
Subtotal			18,342,307	17,500,354
Assets off the balance sheet				
Contingent liabilities	3,945,940	3,484,007	2,367,215	2,084,517
Total risk-weighted assets			20,709,522	19,584,871

	December 31, 2012		December 31, 2011	
	MCh$	%	MCh$	%
Basic Capital (*)	2,007,057	7.33	1,739,173	6.85
Effective Equity	2,738,311	13.22	2,529,135	12.91

(*) Basic capital refers to the equity of the owners of the Bank in the consolidated statement of financial position.

Note 39.39 – Securitization of Own Assets

During 2012, the Bank signed a securitization contract and a loan assignment contract without recourse with its subsidiary Banchile Securitizadora S.A., by which two fixed-rate commercial loans were transferred. With this, Banchile Securitizadora formed Separate Equity No.17 in accordance with Chapter XVIII of Law 18,045. The assets securitized became part of the separate equity for supporting the issuance of securitized bonds Series A, which were fully sold to third parties.

The book value of the loans on the date of the transaction was Ch$30,276 million and the proceeds of this transfer amounted to Ch$30,407 million, generating a gain of Ch$131 million and the release of credit-risk allowances of Ch$24 million. In addition, the subsidiary Banchile Securitizadora S.A. charged a commission to the Bank of Ch$160 million for structuring the securitized bond.

As part of the transaction, the Bank acquired the subordinated bond (Series C) issued by the separate equity for Ch$22,845, equivalent to 1 UF, which represents less than 0.001% of the amount of the full placement of the bonds made by the separate equity amounting to Ch$30,407 million (its par value was Ch$30,196 million). This bond, which does not accrue interest, was booked in investment instruments available for sale and its fair value is Ch$22,841 as of December 31, 2012, this being the maximum exposure of the entity deriving from this transaction.

The Bank analyzed all the relevant aspects of the transaction in accordance with IAS 39 and SIC 12 with respect to the write-down of assets and consolidation. It has concluded that (i) it does not maintain any kind of control over the assets transferred nor over the separate equity, (ii) it has transferred substantially all the benefits and risks of the asset assigned to the separate equity, (iii) it does not determine directly or indirectly the activities of the separate equity, and (iv) it retains no powers of decision that enable it to obtain substantial benefits from the assigned assets. As established in Law 18,045, the bond-holders of Equity 17 are those with the discretionary power in the event of default under the commitments as contemplated in the Securities Market Law and in the issuance contract regulations. The Bank, therefore, has to write down the loans involved in this asset-assignment transaction and has not consolidated the separate equity.

Additional information on the transaction	
Value of securitized asset as of 12/31/2012	Ch$24,795 million
Value of securitized bond as of 12/31/2012	Ch$24,644 million
Remaining term of the securitized asset	5 years
Remaining term of the securitized bond	5 years
Rate of the securitized asset	UF + 4.83%
Rate of the securitized bond	UF + 4.54%

There have been no other own-asset securitization transactions during 2012 and 2011.

Note 39.40 – Events after the Reporting Period

a) As stated in Note 5 (kk) of Material Information, the subsidiary Banco de Chile is in the process of a share issuance, subscription and placement. The following is the state of this process as of the date of issuance of these financial statements (January 24, 2013):

	No. of shares	%
Subscribed & paid shares	2,504,355,648	63.6
Subscribed & unpaid shares	3,306,917	0.1
Authorized & non-subscribed share	1,431,826,877	36.3
Total shares	3,939,489,442	100.0

b) The board of Banco de Chile, at its meeting No.2,769 of January 24, 2013, agreed to call the ordinary shareholders meeting for March 21, 2013 to propose, among other things, the distribution of dividend No.201 for Ch$3.41625263165 for each of the 88,037,813,511 shares issued by Banco de Chile, payable against the distributable earnings for the year 2012, corresponding to 70% of those earnings.

The board also agreed to call an extraordinary shareholders meeting for the same date in order to propose, among other things, the capitalization of 30% of the Bank's distributable earnings for 2012 through the issuance of fully paid-in shares of no par value, determined at a value of Ch$71.97 each share, distributed between shareholders on the basis of 0.02034331347 new shares for each share, and to adopt the necessary agreements, subject to the exercise of the options foreseen in article 31 of Law 19,396.

In the opinion of the management, there are no other significant events after the reporting period that affect or could affect the consolidated financial statements of Sociedad Matriz del Banco de Chile and its subsidiaries between December 31, 2012 and the date of issuance of these consolidated financial statements.

Note 40 – Material Information

The subsidiary Madeco reported in January 2012 that the director of Madeco and of Nexans, Francisco Pérez Mackenna, became a member of Nexans's Compensations and Appointments Committee.

Effective 2012, the subsidiary Madeco began treating Nexans as a company in which it exercises significant influence, in accordance with IAS 28. The adoption of this accounting method could have an important effect on the financial statements of that subsidiary.

The subsidiary LQ Inversiones Financieras S.A. reported the following:

On October 17, 2012, an extraordinary shareholders' meeting of the subsidiary Banco de Chile agreed to a capital increase of Ch$ 250,000,000,000, through the issuance of 3,939,489,442 shares for payment, "Banco de Chile-T", which will have the same rights as the other shares of Banco de Chile, except that its shareholders will not be allowed to receive the dividends and/or fully paid-in shares corresponding to the distributable earnings for the year 2012. Once those dividends and/or fully paid-in shares are paid and distributed, the Banco de Chile-T shares will automatically become Banco de Chile shares.

LQIF told its subsidiary Banco de Chile on October 16, 2012 that it will subscribe and pay all the shares corresponding to it in the ordinary preferential offer period and that its intention was to assign and transfer its right to acquire subscription options due to it in the special preferential offer period in this capital increase of Banco de Chile.

On November 19, 2012, SBIF Resolution 263 of November 15, 2012 was published in the Official Gazette, approving the reform to the bylaws of Banco de Chile agreed to at the extraordinary shareholders' meeting of October 17, 2012, whose minutes were recorded in public deed dated October 24, 2012 before the Santiago notary Andrés Rubio Flores. This bylaw reform is related to the capital increase agreed to at that extraordinary shareholders' meeting of Banco de Chile.

On November 22, 2012, the SBIF certified that the capital increase agreed at that extraordinary shareholders' meeting of Banco de Chile of October 17, 2012 was registered under No.7/2012. The term for the subscription and payment of the share issuance will be three years from October 17, 2012.

The subsidiary Madeco S.A. reported the following on November 27, 2012:

On March 22 and March 27, 2011, Madeco S.A. reported that on March 27, 2011 it reached an agreement with Nexans to increase its holding in that company to 20%, with the option subject to certain conditions to increase to 22.5%. The agreement also gave Madeco these rights for a period of 10 years from the date on which it reached a 15% holding, which occurred on August 27, 2011. In accordance with that agreement, Madeco currently holds approximately 22.5 % of the issued shares of the French company.

On November 26, 2012, an amendment agreement was signed changing the above procedure, by allowing Madeco S.A. to acquire up to 28% of the share capital of Nexans, thus consolidating its position as a preferential shareholder and long-term partner.

The amendment extends the term of the initial agreement to November 26, 2022, i.e. 10 years following its signature, instead of August 26, 2021 under the initial agreement.

Note 40 – Material Information (continued)

With this amendment, and for a term of 3 years ending on November 26, 2015, Madeco may not hold less than 20% of Nexans ("lock-up") nor more than 28%. Should Madeco reach a holding of more than 25% of Nexans, the lock-up obligation would increase automatically to 25% over that same term.

Other stipulations in the agreement of March 27, 2011 remain unchanged. Thus Madeco S.A. will continue to have 3 directors and its voting rights of Madeco at shareholder meetings will remain limited to 20% with respect to significant transactions like mergers or large capital increases. Finally, the parties may terminate the agreement in certain situations, such as a public offer for the shares of Nexans.

There have been no other events of a relevant or important nature occurring in the period January to December 31, 2012, as defined in General Rule No. 30 of the SVS.

Management's Analysis of the Consolidated Financial Statements

as of December 31, 2012

I. Summary

During 2012, Quiñenco obtained net income of Ch$139,643 million, 58.7% higher than the year before. This positive growth reflects the greater contribution of practically all the group companies during the year. In the first place, the greater contribution of the subsidiary Enex should be mentioned, incorporated in June 2011, due to a good operating performance and a credit for deferred taxes. Banchile Seguros de Vida, for its part, obtained a 149.6% increase in earnings driven by growth in operating income. There was also a reduced proportional loss of the subsidiary CSAV, which is booked since July 2011 at equity value, as the company managed to improve its final earnings significantly, reducing its net loss by 74.9%. The result of Banco de Chile was 8.6% up on the year before due mainly to its increased commercial activity. The positive result of Madeco, mainly explained by the negative goodwill generated by its investment in Nexans on obtaining a significant influence in that company, and the good performance of the flexible packaging unit also contributed to the increase. The positive contribution of SM SAAM should also be mentioned, incorporated from February 2012. These good results were partially offset by the reduction in the earnings of CCU, mainly due to a non-recurring gain from insurance claims in 2011, although its consolidated sales and gross margin increased over the previous year.

At the corporate level, there was reduced financial income in 2012, reflecting the fall in available cash, and a higher financial cost, mainly explained by the placement of Quiñenco bonds on the local market (in June 2011 and January 2012). There was also an exchange loss, mostly due to the loan granted by Quiñenco to CSAV in dollars (which generated a gain for this concept in the last quarter of 2011), and a larger loss from indexation adjustments due to larger borrowings in UF.

II. Analysis of Comprehensive Results

For a better understanding of the results of Quiñenco, the analysis as well as the financial statements separate the results into banking services (banking sector) and non-banking businesses (industrial sector).

Starting in 2012, the Superintendency of Securities and Insurance (SVS) has modified the format of the financial statements, incorporating the line "Earnings (losses) from operating activities". As determined by the SVS, this line includes the following concepts: Gross margin, Other revenue by function, Distribution costs, Administrative expenses, Other expenses by function and Other gains (losses). According to this definition, in this analysis the earnings or loss from operating activities or operating income or loss are defined in the same way. Until 2011, the Operating result defined by Quiñenco for the analysis of its financial statements did not include the item Other gains (losses) so the definition used from the first quarter of 2012 is not comparable.

1. Analysis of Industrial Sector Results

The following segments are included in the results of the industrial sector (non-banking businesses):

a) Manufacturing
- Madeco

b) Financial
- LQ Inversiones Financieras Holding (LQIF holding)

c) Energy
- Enex

d) Others
- Quiñenco and others (includes CCU, Compañía Sud Americana de Vapores (CSAV), SM SAAM, Banchile Seguros de Vida (Banchile Vida) and eliminations.

1 Net income refers to the Net income attributable to owners of the controller.

On March 22, 2011 Quiñenco acquired directly a 10% shareholding in Compañía Sud Americana de Vapores from Marinsa de Inversiones. On April 6, 2011 it acquired directly, and through its direct subsidiary Inv. Río Bravo and its indirect subsidiary Inmobiliaria Norte Verde, an additional 8% shareholding. During June and July, it participated in the capital increase of CSAV, acquiring an additional 2.6% shareholding. During January and February 2012 it participated in the capital increase of CSAV, acquiring an additional 16.8% shareholding. As of December 31, 2012 Quiñenco holds a direct and indirect shareholding of 37.4% in its associate CSAV.

Following the capital increase of CSAV, the company was split and Sociedad Matriz SAAM (SM SAAM) was constituted on February 15, 2012, in which Quiñenco directly and indirectly through its direct subsidiary Inv. Río Bravo and its indirect subsidiary Inmobiliaria Norte Verde has a 37.4% shareholding. SM SAAM holds 99.9995% of the shares of SAAM.

On May 31, 2011 Quiñenco acquired, through its indirect subsidiary Inversiones Río Cobre Ltda., the companies Shell Chile S.A.C. e I., Inversiones Shell S.A. and Shell Trading Chile S.A. from Royal Dutch Shell PLC for US$633 million, including working capital and cash. The operations acquired include the fuel distribution business through approximately 300 service stations throughout the country, plus 60 convenience stores, lubricants distribution and other related businesses.

In August 2011, the companies Shell Chile S.A.C. e I., Inversiones Shell S.A. and Shell Trading Chile S.A., changed their names to Enex S.A., Inversiones Enex S.A. and Enex Trading S.A. respectively. During May and June 2012, the indirect subsidiaries of Quiñeno Inversiones Río Cobre Ltda. and Inversiones Río Aurum S.A. (controller of Inv. Río Cobre Ltda.) merged into Enex.

Enex includes results from May 31, 2011, so the figures for 2011 include only seven months of operation.

Figure No.1: Industrial sector results

	Figures in MCh$	
	12-31-2012	12-31-2011
Operating income[2]	64,044	17,721
Non-operating income (loss)[3]	(38,869)	(34,148)
Income tax	6,089	1,011
Consolidated net income (loss) industrial sector	31,264	(15,416)

Revenues from ordinary activities

Ordinary revenues in 2012 increased by 56.7% to Ch$1,653,895 million, mainly due to the incorporation of the energy sector on May 31, 2011, partially offset by a reduction in revenues of Banchile Vida, included in Quiñenco and others, and of Madeco.

The composition of consolidated revenues from ordinary activities is shown in comparative terms in Figure No.2:

Figure No.2: Composition of ordinary revenues

	Figures in MCh$	
	12-31-2012	12-31-2011
Manufacturing		
Madeco	205,778	210,878
Financial		
LQIF holding	-	-
Energy		
Enex	1,340,623	731,728
Others		
Quiñenco & others	107,494	112,795
Ordinary revenue	1,653,895	1,055,401

2 Earnings (losses) from operating activities or Operating income (loss) includes the following accounts: Gross margin (Ordinary revenue less Cost of sales), Distribution costs, Administrative expenses, Other revenue by function, Other expenses by function and Other gains (losses).

3 Non-operating income (loss) includes the following accounts: Financial income, Financial costs, Participation in the earnings (losses) of associates and joint ventures booked using the equity method, Exchange differences and Indexation results.

The revenue of Enex in 2012 amounted to Ch$1,340,623 million, mainly related to sales of fuel products, followed by lubricants, asphalts, chemicals and services. The revenue is far superior to the previous period as 2011 includes only seven months of operation, and also reflects rises in prices, mainly of fuels. The total volume sold in 2012 was 2.3 million cubic meters, of which 94% corresponds to fuels.

Madeco's revenues in 2012 fell by 2.4% compared to the year before, mainly due to reduced sales of the brass mills as a result of a fall in sales volumes in export markets and a lower average price due to a reduced average copper price. This reduction was partially compensated by the increase in sales of the flexible packaging unit mainly reflecting an increase in sales, mainly in Peru and Argentina, and also the incorporation in the consolidation of the operation in Colombia from June 2012. Revenue of the windows and facades unit (ex-profiles) also grew, reflecting a larger sales volume associated with the positive economic cycle in construction.

The variation in Quiñenco and others is mainly due to a 23.0% decrease in the revenues of Banchile Vida.

Cost of sales

The cost of sales in 2012 rose by 61.4% over the previous year, mainly explained by the incorporation of the energy sector on May 31, 2011, partially compensated by the reduced cost of sales of Banchile Vida, included in Quiñenco and others, whose cost of sales decreased by 53.9%, and by the lower cost of sales of Madeco.

The cost of sales of Enex in 2012 amounted to Ch$1,246,251 million, mainly related to the cost of sales of fuel products, followed by lubricants, asphalts, chemicals and services. The cost of sales was equivalent to 93.0% of sales, slightly higher than 91.7% in the seven-month period of 2011.

Madeco reported a 3.2% decline in cost of sales, mainly reflecting the reduced cost of sales of the tubes unit as a result of a reduced sales volume. This was partially compensated by the higher cost of sales of the packaging unit, explained by the consolidation of the operation in Colombia and greater activity in Peru and Argentina, and also the higher cost of sales of the windows and enclosures unit (ex-profiles) as a result of the larger volume sold.

The composition of consolidated cost of sales in comparative terms is shown in Figure No.3:

Figure No.3: Composition of cost of sales

	Figures in MCh$	
	12-31-2012	**12-31-2011**
Manufacturing		
Madeco	(168,208)	(173,842)
Financial		
LQIF holding	-	-
Energy		
Enex	(1,246,251)	(671,087)
Others		
Quiñenco & others	(20,318)	(43,885)
Cost of sales	(1,434,776)	(888,814)

Gross margin

The gross margin was Ch$219,119 million in 2012, 31.5% higher than that reported for 2011, mainly due to the incorporation of the new energy sector in June 2011 which contributed an increase of Ch$33,732 million, due to the sales margin on fuels, followed by lubricants, asphalts, chemicals and services, the increase in the gross margin of Banchile Vida which rose by Ch$18,248 million, or 26.7% and, to a lesser extent, the increase in the gross margin of Madeco by Ch$534 million, or 1.4%, due to the higher revenue explained above.

The composition of the gross margin in comparative terms is shown in Figure No.4

Figure No.4: Gross margin

	Figures in MCh$	
	12-31-2012	12-31-2011
Manufacturing		
Madeco	37,570	37,036
Financial		
LQIF holding	-	-
Energy		
Enex	94,372	60,640
Others		
Quiñenco & others	87,177	68,911
Gross margin	219,119	166,587

Operating income

Operating income amounted to Ch$64,044 million in 2012, substantially higher than the Ch$17,721 million reported the year before, mainly reflecting the better results of Madeco, Banchile Vida and, to a lesser degree, the incorporation of the new energy sector.

The operating income of Madeco increased by 178.4% to Ch$44,054 million, mainly due to the negative goodwill of Ch$41,156 million on the investment in Nexans deriving from the accounting change for that investment from a financial asset available for sale to the equity method, included in Other gains (losses) and, to a lesser extent, the negative goodwill corresponding to Empaques Flexa (Colombia). This was partially compensated by the effect of the change in the participation in the investment in Nexans generated by Madeco's non-participation in the subscription of shares issued by Nexans and the operating loss of brass mills due to the fall in its gross margin. There were also higher expenses by function due to the increase in fees, expenses and provisions for lawsuits in Brazil.

The operating loss of LQIF holding company showed no change from 2011, reflecting the completion in December 2011 of the amortization of certain intangible assets generated by the merger with Citibank in 2008, included in expenses by function, and, to a lesser degree, reduced administrative expenses during the year which were fully offset by the absence of a gain from the extraordinary payment to the subordinated debt due to the higher value obtained on the sale of options of SAOS in the capital increase of Banco de Chile in 2011.

Operating income of Enex for 2012 was Ch$7,613 million, as a result of the gross margin of Ch$94,372 million explained and, to a lesser extent, other revenue by function of Ch$5,090 million mainly corresponding to dividends received from Sonacol, partially compensated by administrative expenses of Ch$91,573 million.

The operating income of Quiñenco and others was Ch$18,564 million for 2012, significantly more than the Ch$1,373 million reported for 2011, mainly due to Banchile Vida which increased its operating income by 141.9% as a result of the 26.7% increase in its gross margin and a 3.4% decline in administrative expenses.

The comparative composition of operating income is shown in Figure No.5

Figure No.5: Composition of operating income

	Figures in MCh$	
	12-31-2012	12-31-2011
Manufacturing		
Madeco	44,054	15,825
Financial		
LQIF holding	(6,187)	(6,187)
Energy		
Enex	7,613	6,710
Others		
Quiñenco & others	18,564	1,373
Earnings from operating activities	64,044	17,721

Non-operating result

The non-operating result for 2012 was a loss of Ch$38,869 million, 13.8% higher than that reported for 2011. This change is mainly due to (i) a higher financial cost in 2012, mainly explained by Quiñenco due to its bond issuances (in June 2011 and January 2012), and the bank debt of Enex and Madeco; (ii) the exchange difference loss of Ch$3,100 million in 2012 versus a gain of Ch$3,756 million in 2011, mainly explained by the loan granted by Quiñenco to CSAV in dollars which generated a gain in late 2011 of Ch$5,824 million, and the increased part of the loss in 2012; and, to a lesser extent, (iii) reduced financial income, principally in Quiñenco, reflecting a lower level of available cash. It should be noted that Quiñenco values its financial assets associated with its corporate-level liquidity position at fair value with changes in results. These increases in the non-operating loss were partially compensated by a fall in the loss in the participation in joint ventures which amounted to Ch$13,329 million in 2012 versus a loss of Ch$29,574 million in 2011, mainly due to the participation in the results of CSAV which implied a reduced loss of Ch$10,830 million, or 15.4%, in 2012 and in the new associate SM SAAM which contributed earnings of Ch$8,542 million in 2012, partially compensated by the 6.1% reduction in the income from participation in the results of IRSA, the parent of CCU, reflecting the reduced earnings of CCU during the year, and the contribution of a loss booked on the participation in the results of Nexans.

Figure No.6 shows the comparative composition of the non-operating income (loss).

Figure No.6: Composition of non-operating income (loss)

	Figures in MCh$	
	12-31-2012	**12-31-2011**
Financial income	21,254	22,618
Financial costs	(31,450)	(19,966)
Participations in results associates & joint ventures	(13,329)	(29,574)
Exchange differences	(3,100)	3,756
Indexation results	(12,244)	(10,981)
Non-operating income (loss)	(38,869)	(34,148)

Net income (loss) of the industrial sector

The net income of the non-banking businesses was Ch$31,264 million in 2012, contrasting positively with the loss of Ch$15,416 million in 2011, mainly due to the negative goodwill generated by the change in the accounting method of Nexans, the increased operating income of Banchile Vida and the larger income tax credit, mainly the tax recognition of the goodwill on the merger between Enex and its parent Inversiones Río Aurum. This was partially compensated by higher income tax at Madeco mainly due to the change in the booking method of Nexans, and in LQIF related to the higher tax rate in effect.

Figure No.7: Net income (loss) for the year of the industrial sector

	Figures in MCh$	
	12-31-2012	**12-31-2011**
Net income (loss) from continuing operations before taxes	25,175	(16,427)
Charge for income taxes	6,089	1,011
Net income (loss) of the industrial sector	31,264	(15,416)

2. Analysis of Banking Sector Results

The following companies are included in the results of the banking sector (banking services): Banco de Chile and SM-Chile, which present their financial statements partially under IFRS for the years 2012 and 2011.

Figure No.8: Banking sector results

	Figures in MCh$	
	12-31-2012	12-31-2011
Operating result	523,158	487,271
Non-operating result	(73,939)	(77,995)
Income tax	(54,040)	(59,664)
Consolidated earnings banking sector	395,179	349,612

Operating revenue[4]

Operating revenue increased by 9.7% to Ch$1,345,404 million, mainly explained by the higher level of commercial activity and larger balances in checking accounts and demand deposits. These increases were partially compensated by reduced income from the Bank's net asset position in UF due to lower inflation, reduced fee income and a negative effect of the exchange rate on the hedge of allowances for credit risk on dollar-denominated loans.

Allowances for credit risk

Banco de Chile's allowances for credit risk amounted to Ch$188,190 million, an increase of 50.7% over the Ch$124,840 million in 2011. This change is due to the release of allowances in 2011 following the sale of overdue portfolio, thus reducing the comparison base, a higher volume associated with the 13.8% growth in the average loan portfolio, an effect of the commercial mix and a moderate upward trend in the industry's past-due levels. This was partially offset by reduced anti-cyclical allowances in 2012 and a positive effect of the exchange rate on allowances for loans denominated in dollars.

Operating expenses

Operating expenses rose by 3.2% to Ch$634,058 million, explained by the 3.3% increase in the operating expenses of Banco de Chile to Ch$633,819 million in 2012. This was due to higher administrative expenses in line with the Bank's higher commercial activity and the increase in other operating expenses, explained by an increase in write-offs related to the level of activity, and partially compensated by reduced expenses in remuneration and staff due to non-recurring expenses in 2011 as a result of the collective-bargaining process.

Non-operating income (loss)[5]

A non-operating loss of Ch$73,939 million was generated in 2012, 5.2% lower than the non-operating loss of Ch$77,995 million for 2011, mainly explained by lower interest accrued on the subordinated debt with Banco Central de Chile in 2012 due to the effect of lower inflation during the period, and the improved results in associates.

Banking sector net income

Consolidated banking sector net income rose by 13.0% to Ch$395,179 million during 2012, mainly the result of higher operating income, reduced income tax and a lower non-operating loss, partially compensated by the higher allowance for credit risk and the increase in operating expenses.

4 Operating revenue relates to the Total net operating revenue less the Allowance for credit risk.
5 The non-operating result includes the results of investments in companies and interest on the subordinated debt with Banco Central de Chile.

3. Analysis of Results by Segment

The following shows the composition of the results by segment and sector.

Figures in MCh$

Sector /Segment	Manufacturing		Financial		Energy		Others		Total	
	As of December 31									
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Industrial Sector										
Income from continuing operations before taxes	38,446	12,031	(16,723)	(17,871)	5,066	3,294	(1,615)	(13,881)	25,175	(16,427)
(Charge) credits for income taxes	(10,578)	115	(3,766)	1,867	23,321	(266)	(2,888)	(705)	6,089	1,011
Net income from discontinued operations	-	-	-	-	-	-	-	-	-	-
Consolidated net income (loss) industrial sector	27,868	12,146	(20,489)	(16,005)	28,387	3,028	(4,503)	(14,586)	31,264	(15,416)
Banking Sector										
Income before income tax	-	-	449,219	409,276	-	-	-	-	449,219	409,276
Income tax	-	-	(54,040)	(59,664)	-	-	-	-	(54,040)	(59,664)
Consolidated net income banking sector	-	-	395,179	349,612	-	-	-	-	395,179	349,612
Consolidated net income (loss)	27,868	12,146	374,690	333,607	28,387	3,028	(4,503)	(14,586)	426,443	334,196
Net income attributable to non-controlling participations	13,695	7,491	266,239	237,420	-	-	6,867	1,318	286,800	246,230
Net income (loss) attributable to owners of the controller*	14,174	4,656	108,451	96,187	28,387	3,028	(11,370)	(15,904)	139,643	87,966

* Net income attributable to owners of the controller for each segment corresponds to the final contribution of each segment, and of the companies comprising them, to the earnings of Quiñenco S.A.

Manufacturing Segment

Figures in MCh$

	12-31-2012	12-31-2011
Madeco[6]	14,174	4,656
Net income manufacturing segment	14,174	4,656

The manufacturing segment contributed Ch$14,174 million to the earnings of Quiñenco in 2012, substantially better than the Ch$4,656 million contributed the previous year, reflecting Madeco's improved performance during the year.

Madeco

Figures in MCh$

	12-31-2012	12-31-2011
Ordinary revenue	205,778	210,878
Operating income	44,054	15,825
Net income	25,860	9,329

6 Corresponds to the participation of Quiñenco in the earnings of Madeco.

Madeco obtained net income of Ch$25,860 million compared to Ch$9,329 million the year before. This improvement is explained by the increase in operating results partly compensated by a higher charge for income tax and a larger non-operating loss.

Madeco's revenues in 2012 declined by 2.4%, mainly due to reduced sales of the brass mills unit as a result of the fall in export sales volumes and a lower average price due to the lower average price of copper. This reduction was partially compensated by the increase in sales of the packaging unit, reflected in larger volumes, mainly in Peru and Argentina, and also the incorporation of the new associate in Colombia (Empaques Flexa). The windows and enclosures unit (ex-profiles) also saw growth in revenue, reflecting the higher sales volume based on an increase in construction activity.

The gross margin of Madeco rose by Ch$534 million, or 1.4%, based on the good performance of the packaging unit and the windows and enclosures (ex-profiles) unit, partially offset by the weaker performance of the tubes unit. The improved result of the packaging unit is attributed to the consolidation of the operation in Colombia and increased activity in Peru, partially offset by reduced activity in Chile. The gross margin also improved in the windows and enclosures unit due to greater activity in the construction industry. These increases were partially compensated by reduced earnings in the tubes unit which was affected by reduced sales volumes and lower average prices.

Earnings from operating activities of Madeco rose by 178.4% to Ch$44,054 million, mainly the result of negative goodwill on the investment in Nexans of Ch$41,156 million deriving from the change in the booking of that investment from an asset available for sale to the participation method, included in Other gains (losses), and to a lesser extent, the negative goodwill with respect to Empaques Flexa (Colombia). This was partially compensated by the effect of the change in the participation in Nexans and the operating loss of the tubes unit due the fall in the gross margin. There were also higher other expenses by function due to the increase in fees, expenses and provisions for lawsuits in Brazil.

The deterioration in the non-operating result, whose loss increased by 47.8% to Ch$5,607 million in 2012, is explained by an increased financial cost due to the higher level of financial debt related to the purchase of shares in Nexans and the financing of the acquisition of Empaques Flexa, and a loss in the participation of associates in 2012 corresponding the equity method value accounting that Madeco makes of its investment in Nexans. The company reported earnings of €27 million in 2012, a substantial improvement compared to the loss of €178 million in 2011. However, Madeco adjusted its proportional result to reflect the effects of the fair values determined for Nexans, which generated a net negative result for Madeco of Ch$757 million for its investment in the French company.

Income tax amounted to Ch$10,578 million, which was significantly more than the tax credit of Ch$115 million in 2011, mainly corresponding to deferred taxes related to the negative goodwill related to the change in the accounting method of the investment in Nexans.

Financial Segment

	Figures in MCh$	
	12-31-2012	**12-31-2011**
LQIF holding[8]	(10,232)	(7,991)
Banking sector[9]	118,683	104,178
Net income financial segment	108,451	96,187

The financial segment contributed Ch$108,451 million to the earnings of Quiñenco in 2012, a 12.8% increase over the year before.

The banking sector consists of Banco de Chile and SM-Chile, whose most important item in terms of results is the subordinated debt with Banco Central de Chile.

7 The analysis of Madeco is based on its financial statements prepared in the functional currency of Quiñenco. The functional currency of Madeco differs from that of Quiñenco, as well as some classifications of accounting erntries.

8 Corresponds to the participation of Quiñenco in the earnings of LQIF Holding.

9 Corresponds to the participation of Quiñenco in the earnings of Banco de Chile and SM-Chile.

LQIF holding

	Figures in MCh$	
	12-31-2012	12-31-2011
Ordinary revenue	-	-
Operating loss	(6,187)	(6,187)
Net loss	(20,489)	(16,005)

LQIF holding booked a loss of Ch$20,489 million in 2012, 28.0% higher than the loss of Ch$16,055 million in 2011, mainly due to the higher charge for income tax related to the effect of the higher tax rates on deferred taxes following the tax reform carried out in September 2012. This was partially compensated by the reduced non-operating loss for the year which fell by 9.8% as a result of a reduced loss due to indexation adjustments because of lower inflation, partially compensated by reduced financial income and higher financial costs. The operating loss of LQIF holding showed no change from 2011, reflecting the completion in December 2011 of the amortization of certain intangible assets generated by the merger with Citibank in 2008, included in Other expenses by function and, to a lesser extent, reduced administrative expenses, fully compensated by the absence of the extraordinary payment of the subordinated obligation on the sale of options, included in Other gains (losses) in 2011.

Banco de Chile

	Figures in MCh$	
	12-31-2012	12-31-2011
Operating revenue	1,342,039	1,223,782
Allowances for credit risk	(188,190)	(124,840)
Operating expenses	(633,819)	(613,848)
Net income	465,850	428,805

Banco de Chile reported earnings of Ch$465,850 million in 2012, a rise of 8.6% over the year before. This change is mainly explained by increased revenue and reduced income tax, partially compensated by a higher allowance for credit risk and larger operating expenses.

Operating revenue increased by 9.7% due to (i) an increase in average loans, mainly driven by a greater expansion of 17.1% in retail banking compared to 10.5% in wholesale banking, and a slight improvement in spreads; (ii) a 10.5% increase in average checking account and demand deposit balances, driven by a higher average monetary-policy interest rate in 2012 (5.0%) compared to 2011 (4.7%); (iii) the booking of a loss in 2011 of Ch$42,500 million with respect to the sale of an overdue corporate loan portfolio; and (iv) reduced revenue from the trading of fixed-rate instruments and derivatives of approximately Ch$15,000 million in 2012. These increases were partially compensated by reduced income on the net asset position in UF due to a lower inflation rate, measured as the variation of the UF, in 2012 (2.5%) compared to 2011 (3.9%), a flatter yield curve in 2012 which reduced the possibilities of gains on financial positions, a negative exchange rate effect on the hedge of allowances for credit risk on loans denominated in dollars and around Ch$10,000 million of reduced income on the portfolio available for sale due to a lower accrual of indexation given the reduced inflation.

The allowance for credit risk of Banco de Chile amounted to Ch$188,190 million, an increase of 50.7% over the Ch$124,840 million in 2011. This is due to the extraordinary release of allowances of Ch$44.000 million in 2011 following the sale of the overdue portfolio mentioned above which reduces the comparison base; a volume effect related to a growth in average balances of total loans of 13.8%; a commercial risk effect, determined by faster growth in the average volume of loans of the retail segment (17.1%), compared to growth in the wholesale segment (10.5%); and a moderate deterioration in credit quality, especially related to the retail segment from the last quarter of 2011 to the second quarter of 2012. This trend, based more on social rather than economic factors, led to a more cautious strategy in risk management and a strengthening of recovery activities. These increases were partially compensated by reduced contra-cyclical allowances of Ch$2,300 million in 2012, compared to Ch$24,100 million made in 2011, and by a positive exchange rate effect on allowances for loans denominated in dollars.

Operating expenses increased by 3.3% to Ch$633,819 million in 2012. This was due to (i) a 7.65% increase in administrative expenses due to the expansion of the distribution network, higher IT expenses and also of marketing activities for reinforcing the brand and support for product launches; and (ii) an increase in other operating expenses of 19.2%, due to larger write-offs related to the implementation of a new on-line checking account platform, partially compensated by reduced remuneration and staff expenses due to the non-recurring expenses incurred in 2011 in the collective bargaining process.

Subordinated Debt with Banco Central de Chile

The accrued interest on the Subordinated debt with Banco Central de Chile in 2012 was 9.3% lower than the year before due to the effect of lower inflation during 2012.

Energy Segment

	Figures in MCh$	
	12-31-2012	12-31-2011
Enex[10]	28,387	3,028
Net income energy segment	28,387	3,028

The energy segment contributed Ch$28,387 million to the earnings of Quiñenco in 2012, significantly superior to the Ch$3,028 million contributed in 2011. The results of the energy are consolidated from June 2011.

Enex

	Figures in MCh$	
	12-31-2012	12-31-2011
Ordinary revenue	1,340,623	731,728
Operating income	7,613	6,710
Net income	28,387	3,028

Enex obtained net income of Ch$28,387 million during 2012. Revenue amounted to Ch$1,340,623 million, mainly relating to sales of fuels, followed by lubricants, asphalts, chemicals and services. Total volume delivered in the year was 2.3 million cubic meters, of which 94% were fuels. The gross margin of Ch$94,372 million was negatively influenced by the net impact of fuel stocks at average historic cost in a downward context, particularly during the last quarter of 2012, of the import parity employed as a reference in determining the sale prices to end customers on the domestic fuels market.

Operating income at Enex amounted to Ch$7,613 million in the year, resulting from a gross margin of Ch$94,372 million, and to a lesser extent, Other revenue by function of Ch$5,090 million, mainly explained by the dividends received from Sonacol of Ch$3,502 million, mostly offset by administrative expenses of Ch$91,573 million. The non-operating result was a loss of Ch$2,547 million, due to financial costs related to bank debt, partially offset by financial income and income from the participation in the results of associates.

The income tax credit of Enex amounted to Ch$23,321 million for 2012, mainly due to the tax recognition of goodwill on the merger between Enex and its parent Inversiones Río Aurum.

10 Enex refers to the consolidated financial statements of Enex S.A.

Other Segment

	Figures in MCh$	
	12-31-2012	12-31-2011
IRSA[11]	37,500	39,921
CSAV [12]	(59,351)	(70,181)
SM SAAM[13]	8,542	-
Quiñenco & others	1,939	14,356
Net income (loss) other segment	(11,370)	(15,904)

The others segment contributed a loss of Ch$11,370 million to the earnings of Quiñenco in 2012, 28.5% less than the loss in 2011, mainly due to the reduced proportional loss of CSAV and the earnings contributed by SM SAAM. These improvements were partially compensated by the reduced earnings of Quiñenco and others, and, to a lesser degree, by IRSA, as a result of the lower earnings reported by CCU.

IRSA

The reduced contribution of IRSA, parent of CCU, to Quiñenco of 6.1% reflects the reduced earnings reported by CCU for the year.

CCU

	Figures in MCh$	
	12-31-2012	12-31-2011
Ordinary revenue	1,075,690	969,551
Operating income	176,710	195,828
Net income	114,433	122,752

CCU obtained net income of Ch$114,433 million, 6.8% less than in the year before, due both to an improved operating result partially compensated by reduced income tax and, to a lesser extent, an improved non-operating result.

CCU's sales grew by 10.9% in 2012, reflected in all its business segments, driven by greater volumes sold (except for beer in Argentina where the volume fell by 1.6%) and higher average prices. The gross margin increased by 11.7%, slightly more than the sales growth due to a slower rate of increase in the cost of sales.

Operating income declined by 9.8% despite the greater gross margin, mainly the result of the non-recurring gain of Ch$13,289 million in 2011 due to the positive effect of the payment of an insurance claim related to the earthquake of 2010. In addition, inflationary pressures in Argentina increased expenses, there were increased distribution costs in Chile and other losses were incurred relating to hedges of the effect of exchange fluctuations on taxes.

The non-operating loss declined by 1.5% mainly due to the reduced loss on indexation adjustments as a result of the lower inflation in 2012 than in 2011 and, to a lesser extent, higher financial income and reduced losses on the participation in the results in associates and joint ventures. These effects were partially compensated by a higher financial cost due to a larger level of debt.

Income tax fell by 17.8%, mainly due to reduced consolidated earnings and the absence of the effects generated by extraordinary tax demands with the SII in 2011, which more than compensated the effect of the higher tax rate in place in Chile for 2012.

11 Corresponds to the participation of Quiñenco in the earnings of IRSA.
12 Corresponds to the participation of Quiñenco in the results of CSAV, adjusted according to the estimated fair value of the investment in CSAV.
13 Corresponds to the participation of Quiñenco in the earnings of SM SAAM, adjusted according to the estimated fair value of the investment in SM SAAM.

CSAV

The proportional participation of Quiñenco in the results of CSAV was a loss of Ch$59,351 million, reflecting the loss reported by CSAV for 2012 (CSAV is booked at its proportional equity value as from July 2011), adjusted by the effect of the valuation at fair value of the investment in CSAV at the level of Quiñenco. The adjustment for the period January-December 2012 was Ch$377 million and for the period July-December 2011, included in 2012, was Ch$957 million.

	Figures in MUS$	
	12-31-2012	**12-31-2011**
Ordinary revenue	3,432	4,796
Operating income (loss)	(191)	(1,107)
Net income (loss)	(314)	(1,250)

CSAV[14] reported a net loss of US$314 million for 2012, 74.9% less than the loss for the year before, mainly due to a reduced operating loss and, to a lesser extent, the reduced loss on discontinued operations, partially compensated by larger non-operating losses and a smaller income tax credit.

According to IFRS, ordinary revenue and cost of sales deriving from shipping services are booked in the results according to their degree of progress. For those ships whose services cannot be estimated with sufficient precision, revenue is booked only to the extent that related costs (incurred) may be recoverable, in which case the company books revenues and costs for the same amount. Should it be estimated a priori that a service will produce a loss, this is provisioned in the cost of sales instead of its revenues and costs being booked separately (onerous contract).

The effect of the above meant booking revenues and costs of US$8 million for the year 2012, and of US$21 million for 2011, which form part of the ordinary revenues and costs of sales indicated above.

In 2012 CSAV's revenue fell by 28.4% to US$3,432 million, mainly due to the significant reduction in the cargo carried on the containership services following the implementation of the restructuring plan.

CSAV produced a gross margin of US$43 million in 2012, which contrasts positively with the gross loss of US$835 million for the year before, due to a greater fall in the cost of sales compared to revenue, which also fell due to the above-mentioned drop in the volume carried and the reduction in capacity on the containership services as a result of the implementation of the restructuring plan.

The operational loss was US$191 million in 2012, 82.7% lower than for 2011, due mainly to reduced administrative expenses as a result of the restructuring implemented which reduced the workforce and organization levels according to a new scale of operation, and the positive variation of other gains and losses due to compensations received in 2012 and the absence of the loss on the sale of a ship in 2011.

The non-operating result was a loss of US$49 million in 2012, a significant increase over the loss of US$11 million the previous year, mainly explained by the exchange loss generated on interest-bearing loans and, to a lesser extent, accounts payable in currencies other than the dollar. In 2011, on the other hand, there was a gain for these two concepts. The reduced income from participations in the results of associates and higher financial costs also contributed to the larger non-operating loss.

The modification of the corporate income tax rate in Chile to 20% from 2012 implied for CSAV a net credit to results for income tax of US$41 million for continuing operations and US$4 million for discontinued operations at the end of December 2012.

The loss on discontinued operations amounted to US$126 million (after taxes) in 2012, 41.6% lower than the US$216 million reported the year before. The loss of 2011 comprised a gain of US$64 million for the earnings of SAAM and restructuring expenses of US$280 million, as the restructuring process had started in the second quarter of 2011. With respect to the remainder of excess ship capacity and container equipment resulting from the restructuring, the loss in 2012 on discontinued operations amounted to US$144 million before taxes, explained by onerous contracts on sub-leases of ships and containers signed in the year (US$115 million of which US$33 million was booked in the last quarter of 2012), the net reversal of provisions (US$40 million) and an additional provision of US$69 million, comprised of US$58 million booked in the first half for excess fleet and US$11 million of estimated cost of excess fleet that the company will have during 2013.

14 CSAV reports in US$.

SM SAAM

The contribution of SM SAAM to Quiñenco was a gain of Ch$8,542 million as a result of total earnings of Ch$28,860 million booked by SM SAAM during the year, adjusted for the effect of the valuation at fair value of the investment in SM SAAM at the level of Quiñenco. This adjustment at the end of 2012 was Ch$2,264 million. SM SAAM was formed from the division of CSAV in February 2012. The principal asset of SM SAAM is its 99.9995% shareholding in SAAM.

	Figures in MUS$	
	12-31-2012	12-31-2011
Ordinary revenue	448	-
Operating income	59	-
Net income	60	-

SM SAAM[15] reported earnings of US$60 million in 2012, mainly due to operating income and a positive non-operating result, partially compensated by income tax.

The revenue of SM SAAM in 2012 was US$448 million, corresponding to tugboats (40.1%), logistics (38.6%) and port services (21.3%).

SM SAAM produced a gross margin of US$111 million in 2012, due to the margin on tugboats (46.0%), logistics (28.1%) and port services (25.9%).

Operating income was US$59 million, mainly due to the gross margin explained above, partially compensated by administrative expenses of US$59 million.

The non-operating result was a gain of US$18 million in 2012, mainly explained by the contribution of the participation in joint ventures of US$22 million and, to a lesser degree, financial income of US$8 million, partially compensated by financial costs of US$9 million and, to a lesser extent, an exchange loss of US$2 million.

Quiñenco and others

The variation in Quiñenco and others is mainly due to the exchange loss generated in 2012, explained by the variation in the exchange rate related to the loan granted by Quiñenco to CSAV in dollars, compared to a gain the year before, an increased financial cost in 2012 explained by new bond placements made by Quiñenco (in June 2011 and January 2012), a larger loss from indexation adjustments due to higher level of debt and reduced financial income, reflecting the lower amount of cash available, partly compensated by the increased contribution by Banchile Vida which grew by 149.6% as a result of an excellent operational performance.

15 SM SAAM reports in US$.

III. Analysis of the Statement of Financial Position

Assets

The consolidated assets of Quiñenco as of December 31, 2012 amounted to Ch$26,124,014 million, a figure 7.9% higher than that at the end of 2011, reflecting increased assets in both the industrial and banking sectors.

Figure No.9 shows in comparative terms the composition of the consolidated assets at the end of each year:

Figure No.9: Composition of consolidated assets

	Figures in MCh$	
	12-31-2012	12-31-2011
Manufacturing		
Madeco	458,386	384,919
Financial		
LQIF holding	927,848	944,995
Energy		
Enex	522,561	438,886
Others		
Quiñenco & others	957,242	707,012
Assets held for sale	5,104	2,185
Subtotal	962,346	709,196
Total assets industrial sector	2,871,142	2,477,997
Assets banking sector	23,252,873	21,740,945
Total consolidated assets	26,124,014	24,218,941

	Figures in MCh$	
	12-31-2012	12-31-2011
Current assets industrial sector	623,294	532,325
Non-current assets industrial sector	2,247,847	1,945,671
Total assets industrial sector	2,871,142	2,477,997
Assets banking sector	23,252,873	21,740,945
Total consolidated assets	26,124,014	24,218,941

Current assets industrial sector

The current assets of the industrial sector amounted to Ch$623,294 million, which represents an increase of 17.1% compared to December 31, 2011. This is mainly due to the proceeds of the capital increase of Quiñenco (Ch$250,071 million), the bond issuance of UF4,650,000 made by Quiñenco and the dividends received by LQIF from Banco de Chile.

The increase in funds was partially compensated by the use of funds in the additional investment in shares of CSAV, equivalent to a 16.8% shareholding, for Ch$269,685 million, thus increasing the holding of Quiñenco to 37.4%. Funds were also used in the payment of dividends, mainly by Quiñenco and to a lesser extent by LQIF and Banchile to third parties.

Non-current assets industrial sector

The non-current assets of the industrial sector amounted to Ch$2,247,847 million, which represents an increase of 15.5% over the end of 2011. This is mainly due to the additional investment in CSAV shares, increasing Quiñenco's shareholding to 37.4%. There was also the investment in the associate SM SAAM, in which Quiñenco has a 37.4% shareholding directly and indirectly, and the change in the valuation of the investment in Nexans from a financial asset to an associate booked using the equity method, which implied a net increase in the value of that investment. These increases were partially compensated by the loss of CSAV during the year, thus reducing its book value, and a reduction in financial investments.

Banking sector assets

Banking assets as of December 31, 2012 are Ch$23,252,873 million, representing an increase of 7.0% over December 2011.

Liabilities

Figure No.10 shows a comparison of the consolidated liabilities of Quiñenco at the end of each year.

Figure No.10: Composition of consolidated liabilities:

	Figures in MCh$	
	12-31-2012	12-31-2011
Current liabilities industrial sector	360,056	253,693
Non-current liabilities industrial sector	725,685	626,423
Total liabilities industrial sector	1,085,741	880,116
Banking sector liabilities	21,449,801	20,284,941
Total consolidated liabilities	22,535,542	21,165,057
Equity	3,588,473	3,053,885
Total equity & liabilities	26,124,014	24,218,941

The liabilities of the industrial sector as of December 31, 2012 amounted to Ch$1,085,741 million, 23.4% more than at December 31, 2011. This increase is mainly due to larger other financial liabilities, mostly explained by new financial debt in the form of bonds of Quiñenco and short-term bank loans of LQIF, and to a lesser extent of Madeco. These increases were partially compensated by the reduced liabilities of Enex. In early 2012 Quiñenco made a bond placement of UF 4,650,000.

Banking sector liabilities rose by 5.7% compared to December 31, 2011.

Figure No.11 shows a comparison of the composition of liabilities as of the end of each year:

Figure No.11: Composition of liabilities

	Figures in MCh$	
	12-31-2012	12-31-2011
Manufacturing		
Madeco	149,372	129,396
Financial		
LQIF holding	303,565	217,503
Energy		
Enex	191,188	209,824
Others		
Quiñenco & others	441,616	323,393
Liabilities held for sale	-	-
Sub total	441,616	323,393
Total liabilities industrial sector	1,085,741	880,116
Banking sector liabilities	21,449,801	20,284,941
Total consolidated liabilities	22,535,542	21,165,057

The industrial sector debt ratio rose slightly from 0.56% as of December 31, 2011 to 0.57% in December 2012. This is mainly explained by the 23.4% increase in liabilities against an increase of 21.4% in the equity of the controller. In comparative terms, current liabilities at December 31, 2012 were 33.2% of total liabilities, compared to 28.8% as of December 31, 2011.

Equity[16]

As of December 31, 2012 the equity of Quiñenco amounts to Ch$1,893,720 million, 21.4% higher than at December 31, 2011. This is mainly explained by the new share issue made by Quiñenco which concluded in early February 2012, the earnings for the year net of the provision for dividends and to a lesser extent the change in other reserves, mainly due to the effect of the reversal of the valuation of financial assets available for sale of Nexans, partially compensated by the translation difference from dollars to pesos produced mainly by CSAV, SM SAAM and Madeco.

IV. Indicator Trends

Financial Indicators LIQUIDITY*		**12-31-2012**	**12-31-2011**
Current ratio (Current assets/Current liabilities)	times	1.7	2.1
Acid test (Cash & cash equivalents/Current liabilities)		0.7	0.3
DEBT*			
Debt ratio (Total liabilities/Equity attributable to owners of the controller)	times	0.57	0.56
Current debt/Total debt (Current liabilities/Total liabilities)	%	33.16%	28.82%
Non-current debt/Total debt (Non-current liabilities/Total liabilities)	%	66.84%	71.18%
Financial expenses coverage ((Non-banking earnings + Income tax + Financial costs)/Financial costs)	times	1.80	0.18
PROFITABILITY			
Return on equity (Net income controller/Average equity attributable to owners of the controller)	%	8.1%	5.7%
Earnings per share (Net income of controller /No. of shares)	Ch$	104.34	76.85
Dividend yield (Dividend payments last 12 months per share/Closing share price)	%	2.1%	10.2%

* Excludes banking sector assets & liabilities

16 Equity is the equity attributable to the owners of the controller.

V. Summarized Statement of Cash Flows

Industrial sector cash flow	Figures in MCh$ 12-31-2012	12-31-2011
Net cash flow provided by (used in) operating activities	50,557	(37,246)
Net cash flow provided by (used in) financing activities	303,104	64,397
Net cash flow provided by (used in) investment activities	(283,464)	(315,149)
Total net cash flow for the year	70,197	(287,998)

As of December 31, 2012 Quiñenco reported for the industrial sector a positive cash flow of Ch$70,197 million explained by the positive cash flow from financing activities of Ch$303,104 million and to a lesser extent the positive flow from operating activities of Ch$50,557 million, mostly offset by the negative cash flow from investment activities of Ch$283,464 million.

The positive operating cash flow is mainly explained by the proceeds of collections from customers of Ch$2,066,442 million, mainly by Enex and to a lesser extent by Banchile Vida and Madeco, partially compensated by payments to suppliers of Ch$1,903,706 million by the same mentioned companies, and personnel payments of Ch$54,449 million, mainly by Madeco, Enex and to a lesser extent by Quiñenco.

The positive financing cash flow mainly comprises the proceeds of the share issue of Quiñenco for Ch$250,071 million and of net obligations of Ch$188,461 million, mainly the bond issue made by Quiñenco in January 2012 and drawings of short-term bank debt by LQIF and to a lesser extent by Madeco. This was partially compensated by the payment of dividends of Ch$97,404 million, mainly by Quiñenco, and to a lesser extent by LQIF and Banchile Vida to third parties, and interest paid of Ch$29,424 million by Quiñenco, LQIF, Enex and Madeco.

The negative investment cash flow is mainly explained by the investment in CSAV, equivalent to an additional 16.8% of its share capital, for Ch$269,685 million, the share investment made by LQIF in Banco de Chile for Ch$101,323 million and to a lesser extent the investment in Nexans made by Madeco for Ch$18,102 million. It is also explained by the investments made in time deposits and others at more than 90 days (net) for Ch$42,430 million and to a lesser extent the purchase of property, plant and equipment for Ch$33,720 million mainly made by Enex and to a lesser extent by Madeco. These investments were partially compensated by inflows of Ch$126,099 mainly from the repayment of the loan from Quiñenco to CSAV, the proceeds of dividends of Ch$23,692 million, mostly from IRSA and to a lesser extent from Sonacol and Nexans, and interest received of Ch$22,797 million, mainly by Quiñenco.

Banking sector cash flows	Figures in MCh$ 12-31-2012	12-31-2011
Net cash flow provided by (used in) operating activities	(1,142,700)	(249,990)
Net cash flow provided by (used in) financing activities	741,883	631,472
Net cash flow provided by (used in) investment activities	313,832	(348,338)
Total net cash flow for the year	(86,984)	33,144

As of December 31, 2012 Quiñenco reported for the banking sector a total negative net cash flow of Ch$86,984 million, explained by the negative flow from operating activities of Ch$1,142,700 million, partially offset by the positive flow from financing activities of Ch$741,883 million and to a lesser extent the positive flow from investment activities of Ch$313,832 million.

VI. Summarized Statement of Comprehensive Results

	Figures in MCh$	
	12-31-2012	12-31-2011
Industrial Sector Results		
Revenues from ordinary activities	1,653,895	1,055,401
Manufacturing	205,778	210,878
Financial	-	-
Energy	1,340,623	731,728
Others	107,494	112,795
Cost of sales	(1,434,776)	(888,814)
Manufacturing	(168,208)	(173,842)
Financial	-	-
Energy	(1,246,251)	(671,087)
Others	(20,318)	(43,885)
Operating income (loss)	64,044	17,721
Manufacturing	44,054	15,825
Financial	(6,187)	(6,187)
Energy	7,613	6,710
Others	18,564	1,373
Non-operating result	(38,869)	(34,148)
Financial income	21,254	22,618
Financial costs	(31,450)	(19,966)
Participations in results of associates & joint ventures	(13,329)	(29,574)
Exchange differences	(3,100)	3,756
Indexation adjustment results	(12,244)	(10,981)
Income tax	6,089	1,011
Consolidated net income (loss) industrial sector	31,264	(15,416)
Banking Sector Results		
Operating revenues	1,345,404	1,226,214
Allowances for credit risks	(188,189)	(124,841)
Operating expenses	(634,058)	(614,102)
Operating income	523,158	487,271
Non-operating result	(73,939)	(77,995)
Income tax	(54,040)	(59,664)
Consolidated net income banking sector	395,179	349,612
Consolidated net income	426,443	334,196
Net income attributable to non-controlling participations	286,800	246,230
Net income attributable to owners of the controller	139,643	87,966

VII. Analysis of Risk Factors

Quiñenco and its subsidiary and associate companies face risks inherent to the markets and economies in which they participate, in Chile and abroad. These risks reflect the prices, costs and sales volumes of the products and services prepared and marketed.

Economic environment

The company carries on its business mainly in Chile, so its operating results and financial position are, to a large degree, dependent on the general level of domestic economic activity. While it is estimated that the Chilean economy grew by 5.6% in 2012, there is no assurance about whether it will to grow in the future. The factors that might have an adverse effect on the company's business and results include future recessions in the Chilean economy, a return to high inflation and currency fluctuations.

Apart from its operations in Chile, some of the company's industrial businesses operate and export to companies that in turn operate and export to Argentina, Peru and other Latin American countries and the rest of the world, which on several occasions in the past have suffered from volatile, or at least unfavorable, economic, political and social conditions. The business, results and assets of the company may be severely and adversely affected by events relating to inflation, interest rates, currency fluctuations, government policies, price and wage controls, exchange control regulations, taxes, expropriation, social instability and other political, economic or diplomatic events that affect the countries where the Company operates.

Competition

Quiñenco believes that its businesses face a high level of competition in the industries in which they operate. This is reflected in the prices, costs and sales volumes of the products and services produced and sold by Quiñenco's businesses. While the company expects, based on its past experience and records, that its businesses will be capable of continuing to compete successfully in their respective areas, there is no certainty that the competition will not continue to grow in the future, including a possible continued trend of consolidation in some industries. Greater competition could affect profit margins and the operating results of Quiñenco's businesses which, as a result, might significantly and adversely affect the dividend flows that Quiñenco receives from its businesses.

Raw materials risk

In the subsidiary Madeco, oil derivatives (polyethylene resins, polypropylene, PVC, etc.), aluminum and copper are the principal raw materials. The financial result of Madeco is linked to the capacity to acquire an adequate supply, pass on prices quickly, manage stock efficiently and mitigate the risks of variations in its prices through hedges.

When price transfers are not quick or adverse effects are produced due to the absence of operating hedges, Madeco adopts different strategies that mitigate the effects of possible variations in the prices of its raw materials:

- In the management of oil derivatives, Madeco does not use financial hedges due to the difficulty of associating them with the different raw materials. Instead, it fixes the prices of its products with its principal customers through polynomials (adjustment methods), which take into account the principal variations of their components. These polynomials are adjusted between Madeco and its customers periodically in order to mitigate the risks with respect to variations in the process of its raw materials.
- Regarding the management of the copper-price risk, Madeco uses financial derivatives that are assigned according to the case, to cover cash flows or existing items (fair value).

In the subsidiary Enex, the fuels sold are mainly bought from Enap under annual supply contracts that regulate the conditions or formulas for the indexation of the prices of each product to relevant international market benchmarks which in this case is the United States Gulf Coast. Also, these contracts reward compliance with monthly and annual purchase programs and apply fines when actual purchases differ from the estimated ones outside a certain range. Enex maintains average stocks to cover around two weeks of sales, which reduces the exposure to price changes.

The Shell and Pennzoil brand lubricants sold by Enex are supplied by Royal Dutch Shell which sets the purchase prices based on the evolution of the raw materials, production costs and local market conditions. Price changes are notified in advance, which are generally passed on to the commercial terms.

Banking sector risks

The subsidiary Banco de Chile manages credit and market risks according to its risk-management policies and procedures and in accordance with the rules and regulations of the SBIF. Credit risk is managed through a global and unified strategy, providing each segment with the pertinent credit treatment, using an automated model for individuals, a parametric model for small and medium businesses and individuals with commercial businesses, and a case-by-case model for large companies and corporations. The management of market risk, which covers liquidity and pricing risks, is carried out under the Bank's market-risk policy which establishes methodologies for measuring, limiting, controlling and reporting pricing risks.

Financial Risks

Credit risk

At the corporate level, investments of surplus cash are made with first-class Chilean and foreign financial entities under limits established for each entity, and which have a credit rating of at least the levels pre-established for each type of instrument.

In the subsidiary Madeco, the risk related to customers is managed according to its established policies and procedures. In granting credit to customers, these are evaluated in order to reduce the risk of non-payment. The credit lines granted are revised periodically in order to apply the controls defined by Madeco's policies and to monitor the state of accounts pending collection.

The risk related to liabilities or assets of a financial nature is managed by Madeco according to its defined policies. Cash surpluses or funds available for investment are invested, in accordance with the policy, in low-risk instruments (mainly time deposits) with institutions having strong credit ratings and within the limits established for each of the institutions (funds are placed in a diversified manner).

Regarding the management of the copper and aluminum-related risk, Madeco uses financial derivatives that are assigned according to the case, to cover cash flows or existing items (fair value). These instruments are contracted according to the policies defined by the management of Madeco which sets the levels of hedge according to copper's market price (the higher the price, the greater the hedge). In addition, the derivatives have to comply with the necessary documentation (definition of relationship between derivative and item hedged, risk management objectives, efficiency test, etc.). For contracting financial hedges, Madeco selects institutions with strong credit ratings in order to ensure payments in the event of possible compensations in its favor. As of December 31, 2011 Madeco had 1,100 tons and 160 tons of copper and aluminum respectively, and as of December 31, 2012 1,600 tons of copper and 250 tons of aluminum respectively hedged by derivative contracts.

The subsidiary LQ Inversiones Financieras has no accounts receivable subject to credit risk. Regarding its investments of cash surpluses, these are made on market conditions in fixed-income instruments, according to the maturities of financial commitments and operating expenses.

In the subsidiary Enex, the risk related to customers is managed within its credit policy and its authorizations manual. Sales on credit terms are controlled by the management system through the blocking of purchase orders when the customer's credit shows overdue debt and/or exceeds their previously agreed and approved credit limit. The approvals of customer credit lines are made by Enex's administration and finance management, with support and recommendation from the commercial areas, in accordance with a credit assessment model that takes into account both commercial and technical aspects. When considered appropriate, collateral and/or other requirements are requested in support of the credit. Should the credit granted be insufficient to meet commercial needs, the case is taken to the credit committee.

Enex's investments of cash surpluses are limited to fixed-income instruments and made with financial entities evaluated once a year, with exposure limits assigned by entity according to credit-rating agency reports and opinions, in line with the current treasury policy.

See the Note Classes of financial assets and liabilities for details of the balances.

Liquidity risk

Quiñenco finances its activities and investments with dividend and profit distributions of the companies in which it participates and with funds obtained from the sale of assets and/or the issuance of debt and shares.

Quiñenco prefers long-term financing in order to maintain a financial structure in line with the liquidity of its assets and whose maturities are compatible with cash-flow generation.

The subsidiary Madeco estimates periodically the projected needs for liquidity for each period, between the amounts of cash to be received (balances of customer receivables, dividends, etc.), the respective payments (commercial, financial, payment of hedge compensations, etc.) and available amounts of cash, in order not to have to call on short-term external financing. Madeco's financing policy seeks that its funding sources have a balanced structure between short and long term, a low risk exposure and that are in line with the cash flows generated by each of its companies.

The subsidiary LQIF distributes dividends as a function of its free cash flows taking into account the expenses and forecasts indispensable for the company, which include financial debt. The principal source of funds for the payment of interest and principal on the obligations of LQIF are the payments of dividends on its direct and indirect shareholding in Banco de Chile. Consequently, the capacity to meet the scheduled payments of interest and principal depends entirely on the capacity of Banco de Chile to generate positive earnings from its operations and the agreements adopted annually at its shareholders' meeting with respect to the distribution of dividends.

The subsidiary Enex estimates its short-term cash flow projections periodically based on information received from the commercial areas. Enex has credit lines available with its principal banks in order to cover possible unexpected cash deficits.

See Note Other current and non-current financial liabilities for details of the balances and maturities of the financial debt.

Market risk

• Exchange rate risk

There is no exposure at the corporate level as of December 2012 as it has no significant foreign currency assets and liabilities. There are no hedge mechanisms contracted at the corporate level at December 2012 or 2011.

In the subsidiary Madeco, the exposure to exchange rate risk derives from the positions held in cash and cash equivalents, bank debt, bonds and other assets and liabilities indexed to currencies other than its functional currency, i.e. US dollar, and the relative appreciations/depreciations between both currencies. Both the board and management of Madeco revise its net exposure periodically, projecting, based on variations in the currencies other than the functional currency, the financial effects that would be generated by balances of assets or liabilities held in those currencies at the time of evaluation. Should significant and adverse effects be projected for Madeco, financial derivatives may be contracted (mainly cross-currency swaps) in order to mitigate these possible risks.

As of December 31, 2012 Madeco's net exposure to exchange rate risk is an asset equivalent to Ch$14,167 million. If a 5% variation is assumed in currencies other than the functional currency on this exposure, an estimated effect of Ch$708 million would be generated in the statements of comprehensive income at the consolidated level.

The subsidiary LQIF has no exposure to exchange rate risk as it has no foreign currency assets or liabilities as of December 31, 2012 and 2011. As of December 31, 2011 it had two bank loans denominated in US dollars which were hedged to UF by cross-currency swaps.

In the subsidiary Enex the exposure to exchange rate risk arises under certain agreements with suppliers and customers agreed in a currency other than the functional currency (Chilean peso). The most important cases relate to imports of fuels, lubricants and bitumen where the obligation is generated and payable in US dollars. As of December 31, 2012 the net exposure to exchange risk of Enex is an asset equivalent to Ch$10,697 million. If one assumes a variation of 5% in currencies other than the functional currency on that exposure, this would generate an estimated effect of Ch$535 million on the statement of comprehensive results.

Exchange differences arising from the translation to pesos of balances in the functional currencies of consolidated entities or associates whose functional currency is other than the peso are booked as a credit or charge to equity until the balance is cancelled, when it will be booked to results.

• Interest-rate risk

As of December 31, 2012, Quiñenco at the corporate level has financial assets at fair value with changes to results of Ch$255,658 million which are subject to interest-rate risk. A variation of 10 basis points in the interest rate would generate an effect on financial income in the period of Ch$26 million.

At the corporate level, Quiñenco has all its obligations with fixed rates.

Madeco has 24.5% of its debt at fixed rates and 75.5% at variable rates.

LQIF has all its financial commitments at fixed rates, which implies a low exposure to interest rate risk.

Enex has 2.2% of its obligations at fixed rates and 97.8% at variable rates.

The following figure shows the interest-rate structure at the consolidated level. As can be seen, the interest-rate risk at the consolidated level is reduced as 80.6% of the debt is structured at fixed rates.

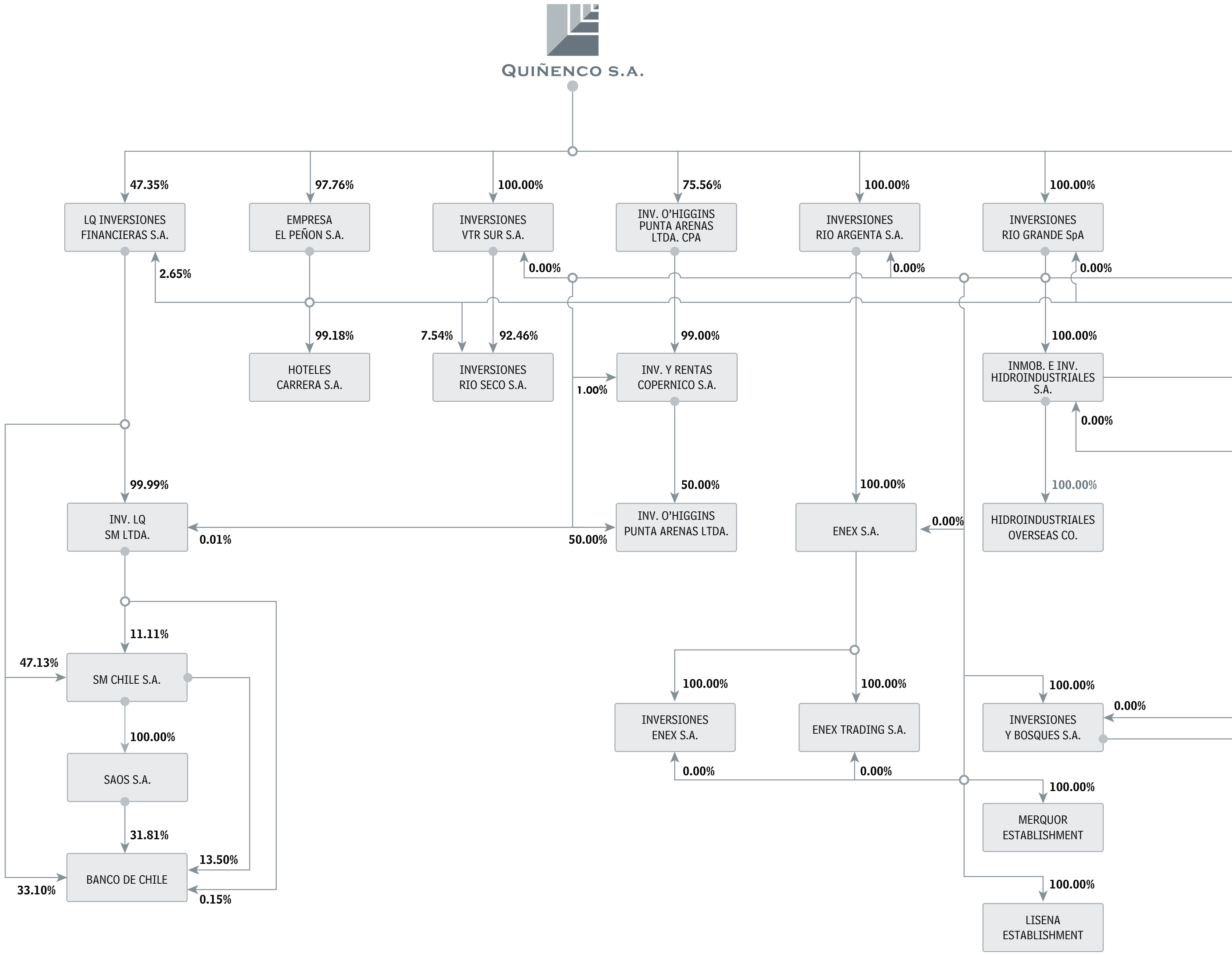
Net position	12-31-2012	12-31-2011
Fixed interest rate	80.6%	75.9%
Hedged interest rate	0.0%	0.0%
Variable interest rate	19.4%	24.1%
Total	100.0%	100.0%

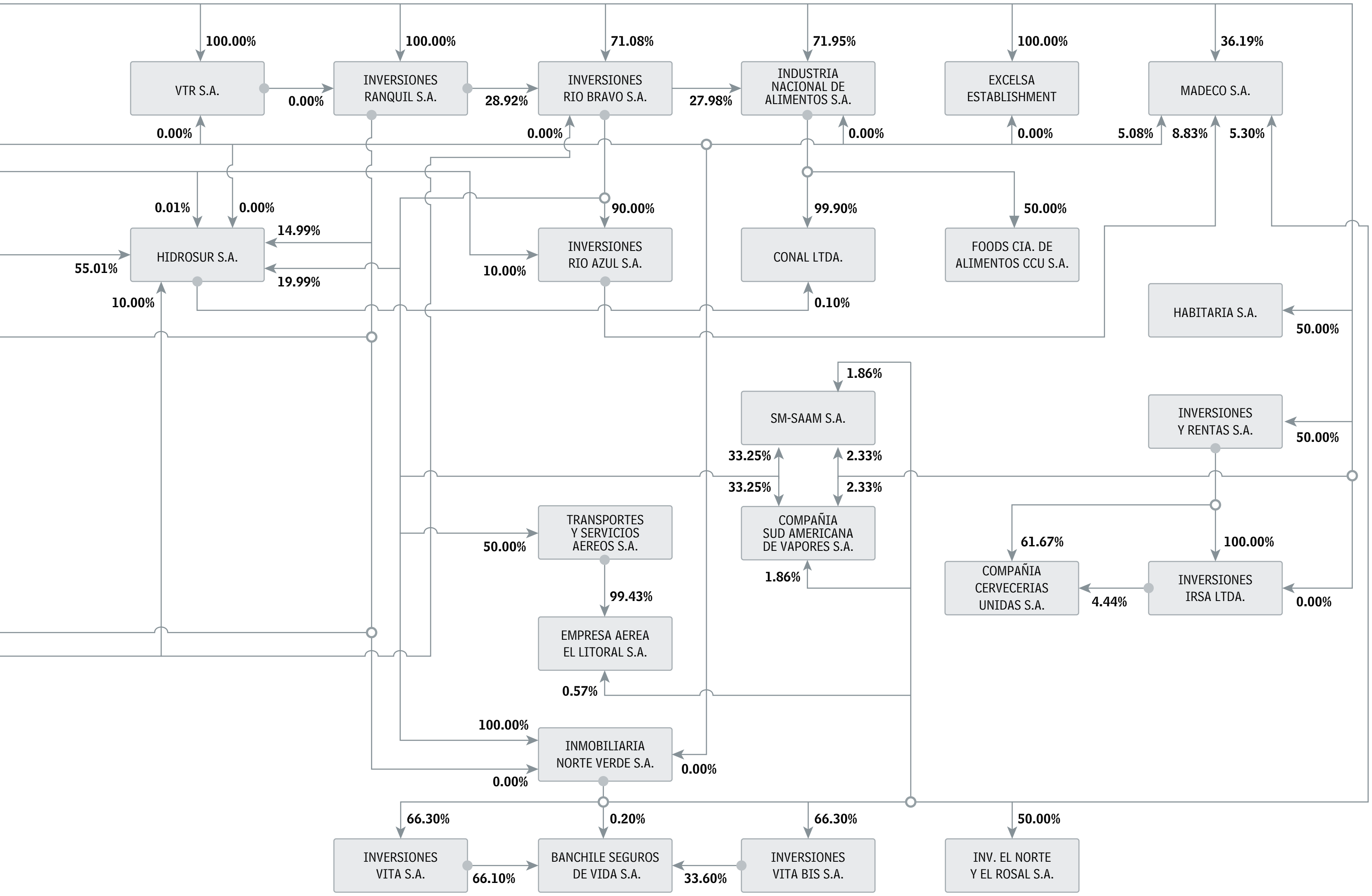
As of December 31, 2012, the consolidated exposure to variable interest rates amounts to Ch$143,734 million. A 100 basis point variation in the interest rate would generate an effect on financial costs for the period of Ch$1,437 million.

Corporate Structure

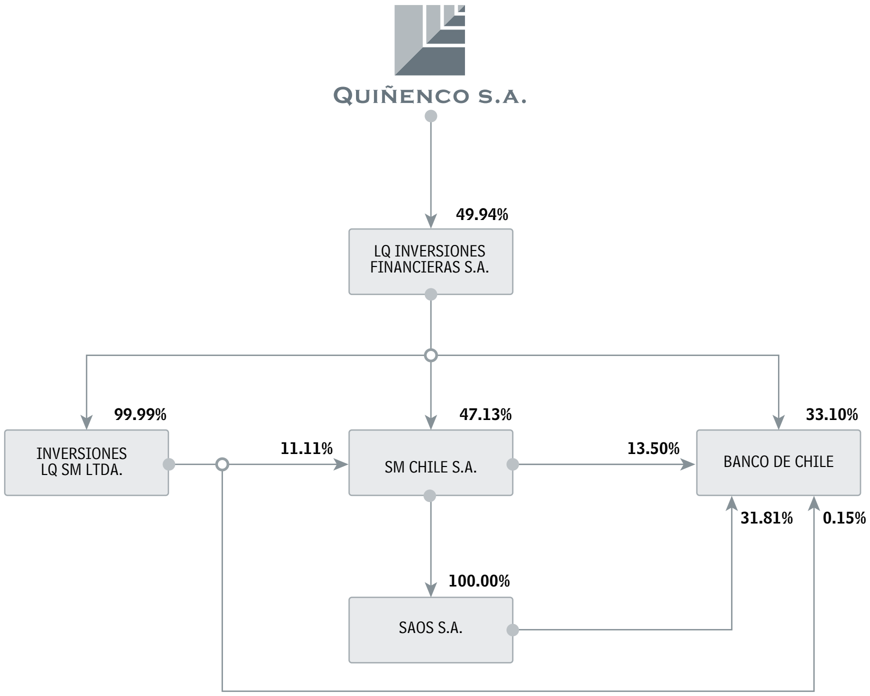
Subsidiaries and Affiliate Companies
As of December 31, 2012

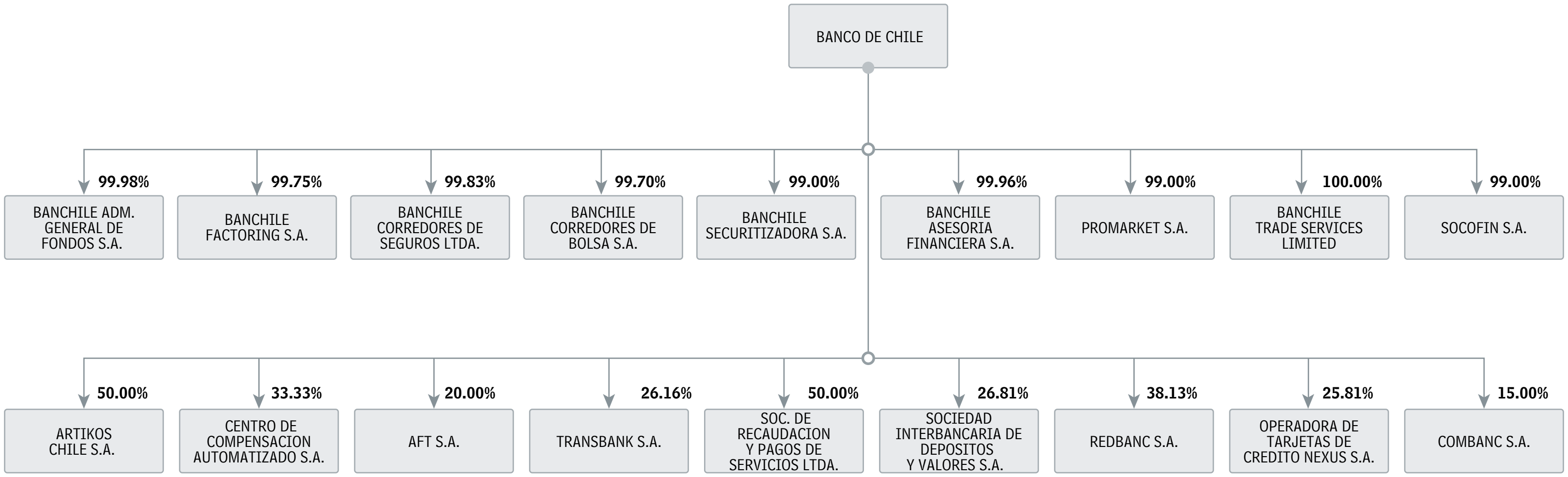
QUIÑENCO S.A. SUBSIDIARIES AND AFFILIATES



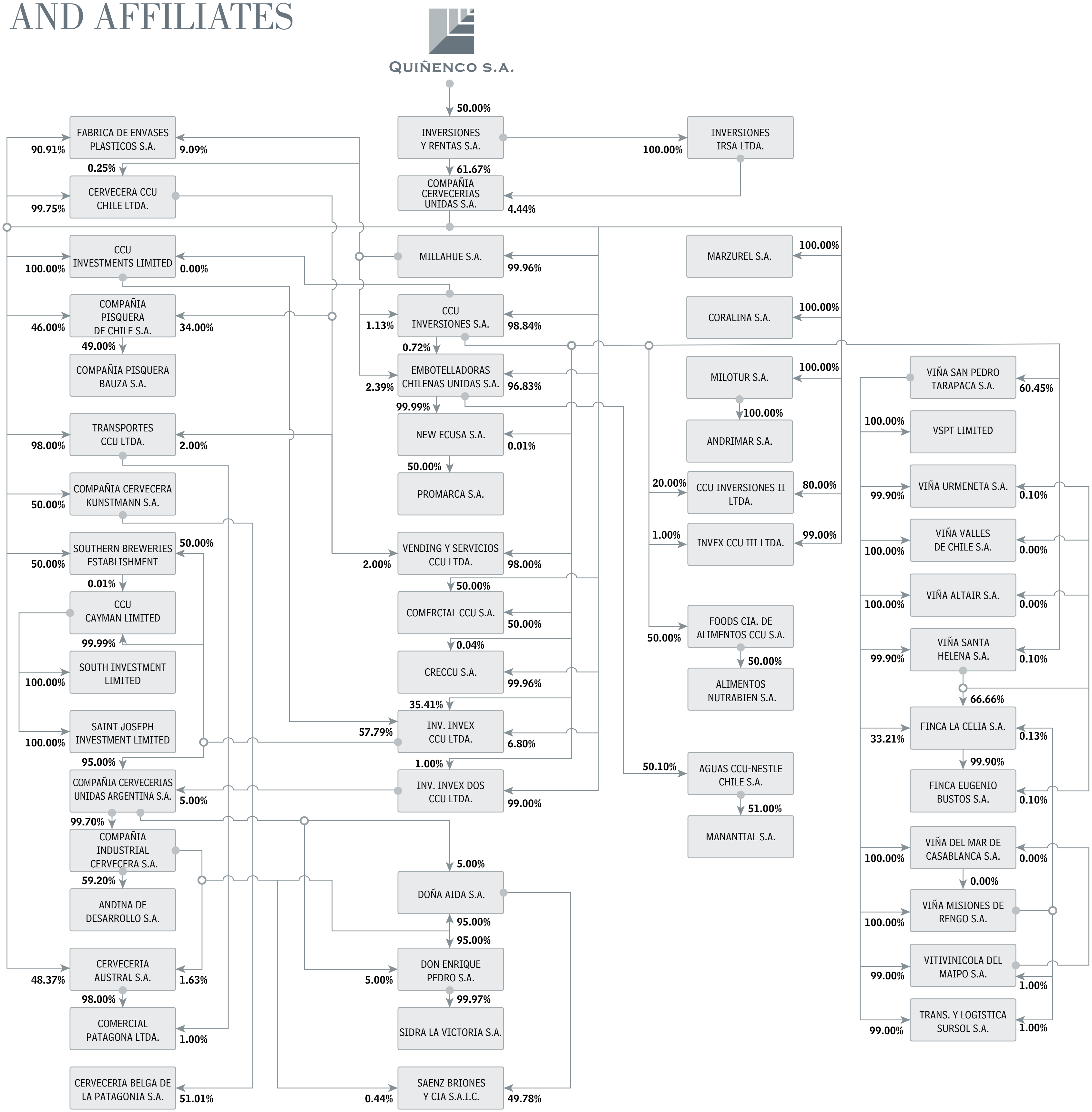

VTR S.A.
INVERSIONES RANQUIL S.A.
INVERSIONES RIO BRAVO S.A.
INDUSTRIA NACIONAL DE ALIMENTOS S.A.
EXCELSA ESTABLISHMENT
MADECO S.A.
100.00%
100.00%
71.08%
71.95%
100.00%
36.19%
0.00%
28.92%
27.98%
0.00%
0.00%
0.00%
0.00%
5.08%
8.83%
5.30%
0.01%
0.00%
90.00%
99.90%
50.00%
HIDROSUR S.A.
INVERSIONES RIO AZUL S.A.
CONAL LTDA.
FOODS CIA. DE ALIMENTOS CCU S.A.
14.99%
55.01%
19.99%
10.00%
10.00%
0.10%
HABITARIA S.A.
50.00%
1.86%
SM-SAAM S.A.
INVERSIONES Y RENTAS S.A.
50.00%
33.25%
2.33%
33.25%
2.33%
TRANSPORTES Y SERVICIOS AEREOS S.A.
COMPAÑIA SUD AMERICANA DE VAPORES S.A.
50.00%
61.67%
100.00%
COMPAÑIA CERVECERIAS UNIDAS S.A.
INVERSIONES IRSA LTDA.
1.86%
4.44%
0.00%
99.43%
EMPRESA AEREA EL LITORAL S.A.
0.57%
100.00%
INMOBILIARIA NORTE VERDE S.A.
0.00%
0.00%
66.30%
0.20%
66.30%
50.00%
INVERSIONES VITA S.A.
BANCHILE SEGUROS DE VIDA S.A.
INVERSIONES VITA BIS S.A.
INV. EL NORTE Y EL ROSAL S.A.
66.10%
33.60%

LQ INVERSIONES FINANCIERAS S.A. SUBSIDIARIES AND AFFILIATES

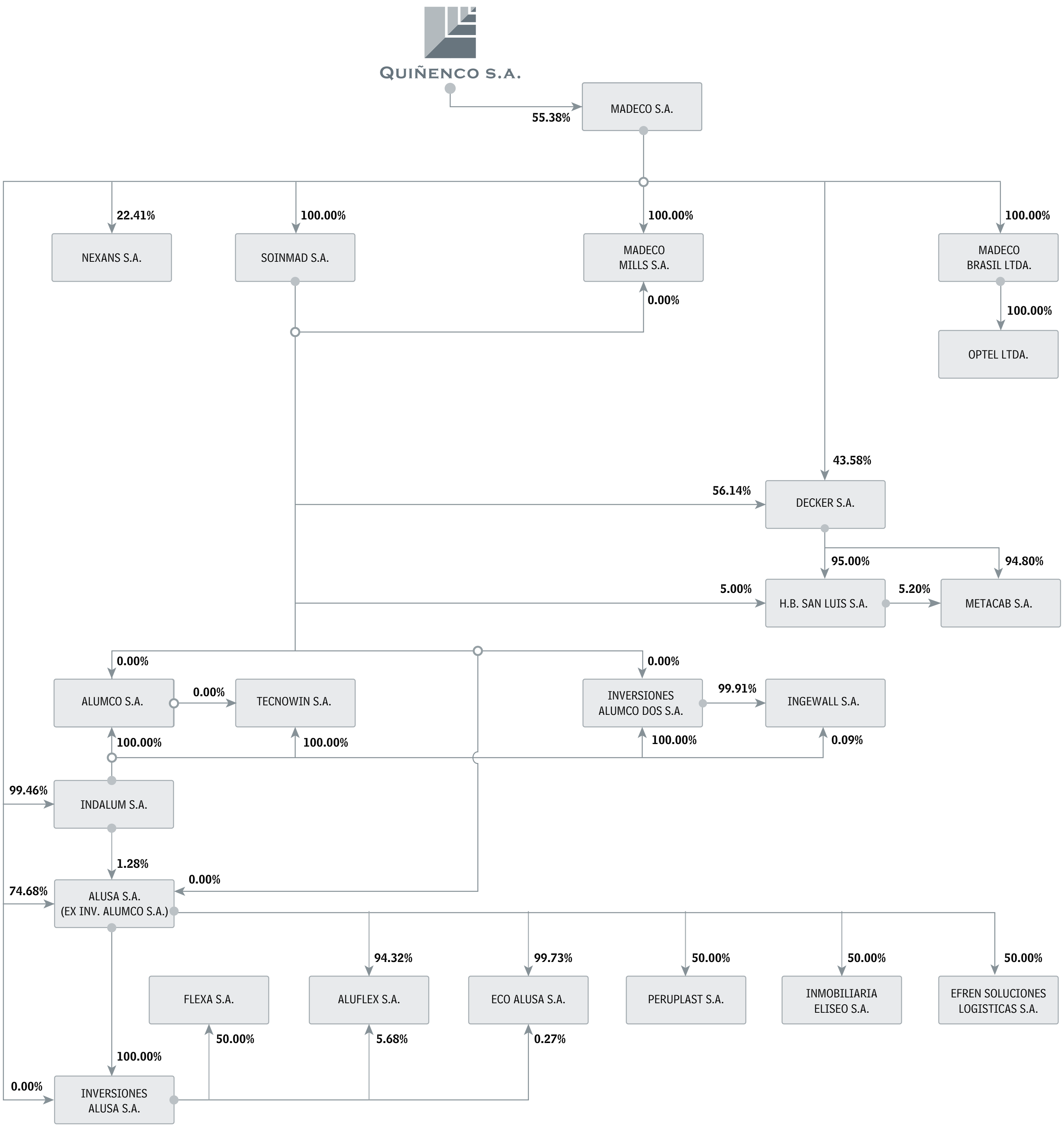




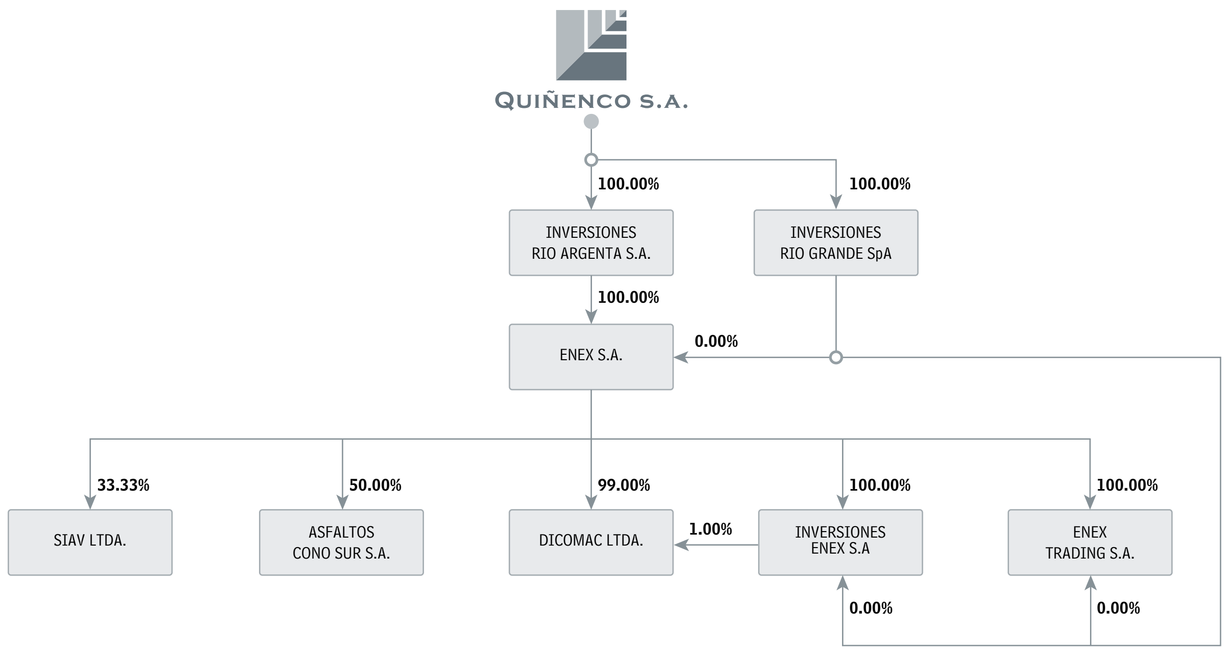
COMPAÑIA CERVECERIAS UNIDAS S.A. SUBSIDIARIES AND AFFILIATES



MADECO S.A. SUBSIDIARIES AND AFFILIATES



EMPRESA NACIONAL DE ENERGIA ENEX S.A. SUBSIDIARIES AND AFFILIATES



Quiñenco S.A.

www.quinenco.cl - www.quinencogroup.com