QUIÑENCO **2013** ANNUAL REPORT

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 August 1, 2013, granted before the Santiago Notary Office of Mr. Patricio Raby Benavente An abstract of this reform was registered on page 60,763 No. 40,106 of the Santiago Register of Commerce of 2013 and it was published in the Official Gazette No. 40,629 on August 8, 2013.

QUIÑENCO S.A.

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INVESTOR RELATIONS
Contact Pilar Rodríguez
Investor Relations Manager
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STOCK EXCHANGES (QUINENCO):
Bolsa de Comercio de Santiago
Bolsa de Comercio de Valparaíso
Bolsa de Valores de Chile

EXTERNAL AUDITORS
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Presidente Riesco 5435, 4th floor
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Santiago, Chile
Telephone: (56-2) 2676 1000

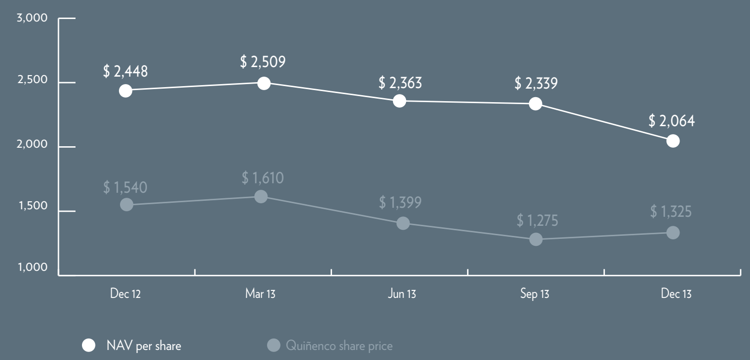
5 Year financial highlights

		2013	2012	2011	2010	2009
CONSOLIDATED RESULTS						
Industrial Sector						
Revenues from regular activities	Millions Ch$	2,054,946	1,448,296	1,055,401	304,632	254,128
Gross margin		236,729	181,673	166,587	85,229	73,264
Consolidated net income (loss) industrial sector		(13,154)	31,264	(15,416)	181,264	74,066
Banking Sector						
Total net operating revenues		1,216,507	1,157,215	1,101,373	957,589	803,109
Operational result		593,307	523,158	487,271	412,164	296,583
Consolidated net income banking sector		445,658	395,179	349,612	302,561	213,060
Consolidated net income		432,504	426,443	334,196	483,825	287,126
Net income attributable to non-controlling interests		307,664	286,800	246,230	192,219	131,726
Net income attributable to the owners of the controller		124,841	139,643	87,966	291,606	155,401
Earnings per share attributable to the controller (1)	Ch$	88.73	104.34	76.85	254.77	135.77
FINANCIAL POSITION						
Assets industrial sector	Millions Ch$	3,542,616	2,838,210	2,477,997	2,224,654	1,862,740
Assets banking services		25,929,314	23,252,873	21,740,945	18,200,363	17,457,601
Total assets		29,471,930	26,091,082	24,218,941	20,425,018	19,320,341
Liabilities industrial sector		1,316,184	1,052,809	880,116	575,559	546,942
Liabilities banking services		23,728,953	21,449,801	20,284,941	17,123,683	16,499,779
Total liabilities		25,045,137	22,502,610	21,165,057	17,699,242	17,046,721
Equity attributable to the controller's owners		2,417,361	1,893,720	1,559,940	1,520,552	1,268,964
Non-controlling participations		2,009,433	1,694,753	1,493,945	1,205,223	1,004,655
Total equity		4,426,793	3,588,473	3,053,885	2,725,775	2,273,620
Current ratio (Current assets/current liabilities) (2)	Times	1.99	1.78	2.10	3.11	1.90
Leverage (Total liabilities /equity) (2)	Times	0.54	0.56	0.56	0.38	0.43
EBITDA (3)	Millions Ch$	65,603	34,810	38,104	12,539	11,941

(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).

	2013	2012	2011	2010	2009
OTHER INFORMATION					
Number of shareholders	1,232	1,313	1,362	1,382	1,429
Number of shares	1,662,759,593	1,344,577,775	1,144,665,020	1,144,577,775	1,144,577,775

NAV / SHARE PRICE EVOLUTION
as of December 31, 2013 • NAV MUS$6,541 • Market Cap MUS$4,200
Share price in Ch$



MUS$ 6,541

The net value of Quiñenco's assets as of December 31, 2013.

ANNUAL REPORT QUIÑENCO

2013

Contents

Growth

Quiñenco's global presence is the consequence of a policy of analyzing and evaluating our potentials, as a company that is open to the exploration of commercial alliances and the constant search for strategic partners that allow us to solidly expand our business areas.

- Banco de Chile
- CCU
- Nexans
- Madeco
- Enex
- SM SAAM
- CSAV
- Commercial presence of CSAV through third party agencies.

1 ISRAEL AND THE NEW TERRITORY OF PALESTINE

Letter from the Chairman

DEAR SHAREHOLDERS:

The start of 2013 was marked by the premature passing of my brother Guillermo, who was Chairman of the Board of Quiñenco for over 30 years. He ran the company with his characteristic skill, but also with closeness, creativity and by working intensely with his team. We will continue along the path to growth and solid results that Quiñenco has achieved over the course of its history. At the same time, new challenges have been taken on and the foundations have been laid to pick up the pace and to strengthen the results achieved even further.

Our companies were up to the challenges of their respective sectors and able to contribute with significant operational results in a highly competitive environment with lower growth rates in Chile, high energy and transportation costs and weak signs of recovery from developed countries. Thus, along with the solid corporate-level financing structure, net profits of Ch$124,841 million were earned.

In this way, Quiñenco and several of the group's companies approved capital increases last year, shoring up their financing structures to better face the development opportunities of their businesses and new enterprises. Quiñenco successfully concluded its capital increase, raising Ch$350 billion. Early in the year, Banco de Chile raised Ch$250 billion, strengthening its equity base to anticipate regulatory requirements and its strong growth rate. For its part, CCU raised close to Ch$300 billion to develop its strategic plan, while CSAV raised US$330 million, mainly to finance the acquisition of new ships that are more efficient and with increased capacities. Even Nexans held a capital increase in France for €284 million, mainly destined to its restructuring process, to strengthen its financial structure and to develop its strategic initiatives.

Intense work was done in 2013 to consolidate and develop the companies that joined the group in 2011, in addition to reorganizing and optimizing its other companies. The division of Madeco, the acquisition of Terpel Chile, and the partnership agreement between SM SAAM and the Dutch group Boskalis in the tug boat business stand out.

Once again Banco de Chile led the Chilean financial system in terms of profitability and net profits, with a return on average capital and reserves of 24% and a net profit of Ch$513,602 million in 2013. In addition to being rated as the safest private bank in Latin America, Banco de Chile came in first place in the country for Corporate Reputation and second among the most responsible companies with the best corporate governance, according to a study by Merco. Continuing with its strategy of diversifying sources of financing, it is worth highlighting the placement of bonds for over US$1 billion in Switzerland, Japan and Hong Kong.

For its part CCU, the country's largest brewer, deepened its regional diversification with its entry into the Paraguayan beer, soft drinks, water and nectar market in partnership with the local Cartes group. Likewise, the strong performance of the subsidiary Ecusa in the nonalcoholic beverages segment should be highlighted, in terms of sales and market share, which led PepsiCo to distinguish it as the Bottler of the Year in Latin America. Driven by Scandinavian markets, the Viña San Pedro Tarapacá Group obtained certification under the National Sustainability Code and the BCSI Code of Conduct for eight of its vineyards, making them the first in the Chilean industry to fulfill said standards.

Meanwhile, Enex went through a decisive year with the acquisition of Terpel Chile, a US$240 million transaction completed in June after a long process to obtain the approval required to absorb its operations. By the end of 2013 the new organizational structure was already implemented: 27 of the new service stations acquired were operating under the Shell brand and clients were being served under a single management and logistics system. Enex thus strengthened its position as the second-largest actor in the fuel industry with a network of 450 service stations, 121 convenience stores and an estimated total market share of 25% in service stations. In July Enex inaugurated a new highway format with a new image for its upa! convenience store. It should also be highlighted that Enex came in first place among service stations in the National Customer Satisfaction Awards, ProCalidad, and first place in its industry in the Consumer Loyalty ranking elaborated by the newspaper Estrategia and Alco Consultores.

During 2013, SM SAAM dedicated itself to strengthening its organization to boost and optimize management of each of its three business areas in the context of its strategic plan, which also seeks to foster growth in the Latin American region with new investments and acquisitions while simultaneously divesting non-strategic assets. One of the most important milestones in this context was the

partnership agreement signed with the Dutch Boskalis Group do jointly develop the operations of SAAM and SMIT , the world's second-largest tug boat operator, in the Brazilian, Mexican, Canadian, and Panamanian markets. Once the respective approvals have been obtained from the corresponding authorities, they will jointly operate a fleet of over 100 tug boats with estimated annual sales of US$250 million. It is worth noting that SM SAAM has faced a highly competitive market marked by illegal strikes in Chile's main ports and the reduced dynamism of certain key industries like mining, forestry and salmon farming.

After completing operational restructuring in late 2012, in April 2013 CSAV decided to acquire seven container ships with a capacity of 9,300 TEUs, both to increase the proportion of its own ships in the fleet to around 50%, the industry average, as well as to attain greater efficiency and to optimize costs. The new ships will be delivered starting in late 2014. Following one of the group's strategic pillars, aimed at better dealing with the shipping industry's challenges through synergetic partnerships, early this year CSAV signed a nonbinding agreement with the German shipper Hapag Lloyd. If completed, the agreement will entail merging CSAV's container shipping business with Hapag Lloyd.

Madeco approved its division toward the end of the first quarter of 2013, so as to optimize the administration of businesses that were of a different nature and size. Invexans, the name of its legal successor, administers the investment in the multinational cable manufacturer Nexans, while a new company called Madeco took over the operational units of flexible packaging, brass mills and profiles. This increased the visibility and efficiency of administration in both companies.

Invexans expanded its influence in Nexans in February 2013, with a member on the Strategy Committee that was created at the time to evaluate the strategic plan for the next three years and to oversee its implementation. In the last quarter of the year Invexans participated in a capital increase implemented by Nexans, as well as making additional market purchases, until its share had increased to 27.9% by early 2014. For its part, Nexans began developing its strategic plan to improve the profitability of the capital invested, mainly through cost reduction, organic growth, recovery of the submarine cable business, and the recovery of European competitiveness.

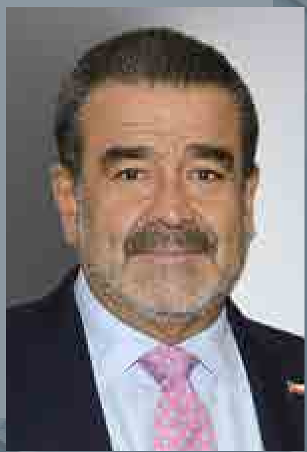
For its part, Madeco undertook a profound restructuring of its operations, making its main goal growth in manufacturing businesses that can be replicated internationally. This entailed closing the brass mills units in Chile and Argentina, due to the sustained loss of competitiveness caused by higher production costs, mainly energy, and the adoption of substitute products in the market based on plastic resins. The flexible packaging unit, led by Alusa, was consolidated as Madeco's main operation, through which it will channel an investment plan that includes the acquisition of companies and the incorporation of machinery and new technology. Along this same line, in March 2014, Madeco decided to close the profile unit, which had also become increasingly less competitive compared to imported products due to higher production costs, in particular energy.

As a corporate center, Quiñenco has benefited from the positive results obtained by the companies that make up its diversified investment portfolio, which are present in six important economic sectors and not just in Chile and Latin America, but also in Europe and the rest of the world. As of December 2013, Quiñenco was in a position of significant liquidity, bolstered by the constant flow of dividends from its operational companies and an appropriate debt and capital structure that is in accordance with its financing policy. Quiñenco thus has a solid foundation to support the profitable growth of the companies that are already part of the group, as well as to continue with the ongoing search for new business opportunities in a dynamic and challenging environment.

I would like to express my sincere acknowledgement to our shareholders for the trust placed in the Board and management and my recognition of all the members of Quiñenco's team, whose commitment and valuable dedication have been fundamental to overcoming the challenges that have emerged and to attain the excellent results that are my satisfaction to present you with today. Lastly, I reiterate our commitment to deploying all of our efforts and capacities, while respecting regulations and institutions, communities and natural resources, to continue forging ahead in the creation of value and the development of our businesses.

Andrónico Luksic Craig
CHAIRMAN

Board of Directors



Andrónico Luksic Craig
CHAIRMAN
Company Board Member

Jean-Paul Luksic Fontbona
VICE CHAIRMAN
Company Board Member
B.Sc. Management and Science,
London School of Economics, Inglaterra

Nicolás Luksic Puga
DIRECTOR
Commercial Engineer,
Universidad Finis Terrae

Corporate Governance

Quiñenco's corporate governance practices are developed by the Board, the Directors' Committee, and the Chief Executive Officer. Quiñenco's Board is comprised of seven members, chosen for three-year terms. There are no substitute board members, in keeping with the statutes.

The current Board was elected at the Annual Shareholders' Meeting that was held on April 30, 2013. Mr. Andrónico Luksic was named Chairman of the Board and Mr. Jean Paul Luksic Vice Chairman of the Board on May 2, 2013. Mr. Guillermo Luksic Craig (RUT 6.578.597-8, Company Board Member) was reelected Chairman of the Board on April 30, 2010, a position he held until his unfortunate passing away on March 27, 2013.

Quiñenco has a permanent commitment to the highest standards of corporate governance, according to its statutes and the legal regulations in force in Chile, in particular the Law of Open Stock Corporations and the Securities' Law. It has adopted a code of ethics that is applicable to all of its employees, to promote honest and ethical behavior that avoids any sort of conflict of interests and which transmits our principle of transparency and respect for the rights of others.

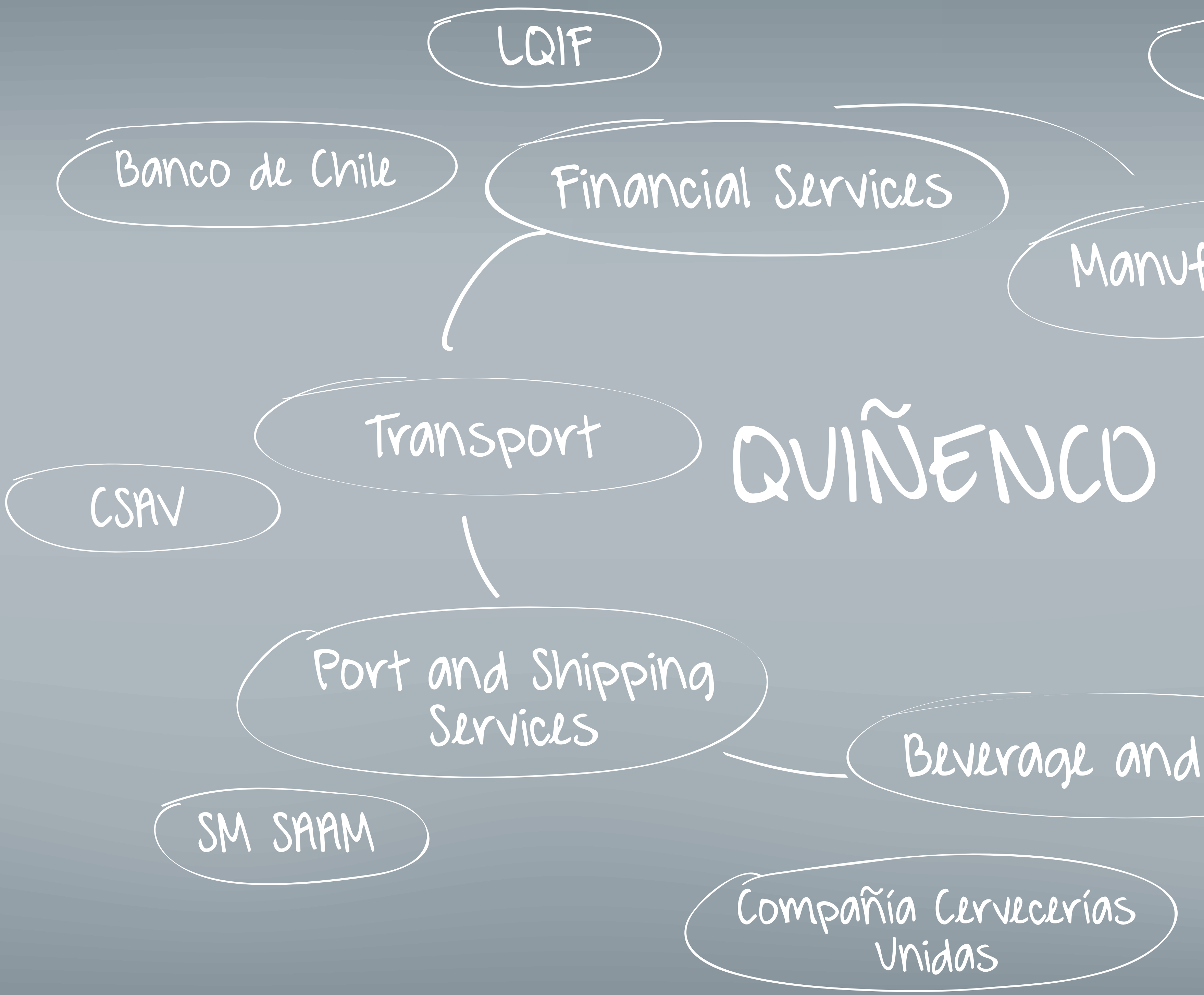
Fernando Cañas Berkowitz
DIRECTOR
Commercial Engineer,
Universidad de Chile

*Gonzalo Menéndez Duque**
DIRECTOR
Commercial Engineer,
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.

Member of the Directors' Committee


LQIF
Banco de Chile
Financial Services
Manuf
Transport
QUIÑENCO
CSAV
Port and Shipping Services
Beverage and
SM SAAM
Compañía Cervecerías Unidas

Development

The clear goal of fostering the sustained creation of value for shareholders, aimed at the development and maximization of the profitability of Quiñenco's portfolio, has allowed us to show a positive business development that keeps the company in a distinguished position of leadership.

Profile of Quiñenco

US$58.7 billion

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

US$12.5 billion

Aggregate revenues of the Group's companies in 2013

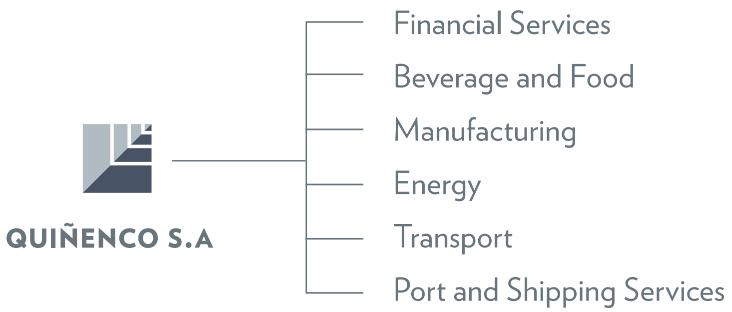
QUIÑENCO is one of Chile's largest and most diversified business conglomerates. It manages US$58.7 billion in assets, which correspond to companies that are leaders in the sectors they participate in – financial, beverage and food, manufacturing, energy, transport and port and shipping services – and which together employ approximately 34,000 people in Chile and abroad. The Group's aggregate sales in 2013 were over US$12.5 billion and its market capitalization was US$4.2 billion as of the year end.

The shares of Quiñenco S.A., founded in 1957, are traded on the Chilean stock markets. In November 2013 it successfully completed a capital increase equivalent to Ch$350 billion through the issue of around 318 million shares, of which 99.98% were subscribed during the preferred rights period.

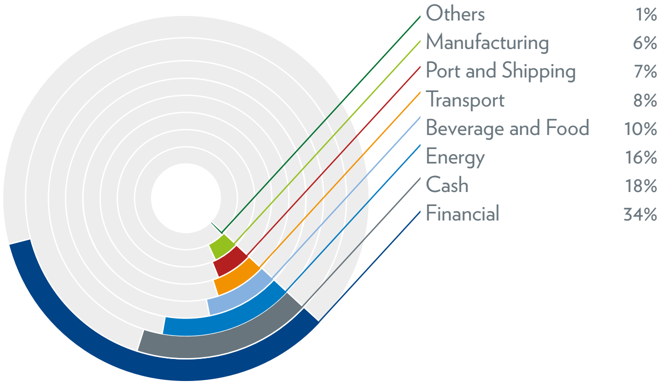
Corporate strategy

Quiñenco creates value for its shareholders and for society through the sustainable development of the companies it invests in. Its investment criteria privilege companies with the potential to develop brands or franchises and with sufficient critical mass, and which represent a platform for growth or a complement to other businesses in the Group. Alliances with world-class partners are also an important part of the corporate strategy, as they contribute their experience, knowledge and resources to the development of joint ventures.

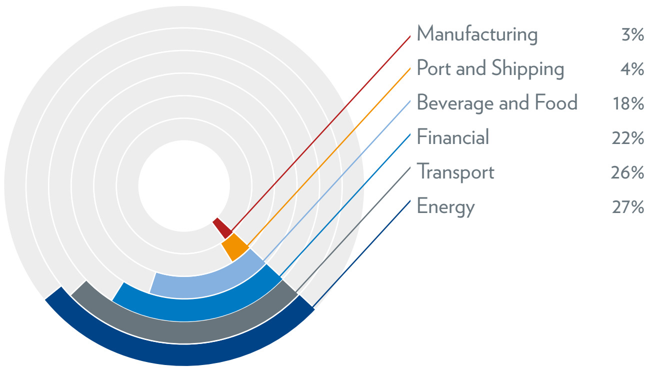
Quiñenco's value creation system is based on excellence in the management of its investments. The holding company works together with its companies' respective administrations to define long-term strategies, overseeing operational and financial management and structuring significant mergers and acquisitions. In this way, it empowers the management and growth capacity of each of its companies, generating synergies and achieving high levels of efficiency.



INVESTMENTS BY SECTOR
MCh$2,862,650 as of 12.31.2013
(Book value at corporate level)



AGGREGATE INCOME BY SECTOR
in 2013



Quiñenco's business model consists in increasing the value of each of the companies it invests in, so as to increase its return through dividends and eventual divestments. Over the last 17 years the holding company has proven its capacity to create value, obtaining profits of US$1,945 million for its shareholders thanks to divestments amounting to US$4,522 million.

A total of US$96 million were received in dividends on a corporate level during 2013.

Main assets

Quiñenco participates in the financial sector through LQ Inversiones Financieras (LQIF), a company it owns in equal proportions with Citigroup. LQIF controlled 58.4% of voting rights in Banco de Chile as of December 2013. This share was reduced to about 51% after the sale of an approximately 7.2% stake in Banco de Chile shares in January 2013, an operation that totaled approximately US$800 million and did not entail losing control of Banco de Chile.

In the industrial sector, Quiñenco controls 65.9% of Invexans, the referential shareholder in the multinational cable manufacturer Nexans. As of December 2013 Invexans held a 26.55% stake in said French company. In addition, Quiñenco controls 65.9% of Madeco, a manufacturing group with a regional presence in the production of flexible packaging and in the Chilean enclosure solutions market.

In the beverage and food industry, the holding company controls Compañía Cervecerías Unidas (CCU) through IRSA, a company that it owns in equal proportions with Heineken. IRSA owns 60.0% of CCU, a company with operations in Chile, Argentina, Uruguay and Paraguay.

Quiñenco participates in the energy and fuels sector through Enex, a company that was created after the acquisition of Shell Group's assets in Chile. It completed the purchase of Terpel's assets in the country in 2013, thus expanding its network to 450 service stations.

The holding company participates in the transport sector through Compañía Sud Americana de Vapores (CSAV), which it holds a 46% stake in. CSAV is Latin America's largest shipping company and one of the 20 largest in the world.

Quiñenco is present in the port and shipping services industry through SM SAAM, a company created after the division of CSAV in early 2012 and which controls SAAM, South America's main port operator and the world's fourth-largest tug boat operator. SM SAAM signed a partnership agreement with the Dutch firm Boskalis in September 2013, which is subject to the corresponding authorizations, to jointly develop the tug boat business in Mexico, Brazil, Canada and Panama.

History

1957

- Creation of Forestal Quiñenco S.A. to exploit eucalyptus forests and produce wood props for underground tunnels in coal mines.

1960's

- Purchase of Forestal Colcura S.A.
- Expansion into food industry with purchase of Empresas Lucchetti S.A.

1970's

- Diversification into services, with the acquisition of Hoteles Carrera S.A.

1980's

- Entry into financial sector with the purchase of shares in Banco O'Higgins and Banco Santiago.
- Expansion into industrial business by taking control of Madeco.
- Purchase of control over Compañía de Cervecerías Unidas S.A. (CCU) in alliance with the German group Schörghuber.
- Incursion into telecommunications with the purchase of a majority stake in VTR S.A.

1990's

- Creation of OHCH in alliance with Banco Central Hispanoamericano. OHCH subsequently took over control of Banco Santiago.
- Strategic alliance with SBC Communications Inc. to boost VTR.
- OHCH takes control of Banco Santiago.
- Quiñenco is established as the financial and industrial parent company and Antofagasta Holdings as the center for mining and railway investments.
- Quiñenco makes a Public Share Offering on the New York and Santiago stock exchanges, raising US$279 million.
- VTR divests Startel S.A., a mobile telephone company, and VTR Larga Distancia S.A.
- Entry into the real estate sector with the creation of Habitaria S.A. in alliance with the Spanish construction firm Ferrovial Inmobiliaria.
- Sale of stake in banking sector holding company OHCH, after which 51.2% of Banco de A. Edwards and 8% of Banco de Chile were acquired.
- Sale of stake in VTR Cable to UIH Latin America.
- Acquisition of a 14.3% stake in Entel S.A.

2000

- Creation of LQ Inversiones Financieras S.A. (LQIF) as a subsidiary of Quiñenco.

2001

- Acquisition of 52.7% of voting rights in Banco de Chile, becoming its controller.
- Sale of 8% stake in Entel S.A.
- Sale of 39.4% stake in Plava Laguna d.d., a tourist resort on the Croatian coast.

2002

- Merger of Banco de Chile and Banco de A. Edwards.

2003

- Partnership with Heineken, which acquires 50% of IRSA, the company that controls CCU.
- Sale of Hotel Carrera in Santiago.

2004

- Sale of Lucchetti Chile S.A.
- Purchase of Calaf through a joint venture with CCU.
- Acquisition of 11.4% of Almacenes París.

2005

- Sale of stake in Almacenes París.

2006

- The process of delisting Quiñenco shares from the NYSE and ending its ADR program begins. This process concluded in early 2007.

2007

- Alliance with Citigroup in the financial sector.
- Quiñenco carries out capital increase for Ch$65 billion.
- Sale of 2.8% stake in Entel.

2008

- Merger of Banco de Chile and Citibank Chile.
- Sale of Madeco's cable unit to Nexans. As part of this operation, Madeco obtained an 8.9% stake in the French company.

2009

- Sale of remaining Entel shares, equivalent to a 2.9% stake in the company.

2010

- Sale of 100% of Telsur to GTD Manquehue for Ch$57 billion.
- Citigroup increases its participation in LQIF, Banco de Chile's controlling company, to 50% after exercising two purchase options for a total value of US$1 billion.

2011

- Entry into the energy sector with the acquisition of Shell's assets in Chile.
- Madeco signs agreement with Nexans that allows it to increase its stake in the French multinational corporation to 20%, thus gaining significant influence in it.
- Expansion into the transport industry with the acquisition of 20.6% of shares in Compañía Sud Americana de Vapores S.A.

2012

- Quiñenco carries out capital increase for Ch$$250 billion.
- Quiñenco's stake in CSAV reaches 37.44%, the same percentage as in SM SAAM, a company that was created with the shipping firm's division.
- Madeco and Nexans modify their agreement, increasing the maximum stake that Madeco can hold in the French company to 28%.

2013

- Quiñenco increases its stake in Madeco by 10.5%, reaching a total of 65.9% of the property.
- Division of Madeco is approved and implemented to optimize administration of the investment in Nexans, given the significance that it has taken on, and of the operating units. Its legal successor, Invexans, administers the investment in Nexans (as of December it controlled 26.55% of the shares), and a new company named Madeco manages the productive flexible packaging and profiles units.
- Enex acquires the assets of Terpel in Chile for US$240 million, strengthening its position in the fuel industry.
- Quiñenco increases its stake in CSAV to 46% and in SM SAAM to 42.4%.
- Quiñenco increases its capital by Ch$350 billion.

Organization

Francisco Pérez Mackenna
CHIEF EXECUTIVE OFFICER
(from July 1, 1998)
Commercial Engineer,
Universidad Católica de Chile
MBA, University of Chicago, USA

Felipe Joannon Vergara
BUSINESS DEVELOPMENT MANAGER
(from April 15, 1999)
Commercial Engineer,
Universidad Católica de Chile
MBA, The Wharton School,
University of Pennsylvania, USA

Luis Fernando Antúnez Bories
ADMINISTRATION, FINANCE AND HUMAN RESOURCES MANAGER
(from July 15, 1996)
Industrial Civil Engineer,
Universidad Católica de Chile
MBA, Georgia State University, USA

Pilar Rodríguez Alday
INVESTOR RELATIONS MANAGER
(from June 2, 2008)
Commercial Engineer,
Universidad Católica de Chile

Martín Rodríguez Guiraldes
STRATEGY MANAGER
(from May 2, 2003)
Commercial Engineer,
Universidad Católica de Chile
MBA, University of California
at Los Angeles (UCLA), USA

Organizational chart

- Board of Directors
  - Chief Executive Officer
    - Strategy Department
    - Legal Department
    - Administration, Finance and Human Resources Department
    - Development Department
  - Internal Auditing

Manuel José Noguera Eyzaguirre
CHIEF COUNSEL
(from January 1, 2000)
Attorney,
Universidad Católica de Chile

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Master's degree in Tax Administration and Management,
Universidad Adolfo Ibáñez

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Universidad de Chile

José Ignacio Bulnes León
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MBA, Kellogg School of Management, Northwestern University, USA

Antonio Cruz Stuven
DEPUTY DEVELOPMENT MANAGER
(from July 8, 2013)
Commercial Engineer,
Universidad Católica de Chile
MBA, Columbia Business School, USA

Pedro Marín Loyola
PERFORMANCE CONTROL MANAGER AND INTERNAL AUDITOR
(from October 1, 1996)
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2013 Results

QUIÑENCO presents its financial statements in keeping with the IFRS. To provide a better understanding of Quiñenco's results, the financial statements separate the results of banking services (banking sector) from nonbanking businesses (industrial sector). In addition, in keeping with IFRS requirements, four business sectors have been defined: Manufacturing, Financial, Energy and Other.

Quiñenco includes the profits and losses of over 40 companies in its financial statements for each period. Though it consolidates its operations with the majority of its investments, with Banco de Chile, Invexans, Madeco and Enex being its main operating companies, the profits and losses of other investments that are significant to Quiñenco in terms of their size and impact on financial results in any given period – such as CCU, CSAV and SM SAAM – are not consolidated with the company. In these cases, Quiñenco's proportional share of the profit or loss is included in the nonoperational results.

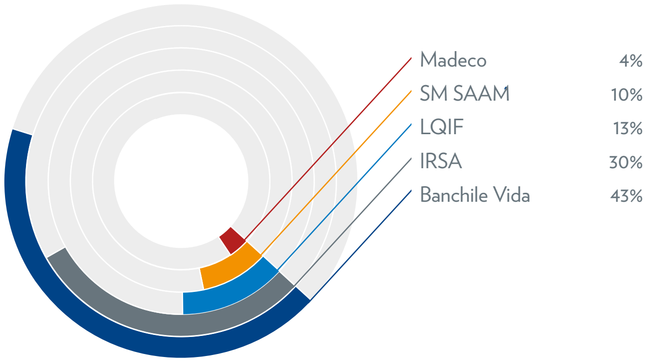
Quiñenco earned a net profit of Ch$124,841 million in 2013, a 10.6% drop compared to the year before. This drop was mainly due to a non-recurring profit associated with the investment in Nexans, reported in 2012, in addition to the larger proportional loss in Nexans in 2013. Banchile Vida also reduced its contribution compared to the previous period. However, the improved results in CSAV should be highlighted, in addition to the positive variation during the period in the contribution by the financial sector and SM SAAM. Though Enex's operational result showed significant growth, its contribution was reduced due to a nonrecurring profit registered in 2012. The contribution from CCU remained stable. On a corporate level, greater operational income and lower losses from exchange differences more than compensated lower financial income during the period.

Quiñenco reported consolidated revenues in the industrial sector of Ch$2,054,946 million in 2013, up 41.9% over the previous year, mainly as a result of the 31.3% growth in Enex's revenues, driven by the incorporation of Terpel Chile in the second half of 2013. For their part, Madeco's revenues totaled Ch$205,772 million, consisting mainly in the flexible packaging unit's sales and, to a lesser degree, profiles. Banchile Vida's revenues were down 15.4%, mainly due to the expiration in June 2012 of the disability and survival insurance contract with Pension Fund Administrators (AFPs).

Operating income in the industrial sector was up 52.6%, to a total of Ch$78,351 million in 2013, mostly a reflection of results of the flexible packaging and profile units, which were reclassified in the previous period as discontinued activities. This increase can

also be attributed to Enex's results, which increased over threefold, mainly reflecting the incorporation of Terpel Chile. For its part, LQIF holding reported higher operating income thanks to a gain produced by the extraordinary amortization of the subordinate obligation from the sale of options to purchase Banco de Chile shares in the capital increase implemented in 2013. Invexans' operating income was down significantly, due to lower negative goodwill associated with its investment in Nexans in 2013. For its part, Banchile Vida's operational profits fell by 51.5%, mainly due to lower operational revenues and a nonrecurring effect on costs in the previous period.

DIVIDENDS RECEIVED
MCh$50,112 (on a corporate level)



CONTRIBUTION TO PROFITS BY SECTOR AND SEGMENT

	Quiñenco's ownership [1]	2013 MCh$	2012 MCh$
INDUSTRIAL SECTOR			
Manufacturing Segment			
Invexans	65.9%	(47,884)	27,868
Madeco	65.9%	12,586	-
Financial Segment			
LQIF Holding	50.0%	(11,762)	(20,489)
Energy Segment			
Enex	100.0%	18,971	28,387
Other Segment			
CCU [2]	30.0%	37,690	37,500
CSAV	46.0%	(37,163)	(59,351)
SM SAAM	42.4%	12,664	8,542
Quiñenco and others [3]	-	1,744	8,806
Sub-total Other		**14,935**	**(4,503)**
Consolidated Net Income Industrial Sector		(13,154)	31,264
BANKING SECTOR			
Financial Segment			
Banco de Chile	20.07% [4]	513,603	465,851
Subordinated Debt	-	(69,701)	(73,709)
Others	-	1,756	3,037
Consolidated Net Income Banking Sector		445,658	395,179
Consolidated Net Income		432,504	426,443
Net Income attributable to Non-controlling Stakes		307,664	286,800
Net Income attributable to the Owners of the Controller		124,841	139,643
NET INCOME ATTRIBUTABLE TO OWNERS OF CONTROLLER BY SEGMENT			
Manufacturing		(30,990)	14,174
Financial		124,130	108,451
Energy		18,971	28,387
Others		12,730	(11,370)
Net Income attributable to the Owners of the Controller		124,841	139,643

1 Direct and/or indirect
2 Corresponds to Quiñenco's equity stake in CCU's results, according to the equity method.
3 Includes Banchile Seguros de Vida, Quiñenco and intermediate companies and eliminations.
4 Corresponds to Quiñenco's economic rights as of December 31, 2013. As of December 31, 2012 Quiñenco's economic rights in Banco de Chile were 19.9%.

CCU's contribution was up slightly, by 0.5%, thanks mainly to the 7.5% increase in CCU's net profit, driven by higher sales volumes in Chile and Río de la Plata, partially compensating IRSA's reduced stake in CCU, which fell from 66.1% to 60.0% towards the end of 2013.

The investment in CSAV generated a loss of Ch$37,163 million, 37.4% less than in the previous period, due to the loss registered by the company, adjusted for the effect of the fair value accounting of said investment by Quiñenco. This adjustment was Ch$1,271 million in 2013, and Ch$377 million corresponding to 2012 plus Ch$957 million corresponding to the period July-December 2011, also accounted for in 2012. CSAV's net loss improved 46.1% over 2012 despite lower rates in the industry, mainly due to non-recurring items that had a favorable effect during the period.

The investment in SM SAAM generated a gain of Ch$12,664 million, growing 48.3% with respect to 2012, resulting from the increase of 23.6% in SM SAAM's net income, adjusted by the effect of the fair value accounting of this investment by Quiñenco. This adjustment was Ch$2,048 million and Ch$2,264 million in 2013 and 2012, respectively. In addition, in September 2013 Quiñenco increased its stake in SM SAAM by 5%, reaching a total of 42.4%. SM SAAM's increased net profit was mainly attributable to the tug boat and port terminal units' strong performance, in addition to nonrecurring profits from the sale of dispensable assets.

The industrial sector posted a consolidated loss of Ch$13,154 million in 2013, compared to a profit of Ch$31,264 million in the previous period, due mainly to the lower contributions from Invexans, Banchile

«The consolidated revenues of the industrial sector grew by 41.9%, to a total of MCh$2,054,946 in 2013»

Vida and Enex. Invexans's result reflects its share of Nexans's loss during the period, in addition to the lower operational result. Enex's contribution was down due to a nonoperational profit registered in 2012, which counteracted growth on an operational level. These reductions were partially compensated by increased contributions from CSAV, SM SAAM, LQIF holding, Madeco and CCU. In addition, on a corporate level higher operational profits and lower losses were registered in 2013 due to exchange rate differences, which more than compensated lower financial revenues.

For its part, the banking sector earned a profit of Ch$445,658 million in 2013, a 12.8% increase over the year before, reflecting the positive result obtained by Banco de Chile during the period, resulting from a significant increase in the activity of its commercial units, despite an increase in provisions for credit risk, which maintained its position as leader in net income and profitability in the Chilean financial system. In addition, there was a reduction in the interests accrued by the Subordinated debt with the Central Bank.

The flow of dividends earned on a corporate level from its subsidiaries LQIF, IRSA, Madeco, SM SAAM, Banchile Vida and other companies totaled Ch$50,112 million, which represents a 36.0% drop compared to the previous period. Banco de Chile kept its dividend payment ratio at 70% of net profits in 2013. The sustained flow of dividends and the funds obtained from the sale of investments has allowed Quiñenco to maintain a low level of debt and a solid financial position, with a debt in the industrial sector that totals Ch$878,976 million.

COMPOSITION OF INDUSTRIAL SECTOR'S DEBT

	2013 MCh$	**2012** MCh$
Corporate level (1)	419,445	309,987
Invexans	105,832	77,923
Madeco	105,683	-
LQIF holding	162,641	261,841
Enex	85,374	72,096
Total debt industrial sector	878,976	721,847

(1) Does not include IRSA's debt of MCh$74,683 in 2013 (MCh$7,375 in 2012), company in which Quiñenco holds a 50% stake.

Corporate Social Responsibility

The mission of each of the companies in the Quiñenco Group includes the commitment to promote progress in all of the human groups they relate with in the area of their respective businesses. The companies generate returns for their shareholders by producing and distributing valuable solutions to their customers, in addition to creating room for growth for their workers and community wellbeing, thus fostering a better quality of life and care for the environment.

Each of Quiñenco's subsidiaries engages in Corporate Social Responsibility actions in a structured and ongoing way, with an emphasis on the country's most pressing needs.

Environment

The Group's companies take on as their duty to efficiently administer resources and to contribute to the consolidation of a culture of care for the environment, both within the organization as well as in the community.

In the transport sector, the renewal of the fleet considered the capacity to save fuel as a critical design factor, in that way reducing emissions. The ships that will be incorporated in 2014 include technologies that make engines and fuel purifiers more efficient, in addition to including devices that make the water flow toward the propeller for use as a source of energy.

In the financial services area, efficiency programs allowed energy consumption to be reduced by the equivalent of 18,970 households for a month; a total of 1,432 tons of paper were saved, which means that 24,344 fewer trees were cut down and the consumption of 143,200 liters of water and 10,883,200 kWh of power was avoided.

The brands of subsidiaries related to mass consumption products supported the initiative Reforestemos La Patagonia (Let's reforest Patagonia), the largest native species reforestation crusade every undertaken in the country's history. Along these same lines, 100 of the Group's employees participated as volunteers in the work to reforest 3,000 m2 on the slopes of Cerro Colorado in the municipality of Renca. In addition, in an initiative by colleagues from the energy sector, construction of a square was begun in the La Pincoya sector of Huechuraba. The works are expected to conclude with the participation of volunteer crews during the second quarter of 2014.

Excellence in education

Committed to promoting excellence in education that is accessible to all, since 2004 the Group has been working with the Astoreca Foundation to support students from the areas with the highest levels of poverty in the Metropolitan Region. In 2013 it supported the construction of a new educational establishment in Lampa that will join the network of schools of excellence that the foundation administers, in addition to the creation of libraries for children in La Araucanía. In addition, it has continued to support Elige Educar, an organization that seeks to stimulate excellent students to choose to study education. In 2014 the goals are for one of every five students enrolled in education to come from the 20% top students and for the teaching profession to become one of the top five careers in terms of social appreciation in Chile. In higher education we also continue to support the Chile-China exchange program between the Pontificia Universidad Católica de Chile and Tsingua, in addition to providing financial support for programs at the Universidad de Chile. In addition, support was provided to the teaching of entrepreneurship and innovation issues in Chilean universities by cooperating with the training of 42 academics in programs at Babson College.

Solidarity

The Group undertook multiple activities as part of the Desafío Levantemos Chile Program in 2013, an initiative that was born of the earthquake on February 27, 2010 and which has continued to develop, acting as a bridge between those who can help and those who are living in poverty and want to receive support. In this context, future entrepreneurs were helped with tutorials and preferential financing conditions; computers were donated to a school in Atacama; a synthetic grass multiple purpose playing field was built in the municipality of Cabildo that will benefit 3,000 people, and new installations were built to improve the operation of a school in Arica, among other support initiatives.

Sports and healthy lifestyle

Companies from the Group promote athletic activity by supporting diverse disciplines, both professional as well as amateur. Its companies and brands foster the development of tournaments and competitions, in addition to supporting teams and athletes. It was with this perspective that support was provided to the Gatorade Sports Science Institute events, which discussed nutrition and science to help improve athletes' performance and wellbeing, in addition to the second version of ExpoF11, the massive football fair. They supported the program Elige Vivir Sano (Choose a Healthy Life) for the third consecutive year and also continued with an intense communications campaign to educate people in responsible alcohol consumption.

Integration

Firms belonging to the holding company collaborate in different areas of development to foster activities that promote the rehabilitation and integration of children and young people with physical or mental disabilities. The first Inclusive Art Biennial was held in 2013 and its works were exhibited in Paseo Ahumada. In addition, the works produced by the Coanil Flor de Arte workshop were presented for the third consecutive year.

Culture

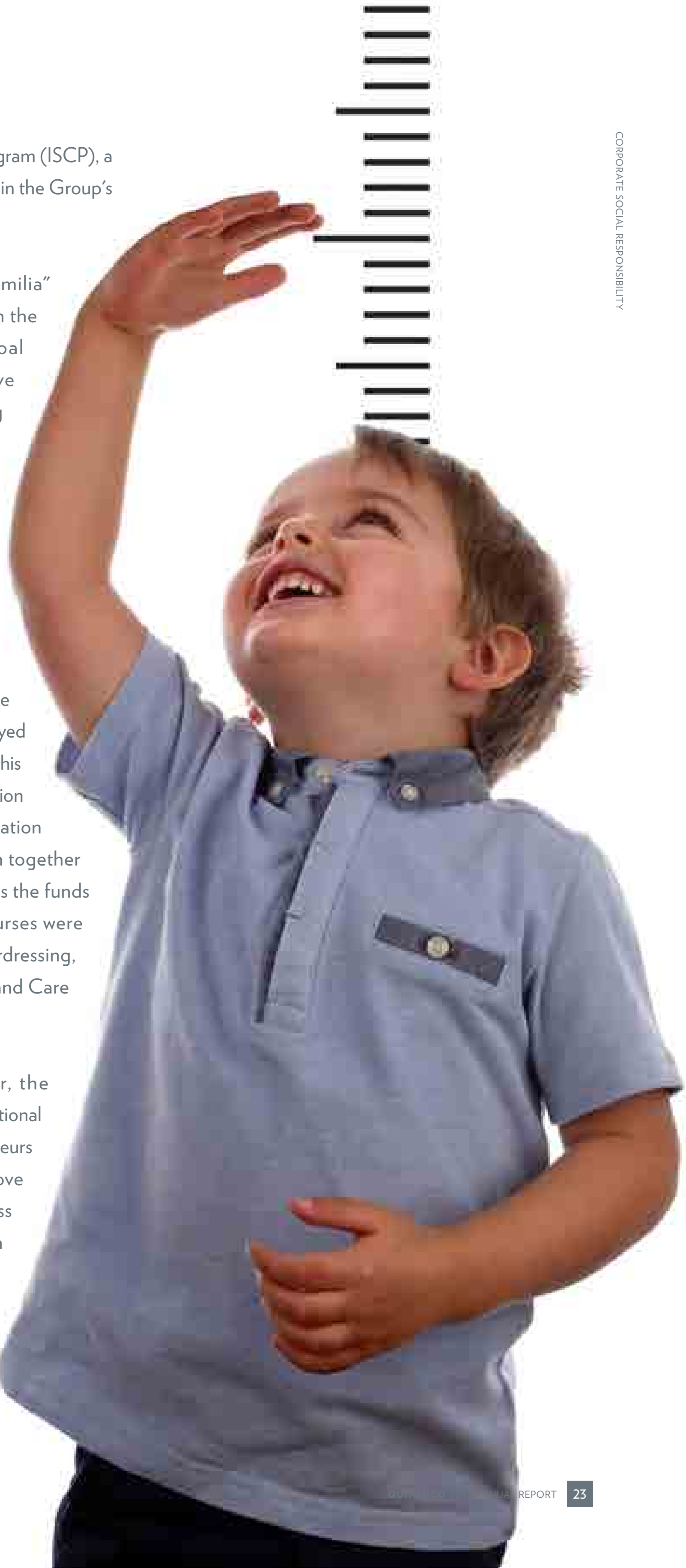
The Group has continually supported Chilean artists, both established as well as emerging ones, supporting their exhibits in diverse museums, galleries or cultural centers in Santiago. Along these lines, an art scholarship was awarded to sponsor the four-month residency of a deserving artist at the International Studio & Curatorial Program (ISCP), a show in the Y Gallery, and an exhibit in the Group's art gallery in 2014.

The fourth version of the "Mi Familia" project was held in 2013 along with the Belén Educa Foundation, the goal of which is to promote the creative capacities of children and young people, motivating them to get to know national art.

Entrepreneurship

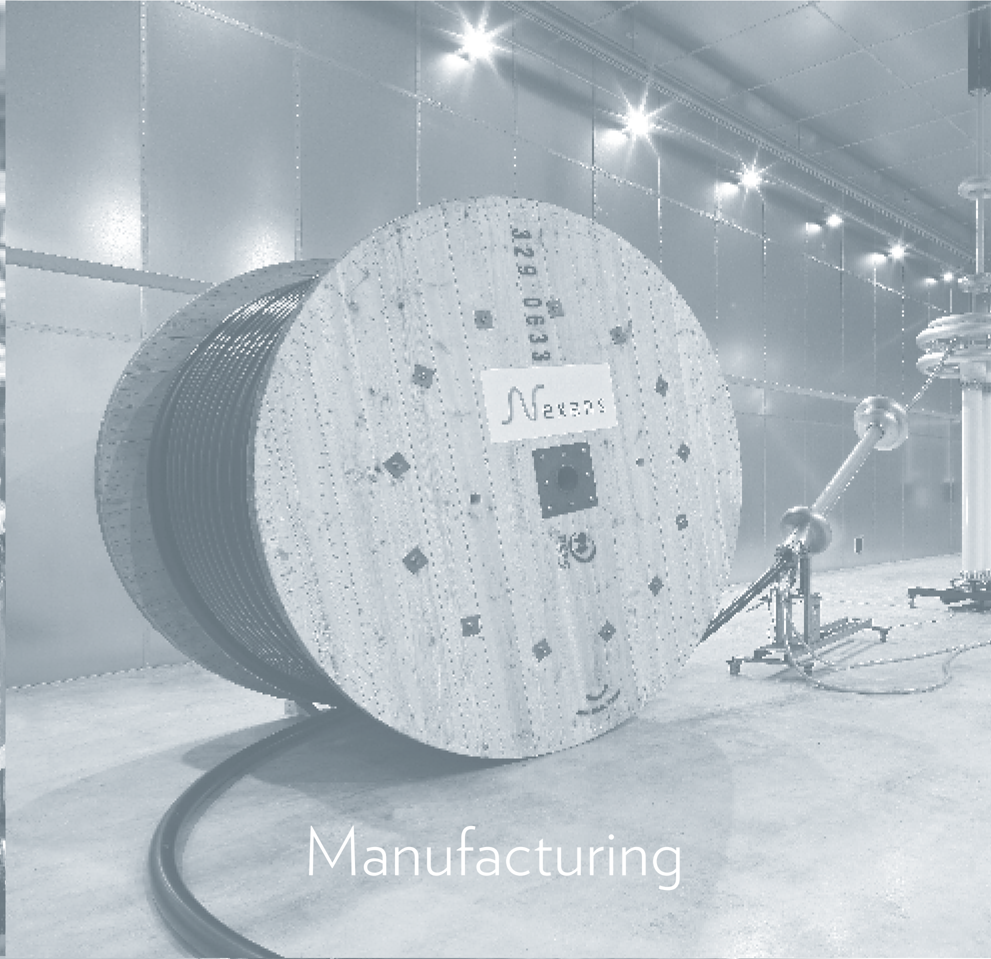
Since 2002 the group has cooperated with the Social Scholarships for Training Program, though which free training courses are provided for people who are unemployed or looking for work for the first time. This support is provided with the contribution of funds administered by the Federation of Chilean Industry (Sofofa), which together with the Sence tenders and allocates the funds to training institutions. Eleven courses were taught in 2013, in areas such as Hairdressing, Confectionery, Healthy Cooking, and Care and Treatment of the Elderly.

For the fourth consecutive year, the Group's financial area organized a national plan of meetings with SME entrepreneurs to provide them with tools to improve the productivity and competitiveness of their companies, in addition to jointly analyzing the current challenges and outlooks for the Chilean and global markets. SME entrepreneurs from Concepción, Temuco, Coquimbo and Santiago participated in 2013.



Activities and Businesses

Beverage and Food



Manufacturing

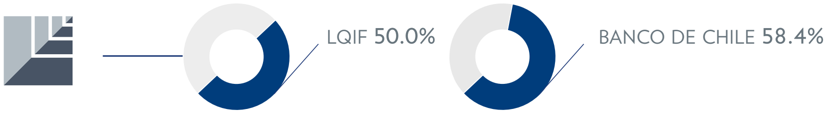
Transport

Port and Shipping Services

Financial Services

LQIF

LQ INVERSIONES FINANCIERAS



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 that was created in 2000 as a subsidiary of Quiñenco. Since 2001 its main asset has been its stake in Banco de Chile, where it held 58.4% of voting rights and 39.9% of economic rights as of the end of 2013.

As part of a strategic alliance, in 2008 Citigroup became a partner in LQIF after acquiring a 32.96% stake through the contribution of its assets in Chile. Banco de Chile and Citibank Chile merged on January 1, 2008. Citigroup increased its stake to 50% in April 2010 after exercising two options for 8.52% of LQIF each, in keeping with the Shareholders' Agreement signed with Quiñenco for this partnership.

In late 2012 Banco de Chile started a capital increase process for US$530 million, which was successfully completed in March 2013. LQIF's Board of Directors agreed to exercise its right to a preferential subscription in Banco de Chile's regular share offering period and to renounce the subscription options it had for its stake in SAOS, slightly reducing its stake in the Bank to the percentage that it held as of December 2013.

In January 2014 the Board agreed to make a secondary offering for Banco de Chile shares to increase the liquidity of the share without altering LQIF's controlling position. The offer concluded with the sale of 6.7 billion shares at a price of Ch$67 per share, equivalent to 7.2% of the company. In this way, LQIF's share was reduced to approximately 51%.

The Quiñenco Group has a vast and successful track record in the Chilean financial sector, standing out for the following milestones: the merger of 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 Banco de Chile in 2001 and, finally, the merger with Citibank Chile in 2008, thus creating the largest bank in the country controlled by Chilean capitals.

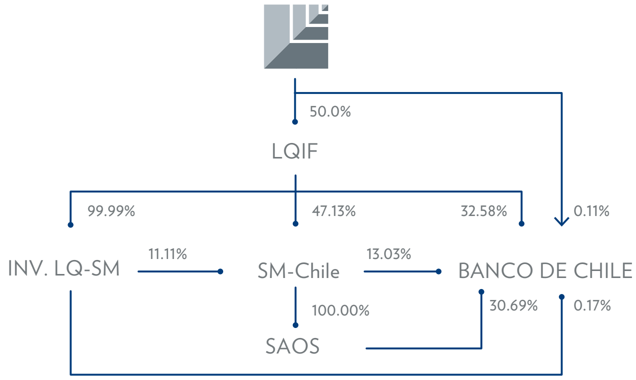
2013 Results

LQIF posted net profits of Ch$248,259 million in 2013, a 13.9% increase over the results obtained the year before. This increase is mainly due to 10.3% growth in Banco de Chile's results during this period, driven by growth in the Bank's main businesses, despite increased provisions for credit risk. For their part, the interests on the Subordinated Debt with the Central Bank were down compared to the year before due to lower inflation in 2013. LQIF holding reported losses that were 42.6% less than the year before, due mainly to a gain of Ch$5,445 million from the extraordinary amortization of the Subordinated Debt from the sale of options for the acquisition of Banco de Chile shares in the capital increase process that was held in 2013. Lower amortization of intangibles and a lower income tax also contributed to the improved result.

13.9% growth in net profit

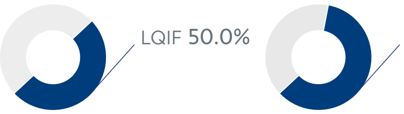
LQIF STAKE IN BANCO IN CHILE

As of December 31	2013
Voting rights	58.4%
Economic rights	39.9%
Property	
SM Chile	58.2%
Banco de Chile	32.8%

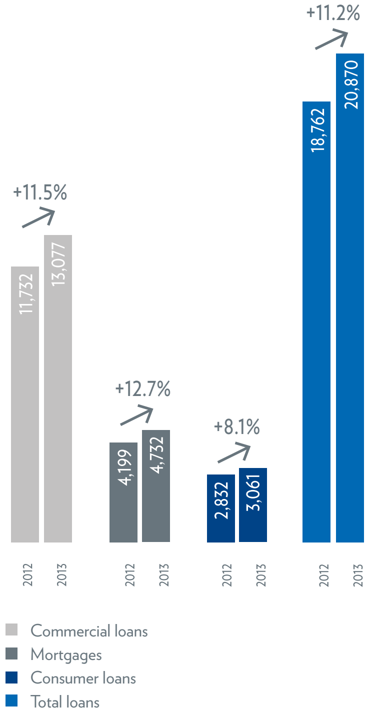


Financial Services

Banco de Chile



LOAN PORTFOLIO
(Numbers in billions of pesos)



BANCO DE CHILE is the most profitable institution in the Chilean financial system, with an average return on capital and reserves of 24% as of December 2013, in addition to being Latin America's safest private bank, with risk ratings of Aa3 (Moody's) and A+ (S&P).

In 2013 Banco de Chile ranked first in the general Corporate Reputation ranking in the country and second among the most responsible companies with the best corporate governance, according to Merco surveys.

Through its brands Banco de Chile, Edwards-Citi, CrediChile and Banchile, Banco de Chile offers a wide range of financial products and services to all market segments, from private individuals to large corporations, serving 1.9 million clients through a network of 430 branches and 1,804 ATMs throughout the country, in addition to a representation office in Beijing, China.

Banco de Chile shares are traded on the local stock exchanges and the main stock exchanges around the world. The Bank has an ADS (American Depositary Shares) program in the New York Stock Exchange (NYSE) and its shares are also traded on the London Stock Exchange.

On February 17, 2013 the Bank completed a capital increase process through the offer of new

Financial sector leader in return on capital in 2013

shares worth the equivalent of Ch$253 billion, which together with the capitalization of profits for Ch$122 billion allowed the Bank to sustain organic growth in the volume of assets, anticipate eventual new capital demands and to maintain an asset index at a level that is in keeping with its distinguished risk rating. Banco de Chile obtained a Basel Index of 13.1% in 2013, far higher than the regulatory minimum.

2013 Performance

The consistent application of its strategic plan and solid credit policies allowed the Bank to deal with a more complex external environment, characterized by lower inflation, increased regulation and economic deceleration.

With 11% nominal growth in the year, the Bank's loan portfolio surpassed Ch$20 billion, equivalent

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to a market share of 19%. This expansion prioritized growth in the most profitable businesses in the retail sector, while simultaneously shoring up the Bank´s historical leadership in the wholesale sector, both through organic growth as well as portfolio purchases.

Growth in mortgages stood out among the products, with an increase of 12.7%. The Bank achieved 8% growth in consumer loans for the year. This increase was based on a selective growth strategy characterized by greater prudence in mass consumption segments, where the increase was just 3%. In terms of commercial loans, the Bank materialized growth of 11.5% in 2013, thus continuing to position itself as the undisputed leader in business loans.

On a global level, the increase in loans reflected the Bank´s strategy, promoting more focalized growth in the segments with the best risk-return ratio and a more limited expansion in certain individual and business segments, especially the larger ones. With regard to business volumes, it is worth mentioning that the volume of demand deposits expanded by 9% in 2013, influenced by the incorporation of a net 26,000 additional current account holders and due to low account closure rates. This allowed the bank to gain a 22% share of the market in demand deposits, the largest in the banking system.

Continuing with the strategy of diversifying financing sources, begun in 2011, in 2013 Banco de Chile placed bonds for US$785 million in Switzerland and it established a Medium Term Notes (MTN) program for US$2 billion, under which it placed bonds for approximately US$170 million in Japan and US$90 million in Hong Kong. Complementarily, it issued close to US$1 billion in bonds in the local market.

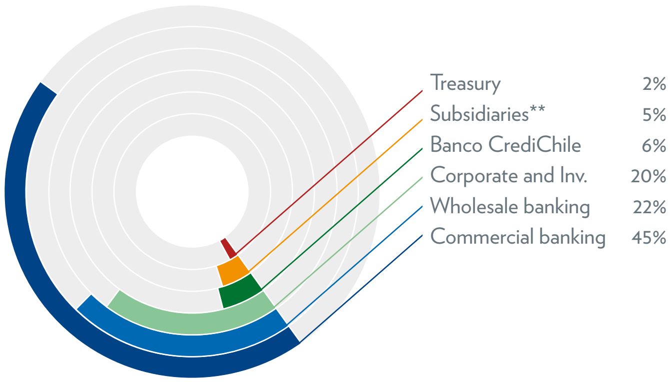
› Growth in higher margin segments drove results

2013 Results

Banco de Chile earned a net profit of Ch$513,602 million in 2013, up 9.8% over the year before, and continued as the leader of the financial system in terms of net profits. This growth in results was the product of higher operational revenues driven by growth in loans, a favorable financing structure, and proactive management of credit spreads.

These favorable effects more than compensated an increase in provisions for credit risks, the effects of lower inflation and a slight reduction in revenues from commissions.

CONTRIBUTION TO PROFIT *BY BUSINESS AREA
MCh$593,539 in 2013



* Before tax
** Includes consolidation adjustments

› 2013 Milestones

- Leadership in profitability, net profits and operational revenues.
- Placement of bonds for over US$1 billion in foreign markets.
- First place in Corporate Reputation in the country.
- High level of operational efficiency.

Beverage and Food

CCU is a Chilean company whose subsidiaries participate in the beverage and sweets businesses in Chile, Argentina, Uruguay and Paraguay.

According to its market share estimates by volume, CCU is the largest brewery in Chile and the second-largest in Argentina. It is Chile's second-largest bottler of carbonated beverages, the third-largest wine producer in the domestic Chilean market and the second exporter of this product, which is shipped to over 85 countries. In Chile it is also the largest water bottler, nectar producer, producer and distributor of pisco and the second-largest juice producer. It also participates in the bottled water delivery business, in the distribution of rum and in the sweets industry in said market.

The company has license and/or distribution contracts with Heineken Brouwerijen B.V., Anheuser-Busch International Inc., Cervecera Austral S.A., Cervecería Modelo S.A. de C.V., PepsiCo Inc., Stokely Van Camp Inc., Pepsi Lipton International Limited, Seven-Up Internacional (a division of The Concentrate Manufacturing Company of Ireland), Schweppes Holdings Limited, Promarca S.A., Arthur Guinness Son & Company (Dublin) Limited and Guinness Overseas Limited, Nestlé S.A., Société des Produits Nestlé S.A., Nestec S.A., Pernod Ricard Chile S.A. and Compañía Pisquera Bauzá S.A.

Comercial CCU undertakes the commercialization of all CCU products in Chile, while distribution is handled by the subsidiary CCU Transportes and by Comercial Patagonia in the area south of Coyhaique. In Argentina, Uruguay and Paraguay these operations are developed by both internal sales forces as well as distributors.

In 2013, CCU placed 51 million new regular shares on the Santiago Stock Exchange and the New York Stock Exchange (NYSE), a process that concluded successfully on November 8, 2013 after raising a total of Ch$331,719 million. This amount will allow the company to preserve its financial solidity during the deployment of the expansion and organic and inorganic growth strategies that have been established for the coming years.

In October 2013 the subsidiary ECUSA executed a series of contracts and agreements with PepsiCo Inc., which will allow it to expand the relationship in nonalcoholic beverages and the contract's long-term duration.

In December 2013, CCU acquired 50.005% of Bebidas del Paraguay S.A. and 49.995% of Distribuidora del Paraguay S.A. These transactions allowed it to enter the carbonated beverages, waters, nectars and beer distribution markets in Paraguay, in partnership with the Cartes Group.

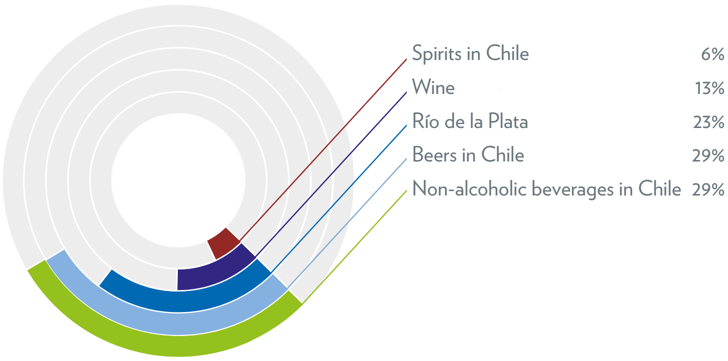
CCU has 6,889 employees and produces close to 22 million hectoliters of beverages per year, serving over 115,000 clients in Chile and over 152,000 clients in Argentina.

10% annual growth. New record sales volume

2013 Performance

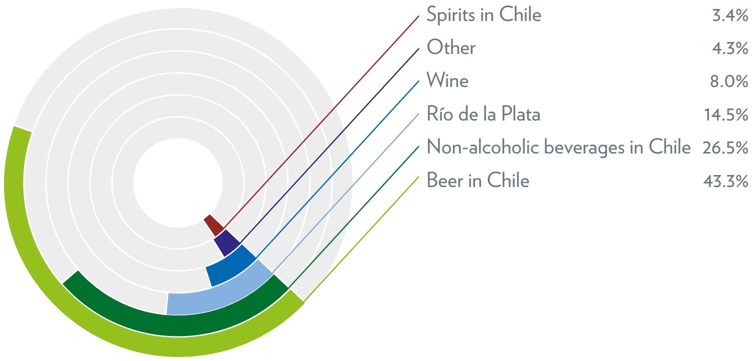
Toward the end of 2013, CCU announced the implementation of a strategic plan for the period spanning 2014-2016, aimed at making concrete progress toward becoming a regional, multi-category company with a focus on beers and nonalcoholic beverages. This new map considers five objectives: strength and competitive balance in beers; regional growth in nonalcoholic beverages; expansion of the

DISTRIBUTION OF REVENUES BY BUSINESS SEGMENT
(MCh$1,197,227 in 2013)



› CCU deepened regional diversification with entry into Paraguay

COMPOSITION OF EBITDA BY BUSINESS AREA
MCh$252,512 in 2013



multi-category portfolio in the region; long-term commercial and operational excellence and sustainability.

The company continued to grow in 2013, supported by the pillars of innovation and efficiency. In the Chilean beer segment it implemented a technology for sales in bars and restaurants, with refrigerated chambers and pipes, in addition to renovating the Escudo brand.

In the nonalcoholic beverages segment, PepsiCo acknowledged the subsidiary ECUSA's strong performance in terms of sales and market share, awarding it the distinction of Latin American Bottler of the Year.

The company successfully integrated the Uruguayan operation acquired in 2012, adding the category of beers to its portfolio and introducing the new image of the Nativa mineral water brand in the market.

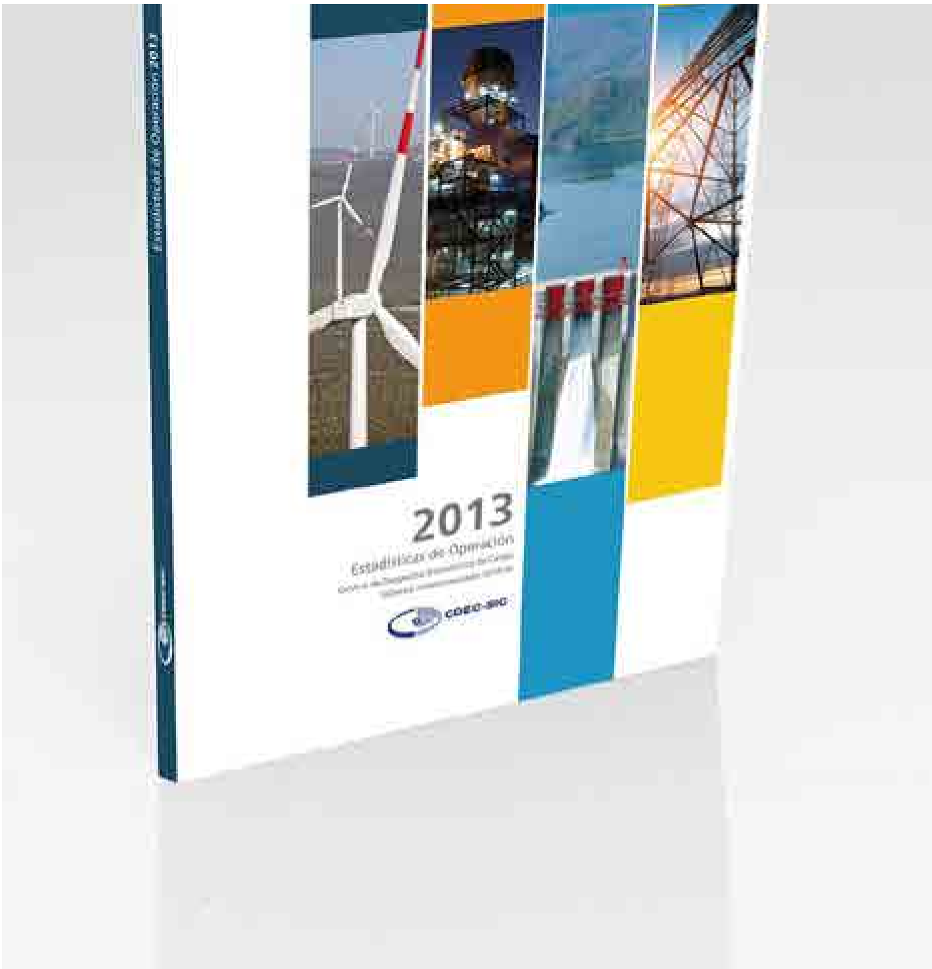
In 2013 the VSPT Group created Grandes Vinos de San Pedro, a new premium segment aimed at producing, communicating and commercializing high-end wines. It is comprised of the brands Altair, Cabo de Hornos, Kankana del Elqui, Tierras Moradas and Sideral. For their part, driven by Scandinavian markets, eight of the VSPT Group's vineyards in Chile were certified under the BSCI National Sustainability Code and Code of Conduct, thus becoming the first in the Chilean industry to obtain said certificates.

Market Share [1]

Segment	2013
Beer in Chile	77.5%
Beer in Argentina	23.1%
Carbonated beverages in Chile	24.3%
Waters in Chile [2]	62.9%
Wine domestic market	27.3%
Wine export market	13.1%
Pisco in Chile	55.8%
Rum in Chile	21.9%

(1) According to CCU's internal estimates.

(2) Includes mineral, purified, and flavored waters.



2013 Results

CCU's net profit totaled Ch$123,036 million in 2013, up 7.5% compared to the previous period, reflecting mainly strong operational performance. The sales of all business units increased, mainly based on larger volumes sold. For its part, the gross margin improved, in this way mitigating increased distribution costs for the period in Chile and Argentina. Thus, the EBITDA increased by 7.0%, to Ch$252,512 million. The contribution by the nonalcoholic beverage segment should be highlighted, followed by beer in Chile, Río de la Plata and the Wine segment.

› 2013 Milestones

- Successful capital increase.
- Entry into the Paraguayan beverage market.
- Regional acknowledgement from PepsiCo.
- Definition of strategic plan through 2016.

Manufacturing

INVEXANS

INVEXANS S.A. is the name given to Madeco after the company's division, approved on March 27, 2013 in response to the need to optimize the administration of businesses of different natures and sizes. That is, the stake in the multinational cable company Nexans and the management of operating units producing flexible packaging, brass mills and enclosure solutions in Latin America.

Based on this reorganization, Invexans set itself the central goal of administering its investments in the French company Nexans, which entails exercising its significant influence through participation in the Board of Directors and on the Strategy and Appointments, Compensations and Corporate Governance Committees, in addition to administering the contract for the sale of the cable unit in 2008, the operation that inaugurated Invexans's arrival as a shareholder.

In operational terms the division was made effective retroactively as of January 1, 2013, while the shares of the new company Madeco began to be traded on August 14 that same year. Invexans' shareholders received one Madeco share for each Invexans share.

On October 15, 2013, Invexans decided to participate in the capital increase announced by Nexans and increase its stake in the company, which was 22.54% at the time, exercising the agreement that allows it to increase its stake up to a maximum of a 28% share of Nexans' property.

On November 8, 2013 Nexans completed its capital increase in full, for a total of €284 million. Invexans increased its stake to 25.3% and, subsequently, to 26.55% through new share purchases. Thus it totaled an investment equivalent to US$567 million as of December 31, 2013, according to Nexans' market value on that date. It increased said stake to 27.9% in March 2014.

Invexans has three representatives on Nexans' Board of Directors: Andrónico Luksic Craig, Hubert Porte and Francisco Pérez Mackenna, who is also on the Appointments, Compensations and Corporate Governance Committee and the Strategy Committee. The latter of these was created in February 2013 with the mission to review

26.55% stake in Nexans at close of 2013

the strategic plan proposed for the next three years and to evaluate the progress made by the most important initiatives considered therein.

Invexans Board's proposal to increase its social capital by around US$250 million was approved on November 21, 2013, through the issue of shares that will be preferentially offered to the company's shareholders. The purpose of this proposal is to raise funds to increase the stake in Nexans and to reduce liabilities, including the long-term debt of around US$30 million, associated with the company's division. Reducing these obligations will give the company's financial structure greater flexibility.

Nexans

The French Company Nexans is a multinational company, a global leader in cable production with an industrial presence in 40 countries through 90 production plants and close to 26,000 workers. It supplies cables and cabling systems to a broad base of customers in markets related to transmission and distribution of energy (submarine and land), natural resources (oil and gas, mining and renewable energies), transportation (via highways, railways, air and marine transport) and construction (commercial and residential), among others. Its sales totaled €6,711 million in 2013.

Nexans's activities are organized in three business units: the Industrial segment; the Distributors and Installers segment; and the Transmission, Distribution and Operator

› Invexans strengthened its presence in the global cable industry

segment. The industrial segment supplies industries such as: Natural Resources, Transportation and the Automotive Market, among others. The Distributors and Installers segment is focused on supplying intermediate cable agents related to the construction and repairs market. The Transmission, Distribution and Operator segment offers electrical connection solutions through medium and high voltage connections between points of generation and consumption. The solutions offered include submarine and land-based transmission and distribution products for clients in the electricity business.

2013 Performance

Nexans's capital increase was aimed at shoring up the company's financial structure and establishing a debt profile that allows it to develop its strategic initiatives.

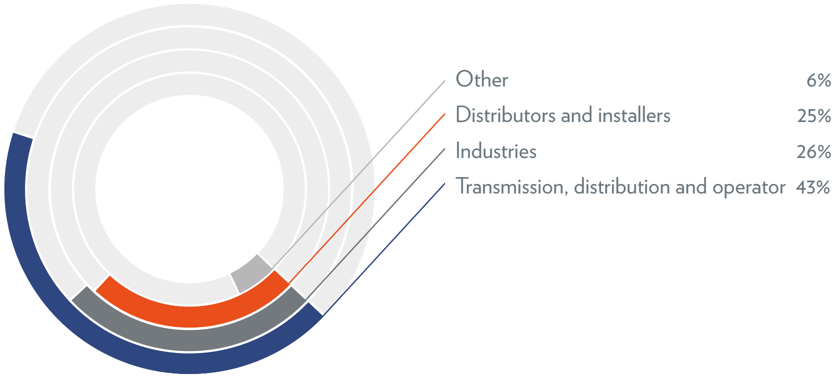
In 2013 Nexans began implanting a strategic plan focused on: service and innovation, reduction of production and supply costs, organic growth, revival of the submarine cable business and recuperation of competitiveness in Europe. Through a series of measures related to these objectives and the development of emerging markets, the company expects to increase its Return on Capital Employed (ROCE) to over 9% by 2015.

This global restructuring of the company's businesses had an impact on 2013 results, especially Nexans Australia, where it has faced a significant increase in competition in the local market, along with reduced economic activity. Nexans decided to place greater emphasis on the integration of this market with the regional supply chain. The company is developing an integrated management model that entails readjusting productive capacity in Europe and it is strengthening its position of leadership in innovation.

2013 Results

Invexans posted a net loss of Ch$47,884 million in 2013, less than the net profit of Ch$25,860 million earned the previous year. This lower result is mainly explained by a greater proportional loss from the stake in Nexans. Nexans posted a loss of €333 million in 2013, mainly attributable to restructuring costs and the deterioration of assets. At Invexans, after adjusting its proportional share for the fair value accounting of said investment, the stake in Nexans reported a negative result of Ch$53,146 million, more than the loss of Ch$757 million in 2012. In addition, in the previous period Invexans acknowledged a profit of Ch$41,156 million for negative goodwill of the investment in Nexans, while in 2013 the profit for this same item was Ch$11,336 million.

DISTRIBUTION OF NEXANS SALES BY BUSINESS SEGMENT (2013)



*Total Sales 2013: €4,689 million, at constant prices of nonferrous metals.
Source: Nexans

› 2013 Milestones

- Increased stake in Nexans.
- Participation in Nexans's new Strategy Committee.
- Nexans successfully held a capital increase process, raising €284 million.
- Approval of US$250 million capital increase proposal for Invexans.

Manufacturing

MADECO

92%

MADECO S.A. is a holding company with investments in productive companies, concentrating mainly on the manufacture of flexible packaging in Chile, Peru, Argentina and Colombia through the subsidiary Alusa. It also participates in the enclosure solutions business in Chile with the company Indalum.

Madeco S.A. was created on April 8, 2013, after the division of Madeco (now Invexans), but its operations are registered retroactively to January 1 that year. Its shares have been traded on the Chilean stock markets since August 14, 2013.

The company's main objective is to grow in manufacturing businesses that can be replicated internationally. Along these lines, Madeco's investment plan includes the acquisition of companies and the incorporation of new machinery and technology, and it has consolidated the flexible packaging unit as its core business area, representing 84% of its revenues and generating 92% of EBITDA as of December 2013.

2013 Performance

Madeco's operations underwent a process of profound restructuring in 2013, which entailed the closure of the brass mills production lines in Argentina in September, followed by Chile in December, in addition to the sale of certain real estate assets, among other initiatives aimed at increasing profitability and operational efficiency, in addition to optimizing the use of capital.

The decision was made by Madeco Mills' Board of Directors, considering the sustained loss of this business unit's competitiveness, mainly due to the increase in diverse costs, including energy, and also due to the adoption of substitute products in the market based on plastic resins, a trend that has become generalized throughout the world with regard to gas and fluids piping for domestic and industrial use.

In the flexible packaging business, conditions vary considerably among the countries that Madeco operates in. The Chilean market is a mature one and is marked by high competitive pressure, characterized as of 2012 by the expansion and

of 2013 EBITDA was generated by the flexible packaging unit

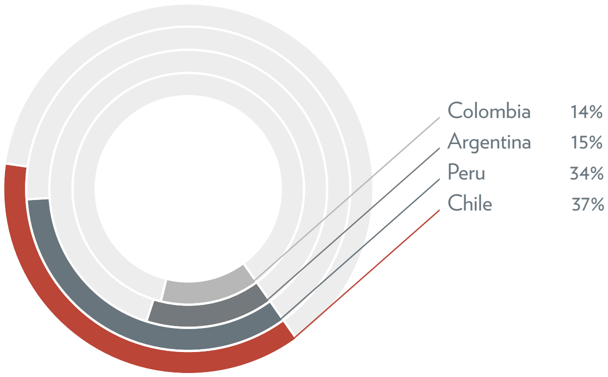
aggressive price strategies implemented by mid-sized competitors. Despite this and a slight loss in market share, Alusa nevertheless maintained its leadership in the local market with a share of around 24% in 2013.

In Peru the packaging market is less developed and competitive than in Chile. Considering this growth potential, in 2013 the subsidiary Peruplast completed its move to a new plant in Lima's Lurin district, a unit that concentrates the operations that it had in other facilities around the city. With a surface area of 60,000 m2, this plant is equipped with state-of-the-art technologies that allow the manufacture of different types of containers.

The company continued to grow in Colombia with an investment plan that will allow it to increase the capacity of Empaques Flexa by close to 50%. In addition, in 2013 it completed the purchase of a 84,000 m2 site, where a new manufacturing plant will be built.

› Flexible packaging unit is consolidated as Madeco's core business

Composition of revenues by country
(where sale originated)
MCh$205,772 in 2013



The Argentine subsidiary Aluflex used its cash surplus to acquire state-of-the-art technology to meet growing demand in the local market, in particular for flexography. Since 2012, the company has been engaged in intense commercial efforts focused on increasing its market share, which resulted in 16% growth in sales in 2013 and an additional percentage point in market share.

For its part, the profiles market in Chile, where the subsidiary Indalum is the main participant, has been hit by imports from China and increases in manufacturing costs. These factors led the Board of Indalum to decide in March 2014 to put an end to the company's productive activities.

Market Share

Business Unit	Madeco's Market Share	Main Competitors
Packaging		
Chile	24%	Edelpa, HyC and BO Packaging
Argentina	7%	Converflex, Celomat and Bolsapel
Peru	47%	Emusa and Resinplast
Colombia	10%	Flexo Spring, Plastilene
Profiles (Enclosure solutions)		
Chile (Aluminum)	44%	Alcoa and Imports
Chile (PVC)	13%	Veka, Kommerling and Themco

2013 Results

Madeco's net profits were Ch$1,118 million in its first year of operations. The strong performance of the flexible packaging unit, driven by the negative goodwill associated with Peruplast and a nonrecurring profit from the sale of facilities in Peru, explain the majority of the operational result of Ch$34,310 million obtained in 2013. The loss of discontinued operations, corresponding to the closure of brass mills in Chile and Argentina, income tax expenditures and the financial costs of the period practically cancelled out the operational result obtained. The consolidated EBITDA for the year was Ch$22,858 million.

› 2013 Milestones

- Creation of the Company following the division of Madeco (now Invexans).
- Closure of the brass mills unit.
- Concentration of packaging operation in Peru in a new plant.
- Start of productive expansion plan in Colombia.

Energy

EMPRESA NACIONAL DE ENERGÍA ENEX S.A. (Enex), participates in the Chilean oil industry through the commercialization of fuels, lubricants, asphalts and chemical products for different markets. Among these, the service stations market stands out with the operation of the Shell brand license, with a network of 450 service stations and 121 convenience stores. In addition, it supplies industrial customers in the transport, mining, industrial and electricity generation sectors.

Enex is the country's second largest fuel distributor, with a 2013 pro forma market share of 22.6% and 26.7% in the service stations segment (in both cases including the total annual volume of Terpel Chile).

Enex completed the purchase of Terpel's assets in Chile on June 27, 2013, a transaction involving US$240 million. The acquisition allowed a network of 206 service stations and 75 convenience stores to be added, which will go on to operate under the Shell brand within a maximum of two years, in addition to complementing the segment of distribution to industrial clients.

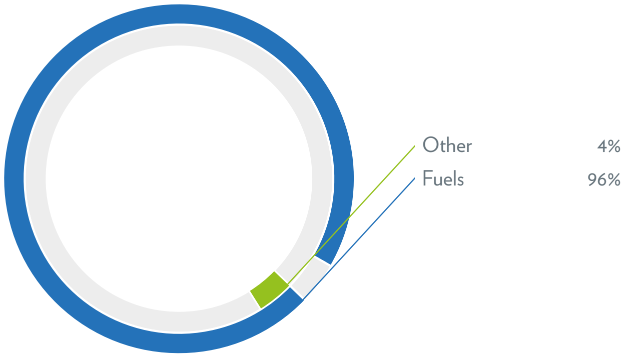
In addition, Enex holds a 50% stake in Asfaltos Conosur, the owner of an asphalt import terminal located in the Valparaiso Region and a second terminal in Mejillones, as well as 20% of DASA, a company that operates an asphalt storage and dispatch plant located in the Concón Oil Refinery. Likewise, it has a 14.9% stake in Sociedad Nacional de Oledoductos (Sonacol), which provides fuel transportation services via pipelines in the country's central region; 19.3% of Sociedad Nacional Marítima S.A. (Sonamar), a company that rents ships for maritime bulk liquid shipping; a stake in 12 fuel storage plants in partnership with other industry operators, and 33.3% of Sociedad de Inversiones de Aviación (SIAV), a company that provides aviation fuel storage services in the Santiago International Airport.

450 service stations with acquisition of Terpel Chile

2013 Performance

One of the priority focuses of the administration in 2013 was the purchase and integration of the Terpel Chile operation. By the end of the year the new organizational structure had been implemented, 27 of the service stations acquired were operating under the Shell brand and clients were served in an integrated fashion, under a single management system and with

COMPOSITION OF SALES VOLUME
(3 million m^3 in 2013)



❯ 121 convenience stores complement Enex's service station business

a consolidated logistical infrastructure. Upon authorizing its purchase of Terpel Chile, the Supreme Court imposed mitigation measures on Enex that required the divestment of 61 service stations and the termination of storage capacity rental contracts signed by Terpel. This process was successfully completed by the end of 2013, raising approximately US$27 million. The volumes corresponding to these 61 service stations throughout 2013 represented a market share of 1.7% of the service station segment.

The renewed image, customer service quality programs and promotions allowed Enex to take first place in the service station sector in the 2013 National Customer Satisfaction Prize, ProCalidad, an acknowledgement that is given to companies with the highest levels of customer satisfaction in over 25 service sectors. Likewise, it obtained the highest score of its industry in the Customer Loyalty ranking, according to a survey by the newspaper Estrategia and Alco Consultores.

Enex launched a new concept of convenience store in 2013 under the brand upa!, which is characterized by offering premium coffee and fresh food. As of December 2013 the Enex network had seven stores with this image and it projects continuing with the gradual migration of the rest of its stores to this new concept. In addition, in July 2013 it inaugurated a new format of highway service stations that, in addition to an upa! store, include alliances with Farmacias Ahumada and McDonald's, as well as a tourist office through an agreement with Sernatur. Enex opened 15 new service stations in 2013, in the municipalities of Antofagasta, Los Andes, Santiago, Viña del Mar, San Francisco de Mostazal, Curicó, Chillán Viejo, Puerto Montt, Puerto Varas, San Felipe, Concepción, La Serena and Copiapó, thus totaling 27 stations inaugurated since Quiñenco acquired Shell's assets in Chile.

In the industrial area, the company consolidated the growth in its share of the fuel market shown in 2012, achieving 3.4% growth in volume of diesel fuel dispatched in 2013 (including the total annual volume of Terpel Chile), 2.8 percentage points higher than the country's growth of 0.6%.

With the purpose of optimizing the logistics of the asphalt business in the country's northern regions, in August 2013 Asfaltos Conosur started operating a new asphalt storage and dispatch terminal, with a storage capacity of 6,000 tons, in the Mejillones port area.

2013 Results

Enex earned a net profit of Ch$18,971 million in 2013, a 33.2% drop compared to the year before. This variation is mainly attributable to a nonoperational profit earned in 2012. However, Enex's operational profit was up threefold in 2013, reaching a total of Ch$25,003 million, driven by the acquisition of Terpel Chile and also growth from Enex's operations, in particular in fuels. The total volume dispatched increased 34%, totaling 3 million cubic meters.

› 2013 Milestones

- Purchase and integration of Terpel assets in Chile.
- Launch of a new format of highway service stations.
- Launch of a new concept of upa! stores.
- National Customer Satisfaction Prize.
- Customer Loyalty Prize.
- New asphalt terminal in Mejillones.

Transport

COMPAÑÍA SUD AMERICANA DE VAPORES (CSAV) is a global company headquartered in Chile that has positioned itself as Latin America's largest shipping company and one of the 20 largest in the world, measured in terms of capacity. Founded in 1872, it is an open stock company whose shares have been traded since 1893. It specializes in container transportation, notwithstanding the fact that it also offers other types of special services like automobile transportation and refrigerated and bulk cargo.

Quiñenco joined the company as a shareholder in 2011. In February 2012 it subscribed US$547 million in a capital increase of US$1.2 billion, thus attaining a 37.44% stake in the firm. It increased this stake to 46% after participating in another capital increase in September 2013.

CSAV offers over 30 line services and has a commercial presence in over 200 cities around the world. It operated a fleet of 50 container ships at the close of 2013, of which 14 were its property.

2013 Performance

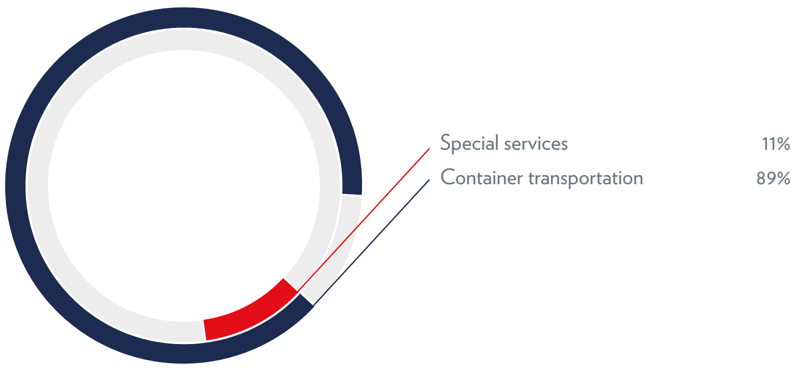
In April 2013, CSAV's Board of Directors agreed to acquire seven container ships with a capacity of 9,300 TEUs. This purchase comes in the context of an investment plan for up to US$570 million and the purpose is to replace part of the rented fleet and for the percentage of ships of its own property to be in line with the industry average.

The ships are being built by Samsung Heavy Industry Co. Ltd. and will be delivered starting in late 2014. Their incorporation will increase the proportion of ships of the company's own property to 50%. This acquisition will be financed 40% with capital and the balance with financial debt. In keeping with this, during the year a capital increase for US$330 million was held.

50% proportion of own fleet with incorporation of seven new ships

This capitalization's objectives also included financing the prepayment that the company negotiated with AFLAC, with a 46% discount on the existing debt of US$258 million, generating an approximate profit of US$57 million, in addition to freeing up cash that was tied up in guarantee deposits for approximately US$25 million in the hands of counterparts.

COMPOSITION OF CONSOLIDATED REVENUES 2013



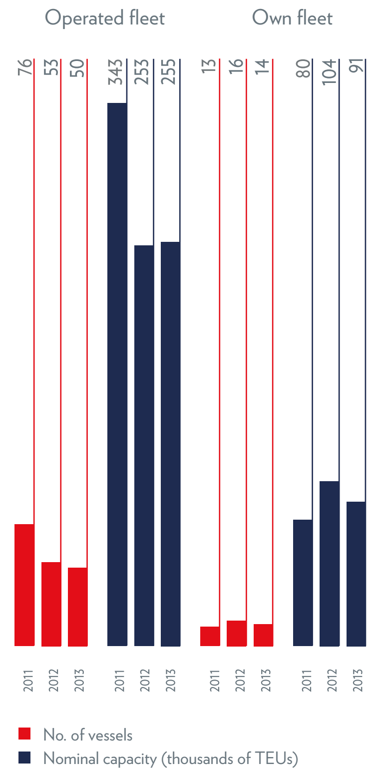
› New capitalization reinforces strategy and financial position

2013 Results

CSAV registered a net loss of US$169 million in 2013, 46.1% less than the loss posted in the preceding period. This favorable variation is mainly attributable to the loss of US$126 million for discontinued activities reported in 2012, corresponding to the expenditures and provisions associated with the profound restructuring process that the company implemented starting in 2011 and completed in late 2012, which is why there is no loss for this concept in the current period. Meanwhile, there was a favorable net effect on the 2013 results from several nonrecurring items: profits from the prepayment of financial debt with AFLAC, the merger of two subsidiaries in Brazil and deferred taxes, also from the subsidiaries in Brazil, were partially compensated by a provision for the eventual costs associated with antitrust investigations in the automobile transportation business.

In terms of operational performance, despite the higher levels of efficiency attained, industry rates remain below historical averages while oil prices remain high, thus putting pressure on the company's margins.

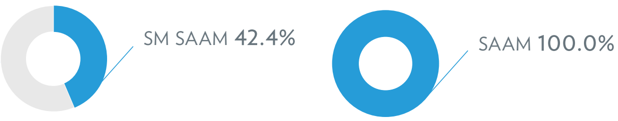
MARITIME CONTAINER TRANSPORT SERVICE



› 2013 Milestones

- Acquisition of seven container ships.
- Capital increase of US$330 million.
- Increase in Quiñenco stake to 46%.
- Prepayment of financial debt with US$57 million profit.

Port and Shipping Services



SOCIEDAD MATRIZ SAAM S.A. (SM SAAM) is an investment company whose objective is to administer the activities and businesses of its main asset, SAAM S.A.

With over 50 years of history, SAAM is a company leader in the provision of integrated services to shipping companies, in addition to exporters and importers, in the entire cargo movement process. With a presence in 12 countries and 64 ports from the United States down to Patagonia, it provides services to ships and cargo through operations in three business areas: Port terminals, Tug boats and Logistics.

At the end of 2013 SAAM had 10 port terminals and 130 tug boats of its own property, in addition to two rented ones, making it the main port operator in South America and the fourth-largest tug boat operator in the world.

SAAM was a subsidiary of Compañía Sud Americana de Vapores, CSAV, until February 2012. After the latter company's division the firm SM SAAM was created, owner of 99.9995% of SAAM's shares. Trading of SM SAAM shares started on March 1, 2012 in the Chilean stock market and in January 2013 they were included in the Selective Share Price Index, IPSA, which includes the 40 shares most traded on the Santiago Stock Exchange.

Quiñenco acquired an additional 5% stake in SM SAAM in September 2013, thus attaining a 42.4% share.

2013 Performance

In 2013 SM SAAM concentrated on shoring up its organization and on the development of a strategic plan aimed at continuing to achieve strong growth in the Latin American region through improved management of current businesses, new investments and the divestment of nonstrategic assets for its operation.

In this context, on July 30, it completed the sale of 50% of Cargo Park, generating a US$12 million profit after taxes, adjustments and fees. Likewise, in October it sold its stake in Puerto Panul, in San Antonio, which represented US$3.1 million in revenues.

In September 2013, SM SAAM signed a partnership agreement through SAAM with the Dutch firm Boskalis to jointly operate and develop the tug boat business in Mexico, Brazil, Canada and Panama. This agreement will be implemented through two joint ventures once

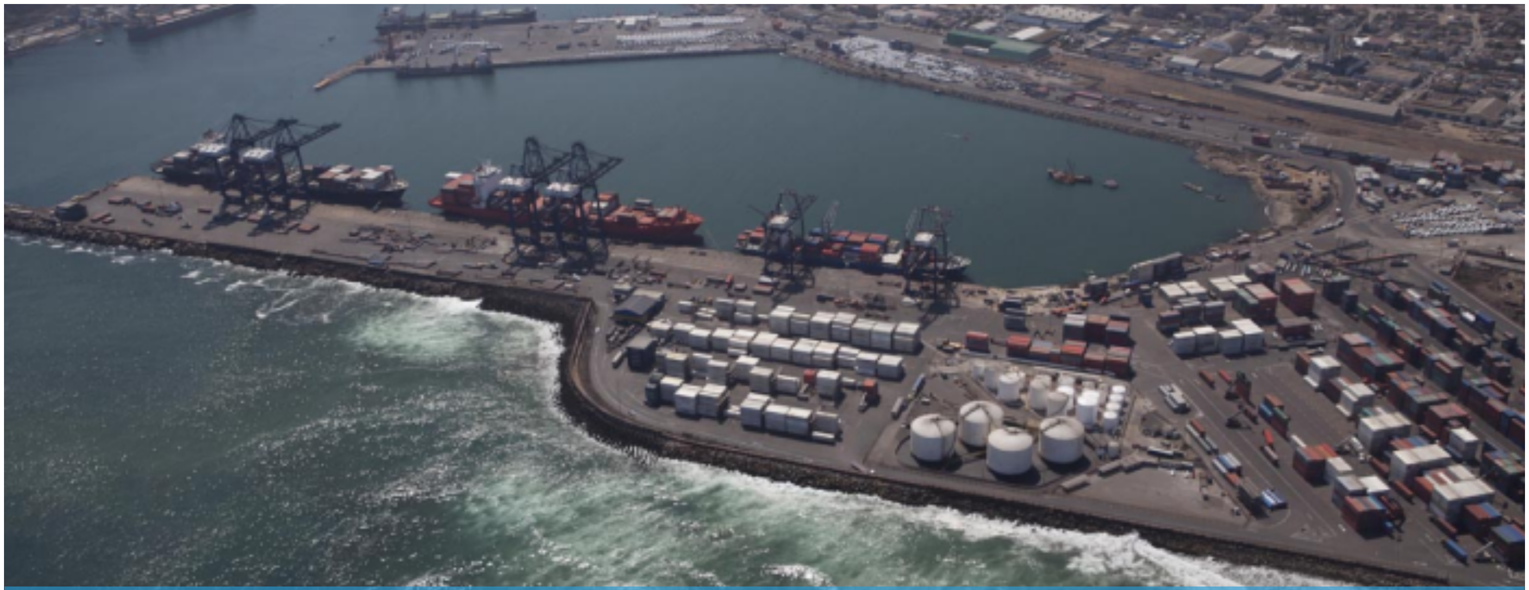
SM SAAM operates 132 tug boats, including four under construction and two rented

the Brazilian and Mexican antitrust authorities approve it and the other usual conditions for this sort of partnership have been fulfilled. The first is a company in Mexico where SAAM will contribute its businesses and assets in that country and Boskalis will contribute its businesses and assets in Canada and Panama through its subsidiary SMIT. SAAM will hold 51% of the company and Boskalis the remaining 49%. The second is a company in Brazil, to which SAAM and Boskalis will contribute their respective businesses and assets in said country, with a 50% share of social capital each. The agreement entails the joint operation of over 100 tug boats.

SM SAAM continued to expand its fleet of tug boats over the course of the year, adding seven units in Brazil, Mexico, Chile and Peru, all with azimuthal technology, tugs with mobile propellers capable of turning 360°.

The port terminals division attained improved efficiency, made progress in productivity and increased the cargo moved during 2013. For the second consecutive year the San Antonio International Terminal was the only one in the country to transfer over 1 million TEUs in a year. It is also worth highlighting the extension of the concessions for the Iquique International Terminal by 10 years and the San Antonio International Terminal by 5 years, renewable for up to 10.

The liberation of the Brazilian ports market that the law known as Provisional Measure 595 entails and the announced tender of 46 terminals with expired contracts and another 42 terminals in a public and private works plan for US$37 billion through 2017 motivated the company to enter into partnerships with two local companies, Carioca Engenharia and GP Investimentos, to jointly explore business opportunities in this context.



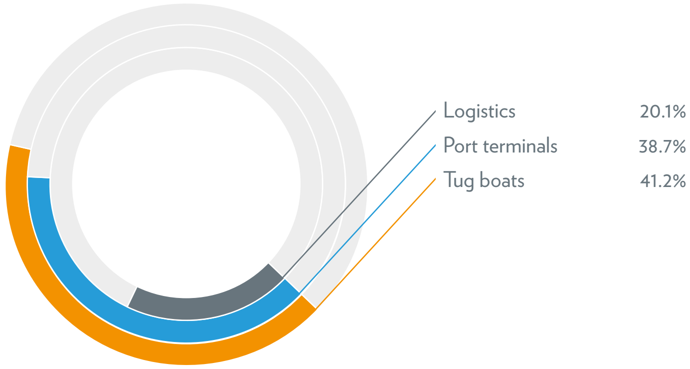
› SM SAAM is the largest port terminal operator in South America

In Logistics, significant investments were made in the context of a strategic review, such as the construction of a 4,000 m2 warehouse in the extra-port terminal in Placilla and the start of works to double the cold storage capacity in Puerto Montt, and the company divested assets unrelated to the unit's core business to optimize results and its capacity to generate value.

2013 Results

SM SAAM's net profits in 2013 totaled US$73.5 million, a 23.6% increase over the year before. This positive result is mainly attributable to the strong performance of the tug boat and port terminal units, compensating a weaker result in the logistics division. The sale of assets not related to SM SAAM's strategic businesses, such as the sale of its stake in Cargo Park, also contributed to the positive result attained in the period.

DISTRIBUTION OF EBITDA BY BUSINESS
(US$164 million in 2013)



› 10
Port terminals

› 300 hectares
of support and storage areas

› 2013 Milestones

- Partnership agreement with Dutch company Boskalis Holding B.V. for the joint operation of the tug boat business in Brazil, Mexico, Panama and Canada.
- Agreement with local partners for the exploration of the Brazilian port market.
- Entry into the IPSA.
- Extension of port concessions for the San Antonio and Iquique International Terminals.
- Strategic review of the Logistics business.

Corporate Affairs

Dividend policy

Quiñenco's Board will inform the Annual Shareholders' Meeting to be held on April 30, 2014 of its agreement to set as the dividend policy the distribution of a definitive cash dividend of at least 30% of net income for the year.

Dividends paid

Dividend	Date	Dividend per share	Total dividend	Corresponding to the year
Nos 27 and 28	05-09-11	Ch$127.38586	ThCh$145,803,024	2010
Nos 29 and 30	05-07-12	Ch$32.71133	ThCh$43,982,927	2011
Nos 31 and 32	05-13-13	Ch$51.92804	ThCh$69,821,288	2012

Shareholders

At the close of 2013, the subscribed and paid-in capital was divided into 1,662,759,593 shares. The 12 largest shareholders as of December 31, 2013 are as follows:

TAX ID	Shareholder	No. of shares	%
77.636.320-0	Andsberg Inversiones Ltda.*	686,536,676	41.29
59.039.730-k	Ruana Copper A.G. Agencia Chile*	255,946,677	15.39
78.306.560-6	Inmobiliaria e Inversiones Río Claro S.A.*	179,938,251	10.82
96.536.010-7	Inversiones Consolidadas S.A.*	140,971,280	8.48
84.177.300-4	BTG Pactual Chile S.A. Corredora de Bolsa	124,181,274	7.47
76.884.110-1	Inversiones Río Claro Ltda.*	44,442,511	2.67
97.004.000-5	Banco de Chile on behalf of non-resident third parties	27,734,096	1.67
96.871.750-2	Inversiones Salta S.A.*	23,684,851	1.42
96.684.990-8	Moneda S.A.	22,360,047	1.34
76.327.982-0	Inversiones Alaska Ltda.*	20,041,305	1.21
98.000.100-8	A.F.P. Habitat S.A.	19,040,480	1.15
98.001.000-7	A.F.P. Cuprum S.A.	15,120,945	0.91
	Totals	1,559,998,393	93.82

* Companies related to the Luksic Group.

Other information as of December 31, 2013

No. of subscribed and paid-in shares	1,662,759,593
No. of shareholders	1,232

The shares issued and paid-in by Quiñenco are 81.4% 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., Inversiones Alaska Ltda., Inmobiliaria e Inversiones Río Claro S.A. and Inversiones Río Claro Ltda. The Luksburg Foundation indirectly holds 100% of the social rights in Andsberg Inversiones Ltda., 100% of social rights in Ruana Copper A.G. Agencia Chile and 99.76% of the shares in Inversiones Orengo S.A.

Andrónico Mariano Luksic Craig (RUT 6.062.786-K) and family have control over 100% of the shares in Inversiones Consolidadas S.A., Inversiones Salta S.A. and Inversiones Alaska Ltda. The successors of Mr. Guillermo Antonio Luksic Craig (RUT 6.578.597-8) have control of 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.

Percentage stake owned by the company's main executives and board members

As of December 31, 2013, the following main executives held shares in the company:

Executive	% stake
Francisco Pérez Mackenna	0.024%
Manuel José Noguera Eyzaguirre	0.007%
Felipe Joannon Vergara	0.006%
Martín Rodríguez Guiraldes	0.004%
Luis Fernando Antúnez Bories	0.008%
Pedro Marín Loyola	0.001%
Oscar Henríquez Vignes	0.002%

As of December 31, 2013 the directors did not hold shares in the Company.

Stock market information

Quiñenco's shares are traded in Chile on the Santiago Stock Exchange, the Valparaiso Stock Exchange, and the Chilean Securities Exchange.

The table below provides quarterly statistics for 2013 on the amounts traded, the average price and stock market presence on Chilean stock exchanges.

2013	No. of Shares traded	Total amount traded ThCh$	Average price Ch$	Stock market presence %
1st Quarter	12,135,412	19,297,075	1,590.15	82.22%
2nd Quarter	7,114,873	10,681,641	1,501.31	78.89%
3rd Quarter	5,363,532	6,939,637	1,293.86	67.78%
4th Quarter	22,249,128	30,136,165	1,354.49	63.33%
Year 2013	46,862,945	67,054,519	1,430.86	

Property

The Quiñenco Group's headquarters are located in the El Golf sector of Santiago, on the street Enrique Foster Sur No. 20, Las Condes, where it occupies approximately 2,500 square meters in offices of its property.

Insurance

Quiñenco has insurance contracts with top-level insurance companies for all of its significant assets, buildings, machinery, vehicles, among others. The policies cover damages caused by fire, earthquakes and other unforeseen events.

Investment policy

The majority of Quiñenco's resources are destined to companies that it controls, either directly or indirectly with a strategic partner. This policy does not exclude the possibility of making investments in additional companies or the acquisition of businesses related to the ones it runs so as to strengthen the Group's growth potential.

The head office continually seeks investment opportunities in companies that are oriented toward the consumer market, with well-known brands and industries that it has experience with. In the past, Quiñenco has entered into alliances with strategic partners that contribute knowhow, financing and expertise to its businesses. The Company does not have an approved investment plan.

Financing policy

Quiñenco finances its activities and investments with the dividends and profits distributed by the companies that it holds a stake 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 line with its assets' liquidity and with expiration profiles that are compatible with the cash flow generated.

Risk factors

Quiñenco and its subsidiary and affiliated companies face the risks inherent in 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 that are produced and sold.

Quiñenco is exposed to product price risk, mainly related to subsidiaries' inventories.

The Company mainly develops its businesses in Chile. Therefore, 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 4.1% in 2013. There is no certainty that the economy will grow in the future. The factors that might have an adverse effect on the Company's business and the results of its operations include the deceleration of the Chilean economy, a return to high inflation, currency fluctuations, tax reforms, changes in the regulatory frameworks for the diverse industries its subsidiaries and affiliated companies participate in, increases in labor costs, and shortages in qualified labor.

In addition to its operations in Chile, some of the Company's industrial businesses operate and export to companies which in turn operate in and export to Argentina, Peru and other countries in Latin America and the rest of the world, which at the same time have on numerous occasions in the past been characterized by having volatile and often unfavorable economic, political and social conditions. The Company's business, results and assets can feel significant and adverse effects from events related to inflation, interest rates, currency fluctuations, government policies, price and salary controls, currency exchange 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 high levels of competition in the industries that they operate in. This is reflected in the prices, costs and sales volumes of the products and services that are produced and sold by Quiñenco's businesses. While the Company, based on its past experience and its records, expects its businesses to be capable of continuing to successfully compete in their respective areas, there is no certainty that the competition might not continue to grow in the future, including a possible continued trend toward consolidation in certain industries. Increased competition could affect the profit margins and operational results of Quiñenco's businesses, which as a result might have a significant and adverse effect on the flow of dividends that Quiñenco receives from its businesses.

The Company, its subsidiaries and its affiliates have historically required significant amounts of capital to finance their operations and expand their businesses, which means that management and expansion of its current businesses is directly related to access to capital. In the past, Quiñenco and its subsidiaries have satisfied their capital needs with flows generated internally and/or by issuing debt and capital. However, there is no certainty regarding the availability of capital in the future for Quiñenco's needs and growth expectations or those of its subsidiary and affiliated companies. The impossibility of obtaining capital would hinder Quiñenco's capacity to expand existing businesses or enter additional businesses, 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 level of profit and its capacity to pay debt service obligations and dividends mainly depends on receiving dividends and distributions from its subsidiaries, its equity investments, and from its related companies. The payment of dividends on the part of said subsidiaries, equity investments and related companies is, under given circumstances, subject to restrictions and contingencies. In addition, Quiñenco's profit level 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 from its subsidiaries and affiliated companies, or else generating profits from the sale of investments, as it has done in the past.

Another risk factor is related to interest rates. Part of the debt that Quiñenco or its subsidiaries owe is subject to a variable interest rate, which could have a negative impact on the company at times when such rates increase. There is also another risk with regard to foreign currency exchange rates, as a percentage of the debt that Quiñenco or its subsidiaries owe could be exposed to currency fluctuation risks.

A significant part of the Company's businesses correspond to publicly traded firms, whose capital value can vary depending on fluctuations in their market value. The capital value of Quiñenco's investments could be affected by drops in the Chilean stock exchanges or in other stock 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 trading levels, which in turn could have a negative effect on the price and liquidity of shares.

In addition, the market value of the shares in the Chilean companies is affected in several ways by the economic and market conditions of other countries with emerging and developed markets. While the economic conditions in said countries might differ significantly from the economic conditions in Chile, investors' reactions to events in any of those countries could have an adverse effect on the stock market value of Chilean shares. There can be no certainty that the Chilean stock market will grow or maintain its profit levels or that the market value of the Company's shares might not be adversely affected by events in other locations.

Directors' Committee

Quiñenco S.A. has created a Directors' Committee (the "Committee") in keeping with the provisions of Article. 50 bis of Law No. 18,046 on Open Stock Corporations.

This Committee was constituted at Regular Board Meeting No. 186, held on May 2, 2013, where the following directors were appointed to sit on it:

- Mr. Matko Koljatic Maroevic, Independent director and Committee chair;
- Mr. Gonzalo Menéndez Duque, Director related to controller; and
- Mr. Hernán Büchi Buc, Director related to controller.

The aforementioned directors have sat on the Committee for the last two years and Mr. Matko Koljatic Maroevic has acted as independent director and chairman in both cases.

The directors Hernán Büchi Buc, Gonzalo Menéndez Duque, and Matko Koljatic Maroevic were paid the following fees for their services on the Directors' Committee in 2013: ThCh$6,991, ThCh$6,991 and ThCh$6,991 (in 2012 ThCh$6,408, ThCh$6,993 and ThCh$6,993), respectively.

The Committee met nine times in 2013. Its sessions have been regularly attended by CEO, Mr. Francisco Pérez Mackenna, Administration and Finance Manager, Mr. Luis Fernando Antúnez Bories and Chief Counsel, Mr. Manuel José Noguera Eyzaguirre.

During 2013, the Committee dedicated itself to becoming familiar with the issues addressed in Article 50 bis of the Law on Public Limited Companies, following a predetermined calendar and having undertaken the following activities:

1. The results of independent external auditors were examined. In Session No. 113 of March 26, 2013, the Committee received the report by the external auditors for the year ending on December 31, 2012, the balance and other financial statements through that date that it received from the administration. It pronounced itself favorably on these documents, prior to presenting them to shareholders for their approval. Likewise, in Session No. 117 of September 5, 2013, the Committee received the Report on the Limited Review of the Intermediate Consolidated Statements of Quiñenco S.A. and its subsidiaries as of 30 June 2013. In addition, in Session No. 119 of December 5, 2013, the Committee received the Internal Control Report that the independent auditors sent the administration.

2. In Session No. 114 of April 4, 2013, it proposed the external auditors Ernst & Young Servicios Profesionales de Auditoría y Asesoría Limitada to the Board to examine the Company's accounting, inventory, balance and other financial statements corresponding to the year 2013 and to give their professional and independent opinion on them. Likewise, as an alternative to the above, it proposed the company KPMG Auditores Consultores Limitada. At the same Session, the Committee also proposed contracting the following risk rating companies: (a) for the national context, Feller-Rate Clasificadora de Riesgo Limitada and International Credit Rating ICR Compañía Clasificadora de Riesgo Limitada and (b) the company Standard & Poor's for the international context.

3. In Session No. 111 of January 3, 2013, it examined and issued a favorable report on the operation between related parties in Quiñenco S.A.'s purchase of 98,741,675 shares in Banco de Chile from its subsidiary LQ Inversiones Financieras S.A., at a price of Ch$64 per share.

4. In Session No. 112 of March 7, 2013, it examined and issued a favorable report on Quiñenco S.A. drafting a comfort letter in favor of the Banco Latinoamericano de Comercio Exterior S.A., Bladex, for a loan of US$140,000,000 that said banking institution was to award to the affiliated firm Compañía Sud Americana de Vapores S.A.

5. In Session No. 115 of May 2, 2013, it examined and issued a favorable report on the operation between related parties consisting in the hiring of Banchile Asesoría Financiera S.A. as one of the placement agents for an eventual bond issue charged to lines of debt securities.

6. In Session No. 116 of August 1, 2013, it submitted a favorable report to the Board on the hiring of the external auditors Ernst & Young Servicios Profesionales de Auditoría y Asesoría Limitada to provide a professional service that is not part of the external audit and which consisted in said auditing company's consulting services regarding the organization, structure, dividend treatment, capital increases and, in general, the accounting operation of investments made abroad, a consulting service that is necessary and consistent with Quiñenco S.A.'s investment projects abroad.

7. In the same Session No. 116 referred to above, it examined and issued a favorable report on the operation between related parties consisting in the hiring of Banchile Corredores de Bolsa S.A. as one of the placement agents for the capital increase agreed to in the Extraordinary Shareholders' Meeting held on July 29, 2013.

8. In Session No. 118 of November 7, 2013, it received the report on the execution of the internal audit plan for 2013.

The Committee did not contract consulting services in 2013 or incur expenses and it did not consider it necessary to make any sort of recommendation to the Company's shareholders.

Board members' remunerations

In keeping with what was agreed at the Company's Annual Shareholders' Meeting, the sums paid to the Directors in 2013 and 2012 for per diem, participations and other remunerations, respectively, were as follows:

Guillermo Luksic Craig ThCh$0, ThCh$0 and ThCh$180,034 in 2013 (ThCh$1,965, ThCh$97,283 and ThCh$710,881 in 2012); Andrónico Luksic Craig ThCh$3,924, ThCh$152,909 and ThCh$604,707 in 2013 (ThCh$490, ThCh$97,283 and ThCh$594,550 in 2012); Jean-Paul Luksic Fontbona ThCh$2,454, ThCh$152,909 and ThCh$0 in 2013 (ThCh$1,473, ThCh$97,283 and ThCh$0 in 2012); Hernán Büchi Buc ThCh$3,436, ThCh$198,666 and ThCh$0 in 2013 (ThCh$3,434, ThCh$123,660 and ThCh$0 in 2012); Gonzalo Menéndez Duque ThCh$3,436, ThCh$198,170 and ThCh$0 in 2013 (ThCh$3,681, ThCh$123,738 and ThCh$0 in 2012); Matko Koljatic Maroevic ThCh$3,436, ThCh$198,170 and ThCh$0 in 2013 (ThCh$3,681, ThCh$123,738 and ThCh$0 in 2012); Fernando Cañas Berkowitz ThCh$3,436, ThCh$152,909 and ThCh$0 in 2013 (ThCh$3,681, ThCh$97,283 and ThCh$0 in 2012) and Nicolás Luksic Puga ThCh$1,474, ThCh$0 and ThCh$0 in 2013 (ThCh$0, ThCh$0 and ThCh$0 in 2012)..

Expenses for consulting services to the Board

Expenses for consulting services to the Board totaled ThCh$47,434 in 2013.

Remunerations of managers and main executives

The remunerations received by the Company's managers and main executives in 2013 for the concepts of remunerations and performance bonuses totaled ThCh$5,036,620 (ThCh$5,285,439 in 2012).

Incentive plan

As of December 31, 2013 there was no long-term incentive plan for the Company's executives.

Severance payments

In 2013 the severance payments to the Company's main executives totaled ThCh$73,187.

Material Information

The material information that Quiñenco S.A. reported in 2013 is as follows:

1. On January 31, 2013, Quiñenco S.A. informed the Superintendence for Securities and Insurance ("SVS") of the material fact that on January 2, 2013 the distinguished Supreme Court had admitted an Appeal presented by Quiñenco S.A. against Free Trade Defense Court Resolution No. 39/2012 of April 26, 2012, which rejected the operation for Quiñenco S.A. to purchase entirety of the stake held by Oganización Terpel S.A. and Petrolera Nacional S.A. (together "Terpel") in its Chilean subsidiaries Petróleos Transandinos S.A. and Operaciones y Servicios Terpel Limitada (together the "Companies"). However, the distinguished Supreme Court's sentence established mitigation measures as conditions that made the materialization of the aforementioned sales agreement signed by Quiñenco S.A. and Terpel unviable. However, Quiñenco S.A. communicated to Terpel its willingness to negotiate alternative terms that would make it possible to sell Terpel in a way that was in harmony with the demands made by the distinguished Supreme Court.

2. On March 15, 2013, Quiñenco S.A. informed the SVS of the material fact that, complementing what had been informed on September 2, 2011 and January 31, 2013, regarding the sales agreement between Quiñenco S.A. and Terpel (described in greater detail in point 1 above), Quiñenco had presented Terpel with a proposal to make the formalization of the aforementioned agreement viable, keeping in mind the costs that the mitigation measures imposed by the distinguished Supreme Court. Said proposal specifically considered adjusting the price offered for the Terpel assets (which were left at UF5,567,069) and the sale of approximately 30% of the service stations that were part of Terpel's assets. Within 90 days the parties were to sign a new Sales Agreement.

3. On April 4, 2013, Quiñenco S.A. informed the SVS of the material fact that a vacancy in the Board of Quiñenco was produced after its Chairman Guillermo Luksic passed away, and Nicolás Luksic Puga was named Director in his place. The same Board meeting elected Andrónico Luksic Craig as Chairman of the Board and Jean-Paul Luksic Fontbona as Vice-Chairman.

4. On April 16, 2013, Quiñenco S.A. informed the SVS of the material fact, complementing what was informed on September 2, 2011, January 31, 2013 and March 15, 2013, regarding the purchase agreement between Quiñenco S.A. and Terpel (referred to in more detail in point 1), that Quiñenco S.A. subscribed on April 16, 2013, a modification to the contract with Terpel, agreeing on a new price for the transaction, amounting to UF5,567,069, to be adjusted by net debt. The closing of the transaction is expected by June 28, 2013 at the latest.

5. On June 27, 2013, Quiñenco S.A. informed the SVS of the material fact, complementing what was informed on September 2, 2011, January 31, 2013, March 15, 2013 and April 16, 2013, regarding the purchase agreement between Quiñenco S.A. and Terpel (referred to in more detail in point 1), that on June 27, 2013, the transaction was executed, thus Quiñenco S.A.'s subsidiaries Empresa Nacional de Energía Enex S.A. and Inversiones Enex S.A., acquired Terpel Chile. The price of the transaction was UF5,291,345. As of June 27, 2013, the period of six months set by the Supreme Court to meet the mitigation measures referred to in point 1 started to be in effect.

6. On July 4, 2013, Quiñenco S.A. informed the SVS of the material fact that at Quiñenco S.A.'s Board meeting of July 4, 2013, it was agreed to call for an Extraordinary Shareholders' Meeting to propose a capital increase of Ch$350,000,000,000 or, the sum agreed to by the Shareholders' Meeting, through the issuance of new shares, sum to be used to finance new investments.

The acquisition of Terpel's assets referred to in points 1, 2, 4 and 5, was carried out as explained above, strengthening Enex's position as second fuel distributor in the Chilean market, contributing to increase Enex's operating result to Ch$12,555 million in the second half of 2013 from Ch$3,856 million in the second half of 2012. The divestment of 61 service stations, as required by the mitigation measures, allowed approximately US$26 million to be received in revenues.

During November 2013, Quiñenco successfully completed its capital increase referred to in point 6, raising Ch$350 billion, increasing the number of fully paid-in shares from 1,344,577,775 to 1,662,759,593. At least one third of these funds will be destined to finance new investments of the companies in which Quiñenco currently participates, and the rest to finance new investments, both in Chile and abroad.

Employees of Quiñenco and subsidiaries

as of December 31, 2013

	CHILE			OVERSEAS			
Company	Executives	Professionals and technical staff	Other workers	Executives	Professionals and technical staff	Other workers	Total
Quiñenco	11	14	14	-	-	-	39
LQIF and subsidiaries	541	5,963	8,227	-	-	-	14,731
Invexans	1	2	-	-	-	-	3
Madeco and subsidiaries	29	277	689	26	349	1,273	2,643
Enex and subsidiaries	9	507	1,108	2	7	21	1,654
Other subsidiaries	7	53	17	-	-	-	77
Total	598	6,816	10,055	28	356	1,294	19,147

COMPLEMENTARY INFORMATION ON ACTIVITIES AND BUSINESSES

Suppliers and clients

The number of suppliers and clients that represent more than 10% of the purchases or revenues by segment of Quiñenco's subsidiaries and associated companies is detailed in the table below:

Company	No. of suppliers that represent at least 10% of a segment's purchases	No. of clients that represent at least 10% of a segment's revenues
LQIF	n/a	n/a
Banco de Chile	0	0
CCU	0	0
Invexans	0	3
Madeco	1	1
Enex	2	1
CSAV	0	0
SM SAAM	0	3

Main brands

The main brands used by Quiñenco's subsidiaries and its associated firms are detailed below:

Quiñenco: Quiñenco, Quinenco.

Banco de Chile: Banco de Chile, Edwards-Citi, CrediChile and Banchile.

CCU: in Chile and abroad, CCU and its subsidiaries own diverse registered trademarks, under which its products are sold. In the domestic market, its portfolio of brands in the beer segment include, among others, Cristal, Cristal CER0 0°, Cristal Light, Escudo, Morenita, Kunstmann, D'olbek, Royal Guard, Royal Light, Dorada and Lemon Stones. In Argentina, it has Schneider, Salta, Santa Fe, Córdoba, Bieckert, Palermo and Imperial.

Regarding nonalcoholic beverages in Chile, CCU has the following brands in the carbonated beverages category: Bilz, Bilz Light, Pap, Pap Light, Kem, Kem Light, Kem Xtreme and Nobis. In the mineral waters category in Chile it owns the brands Cachantun, Cachantun Mas, Cachantun Mas Woman, Porvenir and Glacier, in purified waters and HOD it has the brand Manantial. In Uruguay, the Company owns the brands Nativa and Nix for bottled mineral waters and carbonated beverages, respectively.

CCU owns the following wine brands: Cabos de Hornos, Tierras Moradas, Kankana del Elqui, 1865, Castillo de Molina, 35 Sur, Gato, Gato Negro, Vernus, Notas de Guarda, D.O.N. (De Origen Noble), Selección del Directorio, Santa Helena Reserva, Siglo de Oro, Parras Viejas, Gran Vino, Tara Pakay, Zavala, Etiqueta Negra, Gran Reserva, Tarapacá Plus, León de Tarapacá, Gran Tarapacá, Tarapacá Reserva, Misiones de Rengo, Leyda, Altair, Sideral, Casa Rivas and Viña Mar. In Argentina it has the brands La Celia, La Consulta, Supremo, and Tamarí Reserva.

In liquors, in the pisco category CCU has the brands: Mistral, Mistral Nobel, Mistral Gran Nobel, Mistral Creme, Mistral Ice, Ruta Norte, Ruta Cocktail, Campanario, Campanario Sour, Campanario Sour Light, Campanario Sour Pica, Campanario Mango, Campanario Mango Light, Campanario Chirimoya Colada, Campanario Piña Colada, Vaina Campanario, Campanario Lúcuma Colada, Control C, Tres Erres, Moai de Pisco Tres Erres, La Serena, and Horcón Quemado. In addition, it holds the license for the Bauzá brand, which it owns 49% of. In the rum category, the company has the brands Sierra Morena Añejado, Sierra Morena Extra Añejado, Sierra Morena Blanco, Sierra Morena Imperial and Ron Cabo Viejo. Also in the liquor segment, CCU owns the liquor brand Fehrenberg with its varieties in Chamomile, Coffee, Cacao, Amaretto, Triple Sec and Mint.

In the cider category in Argentina, CCU owns the brands Real, La Victoria, Sáenz Briones 1888 and Apple Storm. In addition, in the liquor category it has the Brand El Abuelo.

In addition, the company owns important licenses in Chile of national and international brands, which are mentioned in the section Licenses, franchises, royalties, or concessions.

The diverse products in the sweet snacks business are produced under the Calaf brands, including the brand Duetto and others, under which certain biscuit lines are produced. In addition, CCU owns other specific brands for each product. Foods Compañía de Alimentos also owns the brand Natur.

Madeco: Madeco, Alusa, Aluflex, Peruplast, Empaques Flexa, Indalum and Alumco.

Enex: Shell, Enex, upa!, Select, Terpel and Va&Ven.

CSAV: CSAV, Libra, CSAV Norasia and Odfjell y Vapores.

SM SAAM: the companies and subsidiaries have registered the trade name and legal name, in addition to those of certain services and products, with the Brand Registry.

Licenses, franchises, royalties or concessions

The licenses, franchises, royalties and/or concessions held by Quiñenco or its subsidiaries or affiliates are described below:

Banco de Chile: there is a usage agreement for the brand "Banchile," under Banco de Chile authorization, for Banchile Seguros de Vida. According to this agreement, the Bank authorizes and empowers the company to the exclusive use of the name BANCHILE, the Bank's registered property, which is nontransferable under all circumstances, for the promotion and sale of insurance policies in its sector, especially for the development and operation of the Bancaseguros business and the sale of debtor's life insurance to the Bank and to the market in general. The agreement has been in force since January 1, 2013 and will be valid through December 31, 2015. The Bank can at any time terminate said agreement for noncompliance or limitations that the agreement imposes on the company, for which it will suffice to present a written notice 10 days in advance, giving the company 60 days to materialize the name change.

CCU: directly or through its subsidiaries, CCU has licensing contracts for the brands and products Pepsi, Crush, Canada Dry Limón Soda, Ginger Ale and Tonic Water, Gatorade, SOBE Adrenalin Rush, Lipton Ice Tea, Nestlé Pura Vida and Pure Life, Perrier; and the premium beers Heineken and Austral, which give the Company exclusive rights to produce and/or sell said products in the country.

It also holds licenses for the brands Watt's, Yogu Yogu and Shake a Shake for certain nonalcoholic beverages and formats, of which it also owns 50%.

The Company is the exclusive distributor of Budweiser beer in Chile. En Argentina, CCU produces Heineken and Budweiser, under the respective exclusive licenses to produce and sell these products. It also has a contract to sell and distribute the Corona Brand in Argentina.

With regard to spirits, CCU holds the exclusive license to produce and sell pisco in Chile under the Bauzá brand. It is also the exclusive distributor in Chile of Pernod Ricard products, with the main brands being Ballantine's, Chivas Regal, and Jameson for whisky, Absolut and Wyborowa in vodka and the rum Habana Club.

To satisfy its requirements for malt, one of the main raw materials in the production of beer, CCU enters into malt purchase contracts with top notch suppliers on the domestic as well as international markets every year.

Main brand licenses held

License	Expiration date	Licensee	Territory
Watt's (nectars, fruit based beverages and others) in rigid containers, except cardboard.	Indefinite	Promarca S.A.	Chile
Pisco Bauzá	Indefinite	Compañía Pisquera Bauza S.A.	Chile
Budweiser for Argentina and Uruguay	December 2025	Anheuser-Bush, Inc.	Argentina and Uruguay
Heineken for Chile and Argentina (1)	10 years renewable	Heineken Brouwerijen BV	Chile and Argentina
Heineken for Paraguay (2)	November 2022	Heineken Brouwerijen BV	Paraguay
Pepsi, Seven Up and Lipton Tea	December 2043	Pepsico, Inc., Seven-Up International, Pepsi Lipton International Limited	Chile
Crush, Canada Dry (Ginger Ale, Tonic Water and Lemon Soda)	December 2018	Schweppes Holding Limited	Chile
Budweiser for Chile	December 2015	Anheuser-Bush, Inc.	Chile
Austral	July 2014	Cervecería Austral S.A.	Chile
Gatorade (3)	March 2015	Stokely Van Camp Inc.	Chile
Negra Modelo and Corona for Argentina	December 2014	Cervecería Modelo, S.A. de C.V.	Argentina
Nestlé Pure Life (4)	December 2017	Nestlé S.A., Societé de Produits Nestlé S.A. and Nestec S.A.	Chile

(1) 10-year license, automatically renewable under identical conditions (Rolling Contract) every year for a period of 10 years, except in case of nonrenewal notice.
(2) 10-year license, renewable automatically every year for a period of five years, except in case of nonrenewal notice.
(3) License Renewable for periods of 2 or 3 years, subject to fulfillment of conditions established in the contract.
(4) License Renewable for periods of 5 years, subject to fulfillment of conditions established in the contract.

Enex: holds the license and uses the Shell Brand in service stations for the sale of fuels, valid for a period of 10 years starting on May 31, 2011. In addition, Enex is Macro Distributor of Shell Lubricants in Chile under a contract that expires in May 2014 and which is expected to be renewed.

SM SAAM: operates the following port concessions:

San Antonio Terminal Internacional (STI): operates the concession for the South Berthing Dock of the Port of San Antonio, a port terminal that has become one of the most modern in South America. This concession, in force since January 2000, has a horizon of 20 years with the option to extend it to 30 years in exchange for developing the mandatory works indicated in the concession contract. In 2013 STI signed the concession contract amendment allowing it to extend the concession for another 5 years, contingent on the completion of certain works, with the option to extend it for another 5 years.

San Vicente Terminal Internacional: in January 2000, the concession of the Bíobío Region's main port terminal was obtained, the Port of San Vicente, whose three berthing sites are operated by San Vicente Terminal Internacional (SVTI), which with a concession that has already been extended, will operate that front until 2029. In 2013 construction of the fourth berthing site was begun, which will allow larger ships to be serviced, in addition to reconstruction of the terminal that was damaged by the earthquake on February 27, 2010.

Antofagasta Terminal Internacional: Berthing Front No. 2, corresponding to sites 4, 5, 6 and 7 were transferred to Antofagasta Terminal Internacional S.A. (ATI) in 2003. The concession has a 20-year horizon, with the option to extend it to 30 in exchange for undertaking the mandatory works indicated in the concession contract. These correspond to the expansion of Site 7 and the anti-seismic reinforcement of Site 6, which were completed in 2013 and only the final works reception on the part of Empresa Portuaria Antofagasta remains.

Terminal Puerto Arica: Berthing Front No. 1 of the Port of Arica was licensed in a 30-year concession to Terminal Puerto Arica S.A. (TPA) in October 2004.

Iquique Terminal Internacional: the transfer of the concession for terminal No. 2 (Breakwater) to Iquique Terminal Internacional S.A. (ITI) took place in July 2000. The concession was originally established for 20 years and in 2013 a 10-year extension was awarded, as the committed works were undertaken in 2012.

Portuaria Corral: in 2002, SAAM became a partner in Portuaria Corral, a private Company that administers a mechanized dock in Punta Chorocamayo, Bay of Corral.

Terminal Portuario Guayaquil: (TPG) is a private port that SAAM began operating in July 2006, with a 40-year concession. It is located at the mouth of the Santa Ana Estuary in Isla Trinitaria, a suburb of the city of Guayaquil, Ecuador.

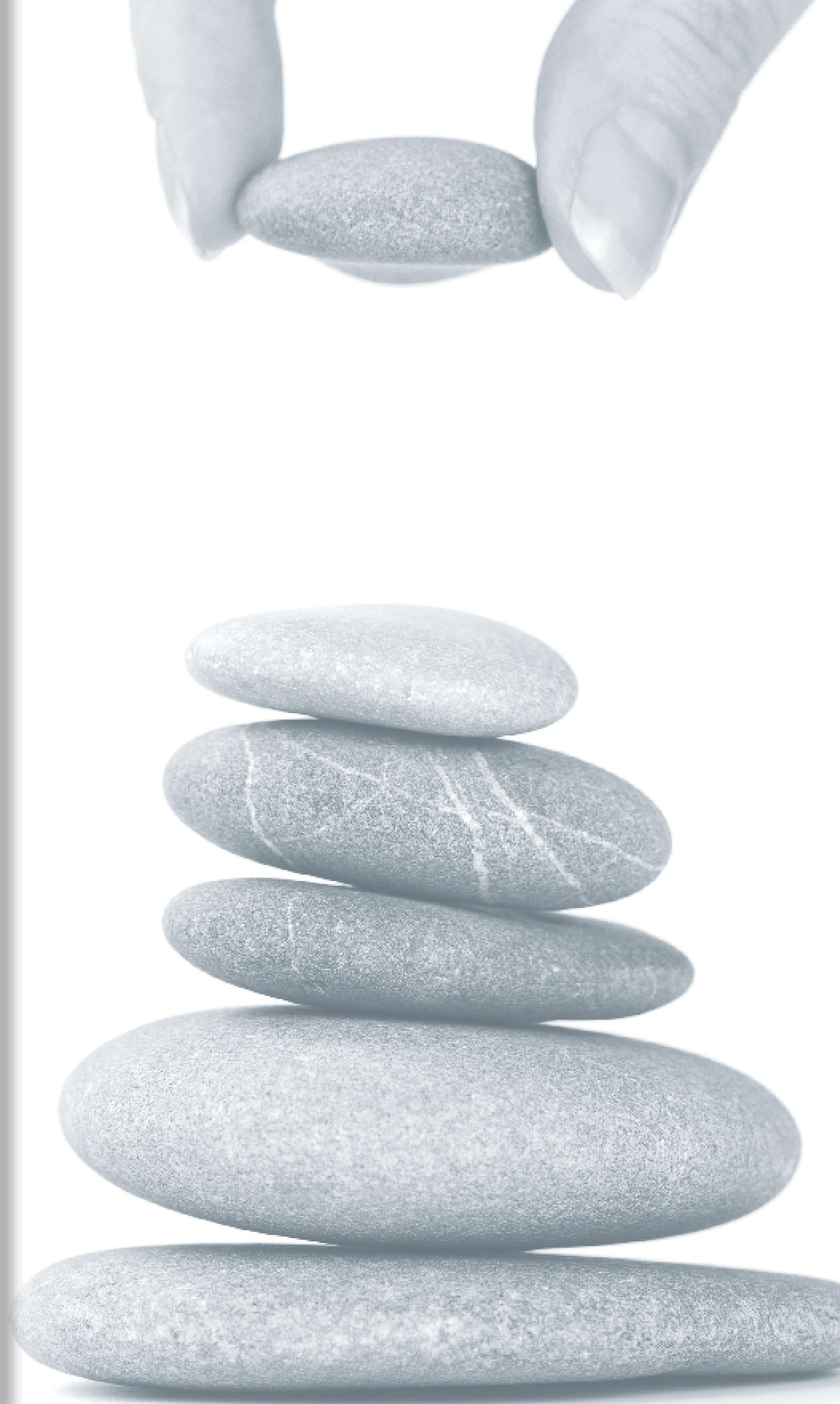
Florida International Terminal: SAAM has operated a 16 hectare terminal, Florida International Terminal (FIT) in the area of South Port of Port Everglades in Fort Lauderdale, Florida, USA, since 2005. This concession is different from traditional ones as Port Everglades (the agency that administers port facilities for Broward County) has jurisdiction – including the maintenance and allocation of berthing sites and gantry cranes – while operation is done individually by the concessionaire as part of its services of stowage and unloading, container storage, plugs for reefer containers, consolidation and deconsolidation of container and cargo inspection. The concession expires in 2015, with two extension options for 5 years each, to be defined by the concessionaire.

Terminal Maritima Mazatlan: SAAM has been operating a port terminal with 6 docks since November 2012, Terminal Marítima Mazatlán (TMAZ), located on the west coast of Mexico in the state of Sinaloa. The concession expires in 2032, with the possibility of an extension for an additional 12 years, under conditions that must be agreed to with the port authority.

Puerto Buenavista: since 2012 SAAM has been a partner in Puerto Buenavista S.A., a company that holds the private concession of the port terminal by the same name, which has a 211-meter dock in Cartagena de Indias, Colombia, in the sector known as Mamonal. In the short term, the project consists in improving the terminal's infrastructure, in addition to installing the necessary equipment to improve its competitiveness and services. In addition, the company has acquired a 41-hectare site very near the port to develop an integral logistics center, which will also contain support areas for the terminal's activities.

Consolidated Financial Statements

As of December 31, 2013 and 2012



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Millions of Chilean Pesos (MCh$)

Report of Independent Auditors

Building a better working world

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

We have audited the accompanying consolidated financial statements of Quiñenco S.A. and subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2013 and 2012, 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. and Compañía Sud Americana de Vapores S.A. as of December 31, 2013 and 2012. These investments are recorded in the financial statements using the equity method and show total assets of ThCh$753,342,828 and ThCh$543,224,320 as of December 31, 2013 and 2012, respectively, and net income of ThCh$ 15,209,623 (income) and ThCh$ 9,316,964 (loss) 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 auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

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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 subsidiaries as of December 31, 2013 and 2012 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 on a Matter

The Banco de Chile subsidiary is regulated by the Superintendency of Banks and Financial Institutions ("SBIF"), and considering this, it must apply the accounting standards established by this regulator for the preparation of its consolidated financial statements. The Superintendency of Securities and Insurance ("SVS") has instructed that companies that hold investments in bank subsidiaries, for the purposes of preparing their consolidated financial statements, shall use the information provided by the bank subsidiaries without applying conversion adjustments in order to comply with the International Financial Reporting Standards. As of December 31, 2013 and 2012, we have issued an unqualified opinion on the financial statements of Banco de Chile, which have been prepared in accordance with the accounting standards and the instructions issued by the Superintendency of Banks and Financial Institutions.

Eduardo Rodríguez B.
Santiago, Chile
March 26, 2014

ERNST & YOUNG LTDA.

Consolidated Statements of Financial Position

As of December 31, 2013 and 2012

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

Assets	Note	12-31-2013 ThCh$	12-31-2012 ThCh$
Non-banking businesses			
Current assets			
Cash & cash equivalents	3	386,210,633	252,456,986
Other financial assets, current	4	108,999,828	80,701,481
Other non-financial assets, current	5	23,077,038	20,317,560
Trade debtors & other accounts receivable, current	6	209,546,617	122,860,885
Accounts receivable from related parties, current	7	3,255,069	4,250,309
Inventory, current	8	129,156,053	97,881,229
Current tax assets		14,884,346	14,599,893
Total current assets other than assets or groups of assets for disposal classified as held for sale or for distribution to the owners		**875,129,584**	**593,068,343**
Non-current assets or groups of assets for disposal classified as held for sale	9	25,286,946	1,820,811
Non-current assets or groups of assets for disposal classified as held for sale or for distribution to the owners		**25,286,946**	**1,820,811**
Total current assets		900,416,530	594,889,154
Non-current assets			
Other financial assets, non-current	10	78,223,336	88,474,328
Other non-financial assets, non-current	11	16,468,684	11,821,644
Accounts receivable, non-current		1,274,138	1,177,760
Accounts receivable from related parties, non-current	7	597,244	585,232
Investments recognized using the equity method	12	1,042,894,617	832,357,116
Intangible assets other than goodwill	13	219,263,770	207,178,195
Goodwill	14	932,519,610	864,212,768
Property, plant &equipment	17	306,910,733	195,501,597
Investment properties	18	8,788,625	8,804,681
Deferred tax assets	19	35,258,715	33,207,054
Total non-current assets		2,642,199,472	2,243,320,375
Total non-banking services assets		3,542,616,002	2,838,209,529
Banking assets			
Cash & bank deposits	39.5	873,307,879	684,924,459
Operations pending settlement	39.5	374,471,540	396,610,650
Trading instruments	39.6	393,133,694	192,723,255
Repurchase agreements & loans of securities	39.7	82,421,970	35,099,676
Financial derivative contracts	39.8	374,687,483	329,498,204
Due by banks	39.9	1,062,055,732	1,343,321,994
Customer loans & accounts receivable	39.10	20,384,474,239	18,326,136,622
Investment instruments available for sale	39.11	1,673,706,050	1,264,439,922
Investments in companies	39.12	16,670,099	13,933,040
Intangible assets	39.13	29,670,908	34,288,966
Property, plant &equipment	39.14	197,579,144	205,189,430
Current taxes	39.15	3,201,909	2,683,809
Deferred taxes	39.15	145,903,663	127,143,466
Other assets	39.16	318,029,601	296,879,266
Total banking services assets		25,929,313,911	23,252,872,759
Total assets		29,471,929,913	26,091,082,288

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

Consolidated Statements of Financial Position

As of December 31, 2013 and 2012

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

	Note	12-31-2013 ThCh$	12-31-2012 ThCh$
Non-banking businesses			
Current liabilities			
Other financial liabilities, current	20	174,718,849	148,201,111
Trade creditors & other accounts payable	21	198,441,476	115,024,947
Accounts payable to related parties, current	7	2,080	127,730
Other short-term provisions	22	11,358,135	12,405,044
Current tax liabilities		12,215,339	6,145,305
Provisions for employee benefits, current	23	8,174,381	6,222,015
Other non-financial liabilities, current	24	39,590,085	46,757,841
Total current liabilities other than liabilities included in groups of assets for disposal classified as held for sale		**444,500,345**	**334,883,993**
Liabilities included in groups of assets for disposal classified as held for sale	9	7,981,024	-
Total current liabilities		452,481,369	334,883,993
Non-current liabilities			
Other financial liabilities, non-current	20	704,354,390	573,698,008
Other long-term provisions	22	22,556,507	17,111,493
Deferred tax liabilities	19	72,124,569	57,059,024
Provisions for employee benefits, non-current	23	18,855,862	21,791,723
Other non-financial liabilities, non-current	25	45,811,019	48,264,602
Total non-current liabilities		863,702,347	717,924,850
Total non-banking business liabilities		1,316,183,716	1,052,808,843
Banking liabilities			
Deposits & other demand deposits	39.17	5,887,977,817	5,399,848,402
Operations pending settlement	39.5	126,343,779	159,218,473
Repurchase agreements	39.7	256,765,754	226,396,014
Time deposits & other loans	39.18	10,399,954,018	9,610,686,877
Financial derivative contracts	39.8	445,133,565	380,322,171
Due to banks	39.19	989,465,125	1,108,680,229
Debt instruments issued	39.20	4,366,652,444	3,273,931,881
Subordinated obligation with Banco Central de Chile		401,316,608	483,194,548
Other financial obligations	39.21	210,926,384	159,031,818
Current taxes	39.15	10,327,650	25,898,858
Deferred taxes	39.15	36,569,131	27,629,580
Provisions	39.22	328,011,748	292,779,647
Other liabilities	39.23	269,508,839	302,182,309
Total banking services liabilities		23,728,952,862	21,449,800,807
Total liabilities		25,045,136,578	22,502,609,650
Equity			
Issued capital	27	1,223,669,810	855,336,413
Accumulated earnings		896,392,481	836,932,656
Share premium	27	31,538,354	50,151,431
Other reserves	27	265,760,018	151,299,061
Equity attributable to owners of the controller		2,417,360,663	1,893,719,561
Non-controlling interests		2,009,432,672	1,694,753,077
Total equity		4,426,793,335	3,588,472,638
Total equity & liabilities		29,471,929,913	26,091,082,288

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

Consolidated Statements of Comprehensive Income

As of December 31, 2013 and 2012
(Translation of financial statements originally issued in Spanish – See Note 2)

Income Statement	Note	01-01-2013 12-31-2013 ThCh$	01-01-2012 12-31-2012 ThCh$
Non-banking businesses			
Income from ordinary activities	28 a)	2,054,946,238	1,448,295,866
Cost of sales		(1,818,217,448)	(1,266,623,281)
Gross margin		**236,728,790**	**181,672,585**
Other income by function		23,496,663	9,444,896
Distribution costs		(6,210,591)	(31,175)
Administrative expenses		(205,679,989)	(164,245,655)
Other expenses by function	28 b)	(3,280,744)	(10,109,891)
Other gains	28 c)	33,297,152	34,604,426
Income from operating activities		78,351,281	51,335,186
Financial income		16,341,094	21,100,455
Financial costs	28 d)	(39,519,038)	(26,461,243)
Interest in earnings of associates & joint ventures recognized using the equity method	12	(38,764,931)	(13,329,062)
Exchange differences		(2,422,303)	(3,455,147)
Result of indexation adjustments		(10,743,319)	(11,866,399)
Income before taxes		**3,242,784**	**17,323,790**
(Charge) credit for income taxes	19	(8,748,438)	9,579,186
Income (loss) from continuing operations		**(5,505,654)**	**26,902,976**
Net income (loss) from discontinued operations		(7,647,980)	4,360,924
Net income (loss) from non-banking businesses		(13,153,634)	31,263,900
Banking services			
Interest & indexation income		1,763,542,410	1,661,465,421
Interest & indexation expense		(702,278,317)	(705,256,123)
Net interest & indexation income		**1,061,264,093**	**956,209,298**
Fee income	39.26	386,732,250	372,761,708
Fee expense	39.26	(99,638,863)	(65,509,498)
Net fee income		**287,093,387**	**307,252,210**
Net gain (loss) from financial operations	39.27	11,084,371	24,744,959
Net exchange gain (loss)	39.28	71,457,285	35,135,920
Other operating income	39.33	27,222,157	22,061,568
Allowance for credit risk	39.29	(241,613,810)	(188,188,644)
Total net income		**1,216,507,483**	**1,157,215,311**
Staff remuneration & expenses	39.30	(323,413,388)	(312,239,160)
Administrative expenses	39.31	(252,501,641)	(247,456,607)
Depreciation & amortization	39.32	(28,908,652)	(30,957,764)
Impairment	39.32	(2,247,403)	(898,173)
Other operating expenses	39.34	(16,129,368)	(42,506,008)
Total operating expenses		**(623,200,452)**	**(634,057,712)**
Operating income		593,307,031	523,157,599
Income from investments in companies	39.12	2,071,770	(229,405)
Interest on subordinated debt with Banco Central de Chile		(69,700,679)	(73,709,381)
Income before income tax		**525,678,122**	**449,218,813**
Income tax	**39.15**	**(80,020,254)**	**(54,039,788)**
Income from continuing operations		**445,657,868**	**395,179,025**
Banking services income, net		445,657,868	395,179,025
Consolidated income, net		432,504,234	426,442,925
Net income attributable to owners of the controller		124,840,504	139,642,577
Net income attributable to non-controlling interests		307,663,730	286,800,348
Consolidated income, net		432,504,234	426,442,925

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

Consolidated Statements of Comprehensive Income

As of December 31, 2013 and 2012
(Translation of financial statements originally issued in Spanish – See Note 2)

Comprehensive income statement	01-01-2013 12-31-2013 ThCh$	01-01-2012 12-31-2012 ThCh$
Earnings	432,504,234	426,442,925
Components of other comprehensive income which will not be reclassified in income		
Interest in other comprehensive income of associates & joint ventures recognized using the equity method which will not be reclassified in income	985,048	(4,556,645)
Total other comprehensive income that will not be reclassified in income	**985,048**	**(4,556,645)**
Components of other comprehensive income that will not be reclassified in income Currency translation differences		
Gains (losses) from currency translation differences	38,319,746	(16,287,583)
Other comprehensive income, currency translation differences	**38,319,746**	**(16,287,583)**
Financial assets available for sale		
Gains (losses) for new measurements of financial assets available for sale	2,363,289	20,592,775
Other comprehensive income, financial assets available for sale	**2,363,289**	**20,592,775**
Cash-flow hedges		
Gains (losses) from cash-flow hedges	(6,945,055)	1,962,601
Other comprehensive income, cash-flow hedges	**(6,945,055)**	**1,962,601**
Total other comprehensive income that will be reclassified in income	**33,737,980**	**6,267,793**
Other components of other comprehensive income	**34,723,028**	**1,711,148**
Total comprehensive income	467,227,262	428,154,073
Comprehensive income attributable to:		
Owners of the controller	159,563,532	141,353,725
Non-controlling interests	307,663,730	286,800,348
Total comprehensive income	467,227,262	428,154,073

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

Consolidated Statements of Cash Flows

As of December 31, 2013 and 2012
(Translation of financial statements originally issued in Spanish – See Note 2)

Statement of cash flows	01-01-2013 12-31-2013 ThCh$	01-01-2012 12-31-2012 ThCh$
Cash flows provided by (used in) operating activities		
Non-banking services		
Classes of collections from operating activities		
Proceeds of sales of assets & provision of services	2,429,962,351	1,811,807,867
Proceeds of royalties, quotas, commissions & other ordinary income	321,685	424,029
Proceeds of premiums, annuities & other policy benefits	62,067,591	254,209,938
Proceeds from other operating activities	176,299,156	192,691,123
Classes of payments		
Payments to suppliers of goods & services	(2,309,588,207)	(1,903,706,069)
Payments to & on behalf of employees	(68,557,753)	(54,449,459)
Other payments for operating activities	(244,095,170)	(253,077,100)
Net cash flow provided by operating activities	**46,409,653**	**47,900,329**
Income taxes refunded (paid)	(3,683,105)	1,744,142
Other cash inflows	6,033,880	913,015
Net cash flow provided by non-banking services operating activities	48,760,428	50,557,486
Banking services		
Consolidated earnings	444,530,859	392,720,434
Charges (credits) to results not involving cash movement:		
Depreciation & amortization	31,156,055	31,855,937
Allowances for credit risk	275,161,488	226,882,598
Adjustment to market value of trading instruments	(1,611,876)	931,481
Net (income) loss from investment in companies with significant influence	(1,780,455)	467,905
Net (gain) loss on sales of assets received in lieu of payment	(6,126,151)	(5,673,977)
(Gain) loss on sale of property, plant &equipment	(219,347)	(318,116)
Write-offs of assets received in payment	1,891,001	2,599,579
Other charges (credits) not involving cash movement	(138,230,693)	51,511,039
Net change in accrued interest, indexation & fees on assets & liabilities	29,323,477	4,048,838
Changes in assets & liabilities that affect operating cash flows:		
Net (increase) decrease in due from banks	281,523,894	(695,376,137)
(Increase) in customer loans & accounts receivable	(2,259,317,497)	(1,529,338,155)
Net (increase) decrease in trading instruments	(165,628,742)	52,892,049
Increase in deposits & other demand deposits	512,401,872	575,773,365
Increase (decrease) in repurchase agreements & loans of securities	33,015,811	(15,277,312)
Increase in time deposits & other loans	767,824,552	300,256,791
Increase (decrease) in due to banks	(323,054,979)	119,780,930
Increase (decrease) in other financial obligations	54,074,026	(16,511,685)
Long-term Loans from Banco Central de Chile	-	20,240
Long-term Loans repaid to Banco Central de Chile	(7,448)	(56,135)
Foreign loans received at long term	844,776,442	325,247,140
Repayment of long-term foreign loans	(639,571,276)	(1,026,564,235)
Other long-term loans drawn	609,231	1,525,866
Repayments of other long-term loans	(6,283,978)	(7,362,853)
Provision for payment of subordinated obligation with Banco Central de Chile	69,700,679	73,709,381
Others	(12,380,761)	(6,445,050)
Sub total of net cash flow (used in) banking services operating activities	(208,223,816)	(1,142,700,082)
Total net cash flow (used in) operating activities	(159,463,388)	(1,092,142,596)

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

Consolidated Statements of Cash Flows

As of December 31, 2013 and 2012
(Translation of financial statements originally issued in Spanish – See Note 2)

	01-01-2013 12-31-2013 ThCh$	01-01-2012 12-31-2012 ThCh$
Cash flows provided by (used in) investing activities		
Non-banking services		
Cash flows used to gain control of subsidiaries or other businesses	(240,238,190)	(371,117,613)
Cash flows used in the purchase of non-controlling interests	(84,300,688)	(18,101,721)
Other proceeds from sale of equity or debt instruments of other parties	283,714,896	298,993,448
Other payments to acquire equity or debt instruments of other parties	(300,265,210)	(341,423,911)
Loans to related parties	(5,736,184)	-
Proceeds of sale of property, plant & equipment	5,765,887	1,847,184
Purchase of property, plant & equipment	(41,449,610)	(33,720,274)
Purchase of intangible assets	(29,931)	(10,559)
Proceeds from other assets, long-term	13,968,059	-
Payments received from related parties	290,789	126,098,743
Dividends received	27,899,165	23,691,838
Interest received	18,380,010	22,796,735
Other cash inflows	23,941,195	7,481,640
Net cash flow (used in) non-banking investing activities	(298,059,812)	(283,464,490)
Banking services		
Net (increase) decrease in investment instruments available for sale	(367,257,942)	295,571,781
Purchase of property, plant & equipment	(12,251,390)	(17,982,544)
Sales of property, plant & equipment	505,349	399,970
Investments in companies	(1,439,574)	(71,131)
Dividends received on investments in companies	956,376	942,717
Sale of assets received in lieu of payment	8,454,011	9,510,186
Net (increase) decrease in other assets & liabilities	(42,462,495)	34,577,438
Others	(5,510,614)	(9,116,014)
Sub total net cash flow provided by (used in) banking services investing activities	(419,006,279)	313,832,403
Total net cash flow provided by (used in) investing activities	(717,066,091)	30,367,913

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

Consolidated Statements of Cash Flows

As of December 31, 2013 and 2012
(Translation of financial statements originally issued in Spanish – See Note 2)

	Note	01-01-2013 31-12-2013 M$	01-01-2012 31-12-2012 M$
Cash flows provided by (used in) non-banking services financing activities			
Proceeds of share issues		349,761,200	250,071,169
Proceeds from long-term loans		174,112,242	110,450,801
Proceeds from short-term loans		367,437,470	352,439,896
Total loan proceeds		**541,549,712**	**462,890,697**
Loans from related parties		2,392,151	-
Loan repayments		(441,260,741)	(274,430,089)
Payments of financial lease obligations		(6,008,454)	(4,112,715)
Dividends paid		(97,591,207)	(97,404,325)
Interest paid		(32,295,342)	(29,423,788)
Income taxes (paid)		(264,959)	-
Other cash (outflows)		(2,447,130)	(4,487,119)
Net cash flow provided by non-banking services financing activities		313,835,230	303,103,830
Banking services			
Redemption of mortgage-funding notes		(20,733,751)	(27,528,676)
Bonds issued		1,607,265,955	1,233,983,615
Bonds repaid		(536,822,596)	(389,382,235)
Payment of subordinated obligation with Banco Central de Chile		(142,318,201)	(124,341,764)
Issue of shares		134,070,925	119,084,027
Dividends paid		(81,727,548)	(69,931,526)
Sub total net cash flow provided by banking services financing activities		959,734,784	741,883,441
Total net cash flow provided by financing activities		1,273,570,014	1,044,987,271
Net increase (decrease) in cash & cash equivalents, before the effect of exchange rate changes		397,040,535	(16,787,412)
Effects of exchange rate changes on cash & cash equivalents		60,912,680	(31,804,159)
Net increase (decrease) in cash & cash equivalents		457,953,215	(48,591,571)
Cash & cash equivalents at start of the year		1,466,926,869	1,515,518,440
Cash & cash equivalents at end of the year	3 c)	1,924,880,084	1,466,926,869

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

Statements of Changes in Equity

As of December 31, 2013 and 2012
(Translation of financial statements originally issued in Spanish – See Note 2)

	Ordinary shares		Other reserves									
	Issued capital ThCh$	Share premium ThCh$	Revaluation surplus ThCh$	Reserves for translation exchange differences ThCh$	Reserves for cash-flow hedges ThCh$	Reserves for gains or (losses) on re-measurement of financial assets available for sale ThCh$	Other sundry 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 01-01-13	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
Restated initial balance	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
Changes in equity												
Comprehensive income												
Earnings (loss)	-	-	-	-	-	-	-	-	124,840,504	124,840,504	307,663,730	432,504,234
Other comprehensive income	-	-	-	38,319,746	(6,945,055)	2,363,289	985,048	34,723,028	-	34,723,028	-	34,723,028
Comprehensive income	-	-	-	38,319,746	(6,945,055)	2,363,289	985,048	34,723,028	124,840,504	159,563,532	307,663,730	467,227,262
Capital increase	318,181,966	31,538,354	-	-	-	-	-	-	-	349,720,320	-	349,720,320
Dividends	-	-	-	-	-	-	-	-	(65,380,679)	(65,380,679)	-	(65,380,679)
Increase (decrease) for changes in interest in subsidiaries that do nor imply a loss of control	-	-	-	-	-	-	71,856,960	71,856,960	-	71,856,960	(71,856,960)	-
Increase (decrease) for transfers & other changes	50,151,431	(50,151,431)	-	-	-	-	7,880,969	7,880,969	-	7,880,969	78,872,825	86,753,794
Total changes in equity	368,333,397	(18,613,077)	-	38,319,746	(6,945,055)	2,363,289	80,722,977	114,460,957	59,459,825	523,641,102	314,679,595	838,320,697
Closing balance current period 12-31-13	1,223,669,810	31,538,354	384,026	857,616	(5,268,170)	3,050,835	266,735,711	265,760,018	896,392,481	2,417,360,663	2,009,432,672	4,426,793,335
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 (loss)	-	-	-	-	-	-	-	-	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
Capital increase	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 interest 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

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 an open corporation, tax ID 91.705.000-7, located at Enrique Foster Sur 20, Las Condes, Santiago. The Company is registered in the Securities Register under 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, 2014.

(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 recognized under the equity value method through Inversiones y Rentas S.A.; manufactures copper and aluminum products and flexible packaging through the subsidiaries Madeco S.A. (hereinafter "Madeco") and Invexans S.A. (hereinafter "Invexans"); 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"); participates in the shipping, and ship and cargo services business through the associates Compañía Sud Americana de Vapores S.A. (hereinafter "CSAV") and SM SAAM S.A. (hereinafter "SM SAAM") respectively, investments recognized under the equity method.

The following is a detail of the industries where the Company operates:

Financial services: Quiñenco has a direct and indirect shareholding in Banco de Chile, through its 50.00% holding of the share capital, as of December 31, 2013 and 2012, 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 share in Banco de Chile, one of the largest financial institutions in Chile.

As of December 31, 2013 and 2012, LQIF is the direct and indirect holder of 32.74% and 33.25% respectively of Banco de Chile. As of December 31, 2013 and 2012, LQIF is the holder of 58.24% of the holding company Sociedad Matriz del Banco de Chile S.A. (hereinafter "SM-Chile") which holds 13.03% directly (13.50% as of December 31, 2012) and 30.69% indirectly through its subsidiary Sociedad Administradora de la Obligación Subordinada SAOS S.A. (hereinafter "SAOS"). In all, LQIF has a direct and indirect interest in Banco de Chile of 58.41% and 59.86% as of December 31, 2013 and 2012 respectively.

As of December 31, 2013 and 2012, LQIF holds 39.92% and 39.76% 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 60.00% and 66.11% of CCU respectively as of December 31, 2013 and 2012.

Note 1 – Corporate information (continued)

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

Manufacturing: The Company has an indirect interest in the French company Nexans through its 65.92% and 55.40% shareholding in Invexans, as of December 31, 2013 and 2012 respectively. Nexans is a global player in the cable industry, offering a wide range of cables and cabling systems and with an industrial presence in 40 countries and trading activities throughout the world. Nexans is quoted on the NYSE Euronext exchange in Paris, France.

Quiñenco also has, as of December 31, 2013, a shareholding of 65.92% in Madeco, a regional manufacturer of copper and aluminum based products. Madeco also makes flexible packaging for mass-consumed products through its subsidiary Alusa. In addition, it makes aluminum and PVC profiles, systems (of doors and windows) and aluminum doors and windows, selling its products and related accessories through its subsidiary Indalum.

In order to separate Madeco's investment in the French company Nexans from its industrial businesses, the shareholders in March 2013 approved its division, creating a new company whose principal assets are the companies Alusa and Indalum, with the name Madeco. The successor company, called Invexans S.A., retained the investment in Nexans, plus a part of the outstanding financial debt and other obligations relating to the contract signed with Nexans S.A.

Fuels and Lubricants: Quiñenco has an indirect interest of 100% in the subsidiary Enex 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.

Transportation: Quiñenco has a 46.00% and 37.44% interest respectively as of December 31, 2013 and 2012 in the associate Compañía Sud Americana de Vapores S.A. (CSAV), a company that is mainly involved in cargo shipping. On February 15, 2012, CSAV was split into Sociedad Matriz SAAM S.A., the holder of approximately 99.99% of the shares of Sudamericana Agencias Aéreas y Marítimas S.A. ("SAAM"), a closely-held corporation whose objects are the provision of services related to shipping, mainly the ports business, tugboats and logistics. As of December 31, 2013 and 2012 Quiñenco has a 42.44% and 37.44% shareholding respectively in the associate SM SAAM.

(c) Employees

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

Number of employees	**12-31-2013**	**12-31-2012**
Quiñenco	39	39
LQIF & subsidiaries	14,731	14,585
Madeco & subsidiaries	2,643	2,930
Enex & subsidiaries	1,654	522
Invexans	3	-
Other subsidiaries	77	79
Total employees	**19,147**	**18,155**

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, 2013 and 2012.
- Statements of comprehensive income, cash flows and changes in equity; for the years ended December 31, 2013 and 2012.

(b) 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 Superintendency of Banks and Financial Institutions ("SBIF") and therefore have to apply the accounting standards established by that regulator for the preparation of the consolidated financial statements. The Superintendency of Securities and Insurance ("SVS") has instructed companies that have investments in banking subsidiaries to use, in the preparation of their consolidated financial statements, the information provided by the banking subsidiaries without making translation adjustments in order to comply with IFRS, thus generating the following differences:

- 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 finance 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, not considering therefore the suspension of the recognition of revenue.
- Assets received in payment ("BRP"): The present treatment considers the lesser of their initial value plus any additions and the 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 the Company 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 specific provisions for corporations contained in Law 18,046 and its regulations have also been considered.

Certain accounting practices applied by the Company that conform to IFRS may not conform to generally accepted accounting principles in the United States ("US GAAP") or to generally accepted accounting principles in Chile ("Chile GAAP"). For the convenience of the reader these financial statements have been translated from Spanish to English.

For comparison purposes, the Company and its subsidiaries have made minor reclassifications to their annual financial statements as of December 31, 2012 which do not affect their interpretation.

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[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 following shows the IFRS improvements and amendments and their interpretations that have been published in the year. 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. Their application will be mandatory from the dates shown below:

	New standards	Mandatory application
IFRIC 21	Levies	January 1, 2014
IFRS 9	Financial instruments: classification & measurement	to be determined

	Improvements & amendments	Mandatory application
IFRS 10	Consolidated financial statements	January 1, 2014
IFRS 12	Disclosures of interest in other entities	January 1, 2014
IAS 27	Separate financial statements	January 1, 2014
IAS 32	Financial instruments: presentation	January 1, 2014
IAS 36	Asset impairment	January 1, 2014
IAS 39	Financial instruments: recognition & measurement	January 1, 2014
IAS 19	Employee benefits	July 1, 2014
IFRS 3	Business Combinations	July 1, 2014
IAS 40	Investment properties	July 1, 2014

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 in the period of their first application.

(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 interests 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 as follows:

Tax No.	Subsidiary	Country of origin	Functional currency	Percentage interest 12-31-2013			12-31-2012
				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. and Subsidiary	Chile	CLP	99.9999	0.0001	100.0000	100.0000
95.987.000-4	Inversiones Río Grande S.p.A. and Subsidiary	Chile	CLP	99.9898	0.0102	100.0000	100.0000
91.527.000-K	Empresa El Peñón S.A. and Subsidiary	Chile	CLP	97.7631	0.0000	97.7631	97.5359
87.011.000-6	Inv. O'Higgins Punta Arenas Ltda. CPA and Subsidiary	Chile	CLP	75.5579	0.0000	75.5579	75.5579
96.929.880-5	LQ Inversiones Financieras S.A. and Subsidiaries	Chile	CLP	47.3520	2.6480	50.0000	50.0000
91.021.000-9	Invexans S.A. and Subsidiaries	Chile	USD	46.7101	19.2078	65.9179	55.4022
76.275.453-3	Madeco S.A. and Subsidiaries	Chile	USD	46.7101	19.2078	65.9179	0.0000
91.000.000-4	Industria Nacional de Alimentos S.A. and Subsidiary	Chile	CLP	71.9512	27.9751	99.9263	99.9263
77.253.300-4	Inversiones Río Bravo S.A. and Subsidiaries	Chile	CLP	74.3386	25.6614	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. and Subsidiary	Chile	CLP	99.9999	0.0001	100.0000	100.0000

The subsidiaries Invexans, Madeco and LQIF are registered in the Securities Register under the numbers 251, 1108 and 730 respectively, and are subject to the regulatory authority of the SVS.

Note 2 – Principal Accounting Criteria Applied (continued)

(d) Consolidation (continued)

The subsidiary Madeco S.A., established following the division of Madeco in 2013, is registered under number 1108 and is 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 subsidiary Enex S.A. is included in the consolidated financial statements of Inversiones Río Argenta S.A. and subsidiary.

(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, revenue, expenses and commitments that appear in them. These estimates refer mainly 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 deductable. In the analysis, the year takes into account 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.

Note 2 – Principal Accounting Criteria Applied (continued)

(e) Use of estimates (continued)

Although these estimates have been made on the basis of the best information available at the date of issuance of these consolidated financial statements, it is possible that events may occur in the future that force their modification (upward or downward) in the following periods, which would be made prospectively, recognizing the effects of the change in estimate in the corresponding future consolidated financial statements.

(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 among which there is a similar operating cycle. 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, as 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 show 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 flows by a mixed presentation, the 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 which is 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 subsidiaries Invexans and Madeco is the US dollar. At the reporting date, the assets and liabilities of these companies are converted 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 converted at the average exchange rate of each month. Exchange differences arising from the conversion 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 recognized at the exchange rate of the functional currency on the date of the transaction. Monetary assets and liabilities in foreign currency are converted 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.

Note 2 – Principal Accounting Criteria Applied (continued)

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

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 from taxes and credits attributable to these operations are shown as a charge or credit to equity until the disposal of the investment.

Any goodwill purchased and adjustment to fair value of the book value of assets and liabilities arising from the acquisition of a foreign operation 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.") 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, recognizing 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 an 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 intended 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 costs 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 costs are obtained by applying a capitalization rate that will be determined with the weighted average of all the interest costs of the entity on the loans that have been outstanding during the year.

Note 2 – Principal Accounting Criteria Applied (continued)

(i) Property, plant and equipment (continued)

(i1) Cost (continued)

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

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

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 recognized 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 a financial lease. These do not legally belong to the Company until it exercises the purchase option.

The resulting 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.

(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 continued 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 sale costs.

(l) Revenue Recognition

Revenue 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. Revenue is 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 recognizing revenue:

(l1) Sale of goods

The proceeds of the sale of goods are recognized 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 revenue related to the provision of services is recognized considering the degree of completion of the service as of the date of the statement of financial position, provided the result of the transaction can be estimated reliably.

(l3) Interest income

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

(l4) Dividends

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

(m) Investments in subsidiaries (business combinations)

Business combinations are adjusted using the purchase method. This involves recognizing the identifiable assets (including intangible assets not previously recognized) and liabilities (including contingent liabilities and excluding future restructurings) of the business acquired at its fair value.

Business combinations 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 recognized 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 a 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 for this the percentage interest in the capital of the associate. The goodwill in associates is included in the book value of the investment and is not amortized. The charge or credit to results reflects the proportion in the results 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 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 recognition of proportional results.

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 Invexans S.A., does not prepare interim financial statements at March 31 and September 30 each year, in order to recognize the investment on those dates, the financial statements published by that company at the immediately previous accounting date 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 interests according to their ownership.

The results, 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 company 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 significant 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 Recognition and subsequent measurement

The management determines the classification of its financial assets when initially recgonized. 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, as the case may be. The Company and its subsidiaries have defined and valued their financial assets in the following manner:

(p1) Financial assets held to maturity

These are value at amortized cost, and correspond to non-derivative financial assets with fixed and determinable payments and fixed maturity, with the intention and capacity 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 recognition 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, 2013 and 2012.

(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 the near future and which are held for trading.

- Those designated in their initial recognition 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 recognition, 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 recognition as financial assets at fair value through comprehensive income.

Note 2 – Principal Accounting Criteria Applied (continued)

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

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

These instruments 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 as financial income or costs.

(p4) Financial assets available for sale

These are valued at their fair value and correspond to non-derivative financial instruments designated as available for sale or which are not classified in any of the above three 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 being 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 recognized earlier in income, it is transferred from Other equity reserves (Other comprehensive income) to comprehensive income.

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 recgonized as impairment, are classified in Other equity reserves (Other comprehensive income).

Note 2 – Principal Accounting Criteria Applied (continued)

(p) Financial Instruments – Initial recognition 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 payments according to their 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 recovery of the debt over a reasonable period of time. 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 recognized at the fair value of the payment received less the direct costs attributable to the transaction. The initial recognition is later measured at amortized cost using the effective interest rate method.

Gains and losses are shown as a credit or charge 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 recognition as at fair value through income.

Financial debt is classified as 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 derivative, 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 recognition 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 recognizing 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 recognized separately.

As of December 31, 2013 and 2012, no financial debt has been designated at fair value through income.

Note 2 – Principal Accounting Criteria Applied (continued)

(p) Financial Instruments – Initial recognition 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 substantially promulgated at the date of the statement of financial position.

The effects are recognized as a charge or credit to comprehensive income except for items directly recognized 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 recognized for all taxable timing differences, with the exception of the following transactions:

- The initial recognition of goodwill.
- Assigned goodwill acquired whose amortization is not deductible for tax purposes.
- The initial recognition of an asset or liability on a transaction that:
  (1) is not a business combination, and
  (2) at the time of the transaction does not affect the accounting or tax results.
- Tax timing differences associated with investments in subsidiaries, associates and interests 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 recognized 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 recognition of an asset or liability in a transaction that:
  (1) is not a business combination, and
  (2) at the time of the transaction does not affect either the accounting results or the tax results.

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 interest in joint ventures, 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 carrying amount of deferred tax assets is revised and reduced to the extent that it is probable that there is insufficient available taxable income 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 again probable that future taxable income 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 tax laws that have been promulgated or substantially promulgated at the date of the statement of financial position.

Deferred taxes related to items recognized directly to equity are recognized 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, at the date of acquisition. Goodwill related to acquisitions of subsidiaries is included in goodwill, and what is related to acquisitions of associates and joint ventures is included in investments recognized using the equity 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, and converting to Chilean pesos at the exchange rate current on the date of the statement of financial position.

The subsidiary LQIF at the time of migration to IFRS made a re-issuance of the investments 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 recognized at the date of transition from Chile 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 recognized, in which case an adjustment for impairment is made.

As of the date of these consolidated financial statements there are no indications 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, acquisition rights to 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 indefinite 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 indefinite useful life are valued at cost less accumulated impairment and are not amortized.

(s) Asset impairment

(s1) Financial investments held for sale

At the date of closing 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 recognized previously in income, this is transferred from Other reserves to comprehensive income. 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-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.

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 recognized 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 recognized previously may no longer exist or have decreased. The amount recoverable is estimated if such indications exist. A loss for impairment recognized 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 recognized. 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 recognized in previous years. This reversal is recognized 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 recognized when the recoverable amount 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 with 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, as the case may be.

(s5) Associates and joint ventures

Following the application of the equity value, the Company and its subsidiaries determine whether it is necessary to recgonized 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 of joint ventures is impaired. If this were the case, the amount of impairment is calculated as the difference between the fair value of associate and joint venture and the cost of acquisition and, should the acquisition value be higher, the difference is recognized against comprehensive income.

(t) Provisions

(t1) General

Provisions are recognized 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 comprehensive income statement.

If the effect of the value of money over time is significant, 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 recognized as a financial cost.

(t2) Provisions for employee benefits – Termination benefits

Invexans and Madeco and its subsidiaries are committed to pay 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) rather than corporate bonds

Note 2 – Principal Accounting Criteria Applied (continued)

(t) Provisions (continued)

(t2) Provisions for employee benefits – Termination benefits (continued)

Enex has agreed 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 2.24%.

(t4) Provisions for employee benefits - Personnel vacations

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

(t5) Provisions for employee benefits - Bonuses

The Company and its subsidiaries recognize, 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 recognized 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 recognition of the lease will begin or cease from the date on which 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 costs 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, when there is no reasonable certainty that the Company and its subsidiaries will obtain ownership at the end of the term of the lease.

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

(x) Financial derivative instruments and hedge accounting

The subsidiaries Madeco and Invexans use 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 recognized at fair value on the date on which the derivative contract is signed and are later corrected to fair value. The derivatives are recognized 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 hedge accounting are taken directly to the comprehensive income statement.

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 hedge accounting (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 recognized asset or liability or a firm commitment not recognized (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 recognized asset or liability or a highly-probable expected transaction or the foreign exchange risk of a firm commitment not recognized.

At the start of a hedge transaction, the subsidiaries Madeco and Invexans formally designate and document the hedge relationship to which they wish 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 recognized as follows:

The change in fair value of a hedge derivative is recognized 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 recognized in comprehensive income.

For hedges of fair value related to items recognized at amortized cost, the adjustment to the book value is amortized against the income over the remaining period to its maturity. Any adjustment to the 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 recognized in the comprehensive income statement.

When a non-recognized 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 recognized in the comprehensive income statement. Changes in the fair value of a hedge instrument are also recognized in the comprehensive income statement.

(x2) Cash flow hedges

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

The amounts previously recognized cease to affect equity when the hedged item is recognized 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.

Note 2 – Principal Accounting Criteria Applied (continued)

(x) Financial derivative instruments and hedge accounting (continued)

(x2) Cash flow hedges (continued)

If the expected transaction or firm commitment is no longer likely to occur, the amounts previously recognized in equity are transferred to the comprehensive income statement. 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 recognized in equity remains in equity until the expected transaction or firm commitment occurs.

(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 cash movements 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 value.

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

- Investing 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 equity and or liabilities of a financial nature.

(z) Earnings per share

Basic earnings per share is 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 any subsidiary company.

Note 2 – Principal Accounting Criteria Applied (continued)

(aa) Current and non-current classification

In the consolidated statement of financial position, 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 under available committed credit facilities with long-term maturities, these could be classified as long-term liabilities, at the Company's discretion.

(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 recognized under the heading Other current liabilities as a charge to an account included in equity called Accumulated earnings (losses). The interim and final dividends are recognized 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 segments

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 makes decisions on the assignment of funds and evaluation of performance. The Company operates in four business segments: Manufacturing, Financing, Energy and Others (Quiñenco and others). The associates CCU, Compañía Sud Americana de Vapores S.A. and SM SAAM are shown at their equity value in the Others segment.

Note 2 – Principal Accounting Criteria Applied (continued)

The following shows the principal accounting policies of 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 generally-accepted accounting principles.

Under this legislation, banks 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) Consolidation

The financial statements of SM-Chile as of December 31, 2013 and 2012 have been consolidated with those of its Chilean and foreign subsidiaries 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. The financial statements have been prepared using uniform accounting policies for similar transactions and other events in equivalent circumstances.

Transactions and significant balances (asset and liabilities, equity, revenue, expenses and cash flows) deriving from operations between the Company and its subsidiaries and between these have been eliminated in the consolidation, and the non-controlling interest has also been recognized corresponding to the percentage interest 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 consolidated financial statements as of December 31, 2013 and 2012 incorporate the financial statements of the Company and the controlled companies (subsidiaries) in accordance with IFRS 10 “Consolidated financial statements”. Control exists when the Company is exposed, or has the right, to variable returns from its involvement in the subsidiary and has the ability to influence those returns through its power over it. Specifically, the Company controls a subsidiary when, and only when, the following elements exist:

I. Power over the subsidiary (i.e. rights giving it the present capacity to direct the important activities of the subsidiary);
II. Exposure, or right, to variable returns on its involvement in the subsidiary; and
III. Capacity to use its power over the subsidiary to influence the amount of the investment returns.

Note 2 – Principal Accounting Criteria Applied (continued)

(ee) Consolidation (continued)

(ee1) Subsidiaries (continued)

When the Company has less than a majority of the voting rights in a subsidiary, but those rights are sufficient for having the feasible ability to unilaterally direct the significant activities, it will then be concluded that the Company has control. The Company considers all the relevant factors and circumstances in assessing whether the voting rights are sufficient for obtaining control, including:

• The amount of the Company's voting rights in relation to the amount and dispersion of other vote-holders;

• The potential voting rights of the Bank, other vote-holders or other parties;

• Rights arising from other contractual agreements;

• Any additional event and circumstances that indicate that the investor has or does not have the ability to direct the significant activities when such decisions have to be made, including the voting-pattern behavior at previous shareholders' meetings.

The indirect subsidiary SM-Chile revaluates whether or not control over a subsidiary exists when the event or circumstances indicate that there are changes in one or more of the control elements mentioned.

Note 2 – Principal Accounting Criteria Applied (continued)

(ee) Consolidation (continued)

(ee1) Subsidiaries (continued)

The following details the entities in which the subsidiary SM-Chile has direct or indirect holdings and which form part of the consolidation:

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

Tax No.	Entity	Country	Functional currency	Interest Direct 2013 %	2012 %	Indirect 2013 %	2012 %	Total 2013 %	2012 %
97.004.000-5	Banco de Chile	Chile	Ch$	13.03	13.50	30.69	31.81	43.72	45.31
96.803.910-5	Sociedad Administradora de la Obligación Subordinada SAOS S.A.	Chile	Ch$	100.00	100.00	—	—	100.00	100.00

Interest of the subsidiary Banco de Chile in its subsidiaries

Tax No.	Entity	Country	Functional currency	Interest Direct 2013 %	2012 %	Indirect 2013 %	2012 %	Total 2013 %	2012 %
44.000.213-7	Banchile Trade Services Limited	Hong Kong	US$	100.00	100.00	—	—	100.00	100.00
96.767.630-6	Banchile Administradora General de Fondos S.A.	Chile	Ch$	99.98	99.98	0.02	0.02	100.00	100.00
96.543.250-7	Banchile Asesoría Financiera S.A.	Chile	Ch$	99.96	99.96	—	—	99.96	99.96
77.191.070-K	Banchile Corredores de Seguros Ltda.	Chile	Ch$	99.83	99.83	0.17	0.17	100.00	100.00
96.894.740-0	Banchile Factoring S.A. (*)	Chile	Ch$	—	99.75	—	0.25	—	100.00
96.571.220-8	Banchile Corredores de Bolsa S.A.	Chile	Ch$	99.70	99.70	0.30	0.30	100.00	100.00
96.932.010-K	Banchile Securitizadora S.A.	Chile	Ch$	99.00	99.00	1.00	1.00	100.00	100.00
96.645.790-2	Socofin S.A.	Chile	Ch$	99.00	99.00	1.00	1.00	100.00	100.00
96.510.950-1	Promarket S.A.	Chile	Ch$	99.00	99.00	1.00	1.00	100.00	100.00

(*) See Note 39.3 (n) Material information.

The name the “Bank” or “Banco de” Chile mentioned in the following pages is understood as referring to the indirect subsidiary Banco de Chile.

(ee2) Associates and joint ventures

(ee2.1) Associates

These are entities in which the Bank has the capacity to exercise a significant influence, although not control. Normally, this capacity is shown in a interest 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 interest of less than 20% of the shares with voting rights.

Investments in associates in which it has a significant influence are recognized using the equity method. Under this, investments are initially recognized at cost and are then increased or decreased to reflect the Bank’s proportional interest in the earnings or loss of the company and other movements recognized in its equity. Goodwill arising from the acquisition of a company is included in the book value of the investment, net of any accumulated loss for impairment.

Notes to the Consolidated Financial Statements
As of December 31, 2013 and 2012
(Translation of financial statements originally issued in Spanish – See Note 2)

Note 2 – Principal Accounting Criteria Applied (continued)

(ee) Consolidation (continued)

(ee2) Associates and joint ventures (continued)

(ee2.2) Joint agreements

Joint agreements are contractual agreements by which two or more parties carry on an economic activity subject to a joint control. Joint control exists when decisions on important activities require the unanimous consent of the parties.

According to IFRS 11 “Joint agreements”, an entity will determine the type of joint agreement in which it is involved as either a “Joint operation” or a “Joint venture”.

Investments defined as “Joint operation” are recognized by recording the assets, liabilities, revenue and expenses relating to its interest in a joint operation.

An interest classified as a “Joint venture” is recognized using the equity method.

The following are investments that have been defined as joint ventures:

- Artikos S.A.
- Servipag Ltda.

(ee3) Shares or rights in other companies

These are those in which the Company has no control or significant influence. These interests 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 interest in the equity.

The indirect subsidiary Banco de Chile has securitized certain credits and transferred them to its subsidiary Banchile Securitizadora, which has formed the Separate Equity 17, in accordance with Law 18,045 and the regulations of the SVS, over which it has no control (see detail in Note 39.10h). As of December 31, 2013 and 2012 the Bank does not control nor has created any special-purpose entity.

Note 2 – Principal Accounting Criteria Applied (continued)

(ee) Consolidation (continued)

(ee5) Funds management

The Bank and its subsidiaries manage and administer assets held in mutual investment funds and other means of investments on behalf of investors, receiving remuneration in accordance with the service and market conditions. The funds managed are owned by third parties and are therefore not included in the statement of financial position.

As established in IFRS 10, for the purposes of consolidation it is necessary to assess the role that the Bank and its subsidiaries play with respect to the funds managed, to determine whether this role is as agent or principal. This evaluation should consider the following aspects:

- The scope of their authority to make decisions in the fund.
- The rights maintained by other parties.
- The remuneration to which it has a right under the remuneration agreements.
- The exposure of whosoever makes decisions to the variability of the returns from other interests held by the participant.

The Bank and its subsidiaries manage on behalf and for the benefit of investors, acting solely as agent. Under that category, and as established in regulations mentioned, they do not control such funds when exercising their authority to make decisions. They are acting as agent as of December 31, 2013 and 2012 and therefore no fund is consolidated.

(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. It is shown in the comprehensive income statement and the consolidated statement of financial position separately from the equity of the owners.

Note 2 – Principal Accounting Criteria Applied (continued)

(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:

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

During 2013, the Bank modified the derivatives valuation model. This consists of the incorporation in the valuation of derivatives of the Counterparty Value Adjustment ("CVA") to reflect the counterparty risk in the determination of fair value. This valuation does not contemplate the Bank's own credit risk known as Debit Valuation Adjustment ("DVA") in accordance with the regulations of the SBIF. According to IAS 8 "Accounting policies: Changes in accounting estimates and errors", this modification is considered as a change in an accounting estimate and its effect is recognized in income. The effect of this change implied a charge to income of ThCh$16,412,620.

During the year 2013, there have been no other significant changes in estimates made, other than those indicated in the preceding paragraph.

Significant estimates and assumptions are reviewed regularly by the management of SM-Chile in order to quantify certain assets, liabilities, revenue, expenses and commitments. The revisions of the accounting estimates are recognized in the year in which they are revised.

(hh) Valuation of assets and liabilities

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

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

Note 2 – Principal Accounting Criteria Applied (continued)

(hh) Valuation of assets and liabilities (continued)

(hh1) Initial recognition

The Bank and its subsidiaries recognize loans and accounts receivable from customers, instruments for trading and investment, deposits, debt instruments issued and subordinated liabilities, and other assets and liabilities, on the date they originate. Purchases and sales of financial assets made regularly are shown on the date of trading in which the Bank is committed to buy or sell the asset.

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

The Bank 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 flows from the financial asset in a transaction in which all the risks and benefits of ownership of the financial asset are transferred. Interest in financial assets transferred that is created or retained by the Company is recognized as a separate asset or liability.

When the Bank transfers a financial asset, it evaluates to what degree they retain the risks and benefits inherent in its 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, it 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 recognized separately, as assets or liabilities.
- (ii) If the assignor entity has retained control, the financial asset will continue to be recognized in the statement of financial position for an amount equal to its exposure to changes that a financial liability may experience and recognize a financial liability associated to the financial asset transferred.

The Bank eliminates a financial liability (or part thereof) from its statement of financial position when, and only when, it has been extinguished, i.e. when the obligation specified in the corresponding contract has been paid or cancelled, or has expired.

Note 2 – Principal Accounting Criteria Applied (continued)

(hh) Valuation of assets and liabilities (continued)

(hh4) Compensation

Financial assets and liabilities are subjected to compensation so that their net amount is shown in the statement of financial position only when the Company has the legal right to offset the amounts recognized and has the intention of settling the net amount, or to realize the assets and cancel the liability simultaneously.

Revenue 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 the Bank's trading and exchange activities.

(hh5) Valuation at amortized cost

Amortized cost is understood to be the cost of a financial asset or liability corrected for 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

Fair value is understood to be the amount to be received on selling an asset or transferring a liability in an orderly transaction between market participants on the measurement date. The most objective and usual benchmark for the fair value of a financial instrument is the price paid for it in an active, transparent and deep market ("quoted price" or "market price").

When available, the Bank determines the fair value of an instrument by 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 is not active, the Bank determines the fair value by 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 makes the maximum use possible of information obtained in the market, using the least possible amount of data estimated by the Bank, incorporates all the factors that market participants would consider for setting the price, and 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 by the Bank 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.

Note 2 – Principal Accounting Criteria Applied (continued)

(hh) Valuation of assets and liabilities (continued)

(hh6) Measurement of fair value

The best evidence of the fair value of a financial instrument, in recognizing 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 recognition, 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.

The Bank generally has assets and liabilities that compensate market risks. In these cases, average market prices are used as a basis for establishing values.

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 the Bank believes that another market participant takes them into account in determining the price of a transaction.

The process of valuing to market price of 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, the Bank immediately recognizes the difference between the transaction price and fair value (1-day loss or gain) as Net gain (loss) from 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 recognized in the income statement when the input becomes observable or when the document is retired.

The Bank's disclosures of fair value are included in Note 39.36.

(ii) Functional currency

The items included in the financial statements of each of the entities of the Company and its subsidiaries 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 revenue structure.

Note 2 – Principal Accounting Criteria Applied (continued)

(jj) Foreign currency transactions

Transactions in a currency other than the functional currency are considered to be in foreign currency and are initially recognized 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, 2013, the Bank and its subsidiaries applied the exchange rate of accounting representation according to the instructions of the SBIF, so assets in dollars are shown at their equivalent value in pesos calculated at the market exchange rate of Ch$525.72 per US$1 (Ch$479.47 per US$1 in 2012).

The balance of ThCh$71,457,285 relates to the net exchange gain (ThCh$35,135,930 in 2012) and is shown in the consolidated comprehensive income statement. 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 the Bank and its subsidiaries.

(kk) Business segments

The operating segments of the Bank, based on the different business units, are defined as follows:

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

(ii) Whose operating results are 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 investing or financing.

(iii) Investing activities: relate to the acquisition and disposal by other means of long-term 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 investing activities.

Note 2 – Principal Accounting Criteria Applied (continued)

(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 fair value. Accrued interest and indexation, gains or losses arising from adjustments in their valuation to fair value, plus the results of trading activities, are shown as Net gain (loss) on financial operations in the consolidated comprehensive income statement.

(nn) Repurchase agreements and loans of securities

Repurchase agreements are carried out 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 by the amortized cost method.

Repurchase agreements are also carried out 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 a liability under the heading Repurchase agreements and loans of securities, which is valued according to the agreed interest rate.

There are no loans of securities operations outstanding as of December 31, 2013 and 2012.

(oo) Financial derivative contracts

The Bank has financial derivative contracts to hedge exposures to currency and interest-rate risks. These are initially recognized 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.

Note 2 – Principal Accounting Criteria Applied (continued)

(oo) Financial derivative contracts (continued)

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

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 recognized at its fair value with its unrealized gains and losses included in income.

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

If the derivative instrument is classified for hedge accounting 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 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.

The Bank shows and values the individual hedges (in which there is a specific identification between hedged instruments and the hedge instruments) according to their classification, under the following criteria:

Hedge of fair value: changes in the fair value of a derivative hedge instrument, designated as hedge of fair value, are recognized in income. The item hedged is also shown at fair value in relation to the risk being hedged. Gains or losses attributable to the risk hedged are recognized in income and the book value of the item hedged is adjusted.

Cash-flow hedge: changes in the fair value of a derivative hedge instrument, designated as a cash-flow hedge are recognizedin Valuation accounts in other comprehensive income provided the hedge is effective and is reclassified to income when the item hedged affects that income. Should the hedge not be effective, the changes in fair value are recognized directly in income.

If the hedge instrument no longer meets the criteria of cash-flow hedge accounting, expires, is sold, or is suspended or executed, this hedge is discontinued prospectively. The accumulated gains or losses previously recognized in equity remain there until the projected transactions occur, when they are recognized in the consolidated income statement, unless it is foreseen that the transaction is not going to be carried out, in which case they are immediately recognized in the consolidated income statement.

Note 2 – Principal Accounting Criteria Applied (continued)

(pp) Loans and accounts receivable from customers

Loans and accounts receivable originated and acquired 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 (ai) of this Note.

(pp2) Leasing agreements

Accounts receivable under leasing agreements, included in Loans and accounts receivable from customers, include ThCh$1,209,747,306 as of December 31, 2013 (ThCh$1,113,272,045 in 2012) 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 carries out factoring operations with its customers, by which it receives 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$524,059,473 as of December 31, 2013 (ThCh$606,137,073 in 2012) corresponding to the amount advanced to the assignor plus accrued interest net of the payments received.

In cases in which the assignment of these instruments is made without recourse to the customer, the Bank assumes the risks of insolvency of the debtors.

(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 different conditions.

Note 2 – Principal Accounting Criteria Applied (continued)

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

(pp4) Impaired portfolio (continued)

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 measures 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 in the technological, market, economic or legal conditions in which the debtor operates that potentially compromise 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. 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 credit risk.

(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, among others.

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 for 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 that 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 debtors, the Bank classifies them in the following categories, assigning them subsequently 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 through 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

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)

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) are applied, comprising the probability of default (PI) and loss from default (PDI) established for the category in which the debtor and/or its qualified guarantor is grouped.

The exposure subject to allowances corresponds to 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.

The following has to be considered in the calculation:

Debtor allowance = (ESA-GE)x(PD debtor /100)x(LGD debtor/100)+GE x (PD guarantor /100)x(LGD guarantor /100)

Where:
ESA = Exposure subject to allowances
GE = Guaranteed exposure
ESA = (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 are included. 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.

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)

Percentages of allowances are used for calculating 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 has first 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 finally applied to the amounts of exposure, are those indicated in the following table:

Type of portfolio	Risk scale	Range of expected loss	Allowance (%)
Default	C1	Up to3 %	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

The following concepts are considered for this calculation:

Expected rate of loss = (E−R)/E
Allowance = E× (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).

Note 2 – Principal Accounting Criteria Applied (continued)

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

(pp5) Allowances for credit risk (continued)

(pp5.2) Allowances by group evaluation

Group evaluations are 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.

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.

Banks can use alternative methods for determining the allowances for retail loans evaluated in a grouped way.

Under the first method, experience is relied on to explain the payment behavior of each homogeneous group of debtors and of recoveries through realizing collateral and recovery actions, to directly estimate a percentage of expected losses to be applied to the amount of credits of the respective group.

Under the second, banks segment debtors into homogeneous groups, as indicated above, associating to each one a certain probability of default and a percentage of recovery based on a justified historical analysis. The amount of allowances made is obtained by multiplying the amount of the respective group's total credits by the estimated percentages of default and of loss due to default.

Under both methods, the estimated losses should reflect the type of portfolio and the term of the operations.

The Bank has decided to use the second method for determining its allowances.

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 that 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 whichever occurs first:

a) The Bank, based on all 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 recognized as an asset.

c) When actions for demanding recovery by executive judgment expire through the statute of limitations 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 colateral	36 months
Housing mortgage loans	48 months

The term relates to the time from 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 actions for demanding recovery by executive judgment expire through the statute of limitations 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 opertions	12 months
Realestate leasing (commercial or housing)	36 months

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

(pp7) Recovery of loans written off

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

In the event of the recovery of goods, the income will be recognized in income for the amount for 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, recognizing also 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.

Investment instruments held to maturity are recognized at their cost plus accrued interest and indexation adjustments, less provisions for impairment made when the amount recognized exceeds the estimated recovery value.

A financial asset classified as available for sale is initially recognized 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 (Other comprehensive income). 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.

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

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

The Bank and its subsidiaries have no investment instruments held to maturity as of December 31, 2013 and 2012.

(rr) 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 entities consider it probable that future economic benefits will accrue to the Bank or its subsidiaries. Intangible assets are recognized initially at acquisition cost and are subsequently measured at their cost less any accumulated amortization or any accumulated impairment.

Note 2 – Principal Accounting Criteria Applied (continued)

(rr) Intangible assets (continued)

(rr1) Goodwill

Goodwill represents the excess of acquisition cost over the fair value of the Company's interest 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 is shown at cost less accumulated amortization according to its remaining useful life.

(rr2) Software or computer programs

Computer programs acquired by the Bank and its subsidiaries are recognized at cost less accumulated amortization and the accumulated 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 recognized as expenses when incurred.

Amortization is recognized in income using the straight-line method over 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.

(rr3) 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)

(ss) 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 less the corresponding accumulated depreciation and impairments. The cost includes expenses that have been attributed directly to the acquisition of the asset.

Depreciation is recognized in the comprehensive income statement 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 2013 and 2012 are:

- Buildings	50 years
- Installations	10 years
- Equipment	3 years
- Fixtures	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.

(tt) Current taxes and deferred taxes

The provision for income tax of the Company and its subsidiaries has been determined in accordance with current legislation.

The Bank and its subsidiaries recognized, 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 recognized 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 recognition is determined at their book value on the date of measurement of the deferred taxes. Deferred tax assets are recognized 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.

Note 2 – Principal Accounting Criteria Applied (continued)

(uu) Assets received in lieu of payment

Assets received or adjudicated in lieu of payment of loans and accounts receivable from customers are recognized, 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 is adjudicated them at a judicial auction.

Assets received in payment are classified in Other assets, are recognized 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.

(vv) Investment properties

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

(ww) 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.

(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 paying 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.

Note 2 – Principal Accounting Criteria Applied (continued)

(xx) Provisions and contingent liabilities (continued)

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.

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%
- Others	100%
h) Other contingent liabilities	100%

However, with respect to operations carried out with customers that have overdue loans as indicated in Chapter B-1 of the Compendium of Accounting Regulations of the SBIF, Impaired and/or Written-Off Loans, this exposure will always be the equivalent of 100% of the contingent liabilities.

Note 2 – Principal Accounting Criteria Applied (continued)

(xx) Provisions and contingent liabilities (continued)

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 always correspond 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 as a charge to income of ThCh$10,000,000 (charge of ThCh$2,270,823 in 2012). As of December 31, 2013 the balance of accumulated additional allowances amounts to ThCh$107,756,672 (ThCh$97,756,672 in 2012), 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 Company shows 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 of issued capital and reserves due to variations in the consumer price index.

Note 2 – Principal Accounting Criteria Applied (continued)

zz) Employee benefits

(zz1) Personnel vacations

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

(zz2) Short-term benefits

The entity offers its 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 to be distributed.

(zz3) Severance payments

The Bank has agreed with part of its staff to the payment of an indemnity to those completing 30 or 35 years 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 (5.19% as of December 31, 2013 and 5.50% as of December 31, 2012).

The discount rate used corresponds to yields on Banco Central de Chile 10-year bonds in pesos (BCP).

Actuarial gains and losses are recognized in Other comprehensive income. There are no other additional costs that have to be recognized by the Bank.

(aaa) Interest and indexation income and expenses

Interest and indexation income and expenses are recognized in the income statement 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.

Note 2 – Principal Accounting Criteria Applied (continued)

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

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 recognized 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 by 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.

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 recognition 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 recognition 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 comprehensive income statement 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 recognized 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 recognized in the year of the commitment originating them on a straight-line basis.

Note 2 – Principal Accounting Criteria Applied (continued)

(ccc) Identification and measurement of impairment

(ccc1) Financial assets other than loans and accounts receivable

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 recognition 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 recognized 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.

If there is evidence of impairment, any amounts previously recognized in equity, net gains (losses) not recognized in the income statement, are removed from equity and recognized in the income statement for the year, 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 recognized in the income statement.

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 recognized in equity.

All impairment losses are recognized against income. Any accumulated loss in relation to a financial asset available for sale recognized 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 recognized. The amount of the reversal is recognized in the income statement up to the amount previously recognized as impaired. In the case of financial assets recognized at amortized cost, and those available for sale, the reversal is recognized in income.

Note 2 – Principal Accounting Criteria Applied (continued)

(ccc) Identification and measurement of impairment (continued)

(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 recognized 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, provided this does not exceed the book value.

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 cost 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 is 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.

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

Note 2 – Principal Accounting Criteria Applied (continued)

(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 recognized, 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 recognized 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 financial 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 recognized on a straight-line basis over the term of the lease

(ddd2)The Bank as lessee

Assets under financial leases are initially recognized in the statement of financial 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, 2013 and 2012, the Bank and its subsidiaries have no contracts of this nature.

Operating leases are recognized 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 operating leases are recognized as an expense in the years in which they are incurred.

Note 2 – Principal Accounting Criteria Applied (continued)

(eee) Fiduciary activities

The Bank provides trusts and other fiduciary services resulting from the interest 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" 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 IFRIC 13, the costs of the Bank's commitments with its customers under this program are recognized 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

During 2013, expenses directly related to credit cards were reclassified in Other operating expenses as Fee expenses in order to better relate them to the revenue produced by this product. The effect of the reclassification is as follows:

	Closing balance as of December 31, 2012 ThCh$	Reclassification ThCh$	Reclassified balance as of December 31, 2012 ThCh$
Fee expenses	(65,509,498)	(19,984,627)	(85,494,125)
Other operating expenses	(42,506,008)	19,984,627	(22,521,381)

This reclassification does not affect compliance with covenants.

There have been no other significant reclassifications at the close of 2013 other than those indicated above.

Note 3 – Cash and cash equivalents

a) Cash and cash equivalents as of December 31, 2013 and 2012 is detailed as follows:

	12-31-2013 ThCh$	12-31-2012 ThCh$
Cash	2,956,732	1,649,486
Balances in banks	24,698,864	22,794,463
Time deposits up to 90 days	251,421,282	180,476,308
Investments under repurchase agreements	107,133,755	47,536,729
Total	**386,210,633**	**252,456,986**

As indicated in Note 2 f) and y), the consolidated statement of cash flows includes the banking subsidiaries which are shown separately. The previous year's 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$59,550,224 as of December 31, 2013 (ThCh$27,743,522 as of December 31, 2012), have been eliminated in the preparation of these consolidated financial statements.

b) The types of the above cash and cash equivalents are detailed as follows:

	Currency	12-31-2013 ThCh$	12-31-2012 ThCh$
Cash & cash equivalents	CLP	345,904,070	237,589,038
Cash & cash equivalents	USD	35,774,981	14,604,672
Cash & cash equivalents	EUR	3,542,502	7,058
Cash & cash equivalents	ARS	356,027	20,059
Cash & cash equivalents	PEN	323,267	117,900
Cash & cash equivalents	BRL	176,396	1,602
Cash & cash equivalents	COP	133,390	116,657
Total		**386,210,633**	**252,456,986**

c) Reconciliation between cash and cash equivalents shown in the statement of financial position and that shown in the consolidated statement of cash flows.

	12-31-2013 ThCh$	12-31-2012 ThCh$
Cash & cash equivalents corresponding to non-banking operations	386,210,633	252,456,986
Cash & cash equivalents corresponding to banking services		
Cash	485,536,554	400,248,236
Deposits with Banco Central de Chile	71,787,076	67,833,437
Deposits with banks in Chile	15,588,293	15,294,983
Deposits abroad	300,395,956	201,547,803
Operations pending settlement, net	248,127,761	237,392,177
Highly-liquid financial instruments	358,144,423	283,033,724
Repurchase agreements	59,089,388	9,119,523
Cash & cash equivalents shown in consolidated statement of cash flows	**1,924,880,084**	**1,466,926,869**

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, curret as of December 31, 2013 and 2012 are composed as follows:

	12-31-2013 ThCh$	12-31-2012 ThCh$
Time deposits at more than 90 days	108,398,118	79,216,569
Tax credit certificates (Colombia)	591,022	-
Investments in mutual funds	8,776	1,484,912
Hedge assets	1,912	-
Total	**108,999,828**	**80,701,481**

The above does not include the balances that Quiñenco and its subsidiaries maintain in time deposits at more than 90 days with Banco de Chile, amounting to ThCh$35,818,090 as of December 31, 2013 (ThCh$ 43,250,020 in 2012).

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**	**12-31-2013 ThCh$**	**12-31-2012 ThCh$**	**12-31-2013 ThCh$**	**12-31-2012 ThCh$**
Hedge assets, other derivatives	Cash-flow hedge instrument	Exposure to variations in commodity prices (copper)	Expected sales	1,912	-	1,912	-
		Total hedge assets		**1,912**	**-**	**1,912**	**-**

Note 5 – Other non-financial assets, current

Other non-financial assets, current as of December 31, 2013 and 2012 are detailed as follows:

	12-31-2013 ThCh$	12-31-2012 ThCh$
Dividends receivable	16,109,893	15,592,783
Advance payments to suppliers	3,632,007	2,171,138
VAT fiscal credit	2,565,164	1,979,356
Others	769,974	574,283
Total	**23,077,038**	**20,317,560**

Note 6 – Trade debtors and other accounts receivable

Trade debtors and other accounts receivable as of December 31, 2013 and 2012 are detailed as follows:

	12-31-2013 ThCh$	12-31-2012 ThCh$
Trade debtors	206,327,256	119,715,613
Allowance for doubtful accounts	(19,191,023)	(8,203,311)
Other accounts receivable	22,410,384	11,348,583
Total	**209,546,617**	**122,860,885**

The maturities of current trade debtors and other accounts receivable are as follows:

	12-31-2013 ThCh$	12-31-2012 ThCh$
Less than three months	170,880,667	107,321,568
Between three & six months	1,521,887	980,425
Between six & twelve months	333,837	967,695
Total	**172,736,391**	**109,269,688**

The maturities of current trade debtors and other accounts receivable overdue but not impaired are as follows:

	12-31-2013 ThCh$	12-31-2012 ThCh$
Less than three months	22,901,634	12,532,295
Between three & six months	2,000,077	388,198
Between six & twelve months	11,908,515	670,704
Total	**36,810,226**	**13,591,197**

Note 6 – Trade debtors and other accounts receivable (continued)

The maturities of trade debtors overdue and impaired are as follows:

	12-31-2013 ThCh$	12-31-2012 ThCh$
Overdue less than three months	1,997,519	1,061,000
Overdue between three & six months	79,261	959,636
Overdue between six & twelve months	17,114,243	6,182,675
Total	**19,191,023**	**8,203,311**

The allowances for doubtful accounts (impairment) of trade debtors and other accounts receivable are detailed as follows:

	12-31-2013 ThCh$	12-31-2012 ThCh$
Trade debtors	(19,191,023)	(8,203,311)
Total	**(19,191,023)**	**(8,203,311)**

The movement in the allowance for trade debtors and other accounts receivable is as follows:

	12-31-2013 ThCh$	12-31-2012 ThCh$
Initial balance	(8,203,311)	(7,561,662)
Write-off of impaired financial assets in year	365,267	1,750,208
Addition of Petrans S.A. & Opese Ltda.	(8,473,495)	-
(Decrease) in the year	(3,000,541)	(2,391,857)
Effect of exchange rate variations	121,057	-
Closing balance	**(19,191,023)**	**(8,203,311)**

Note 7 – Balances and transactions with related parties

a) Accounts receivable and payable with related parties

Accounts receivable and payable with related parties as of December 31, 2013 and 2012 is as follows:

Company	Tax No.	Country of origin	Transaction	Relationship	Currency	Current assets 12-31-2013 ThCh$	Current assets 12-31-2012 ThCh$	Non-current assets 12-31-2013 ThCh$	Non-current assets 12-31-2012 ThCh$	Current liabilities 12-31-2013 ThCh$	Current liabilities 12-31-2012 ThCh$	Non-current liabilities 12-31-2013 ThCh$	Non-current liabilities 12-31-2012 ThCh$
Cía. Sud Americana de Vapores S.A.	90.160.000-7	Chile	Invoices	Associate	USD	-	-	-	-	1,827	3,653	-	-
Sociedad Nacional Oleoductos S.A.	81.095.400-0	Chile	Invoices	Associate of subsidiary	CLP	660,955	648,030	-	-	-	-	-	-
Minera Los Pelambres S.A.	96.790.240-3	Chile	Invoices	Common shareholders	CLP	1,715,526	3,007,288	-	-	-	-	-	-
Compañía Minera El Tesoro S.A.	78.896.610-5	Chile	Invoices	Common shareholders	CLP	108,145	107,191	-	-	-	-	-	-
Minera Michilla S.A.	91.840.000-1	Chile	Invoices	Common shareholders	CLP	2,406	168	-	-	-	-	-	-
Peruplast S.A.	Foreign	Peru	Invoices	Associate of subsidiary	USD	-	105,203	-	-	-	5,627	-	-
Empaques Flexa S.A.S.	Foreign	Colombia	Invoices	Associate of subsidiary	USD	-	49,760	-	-	-	-	-	-
Embotelladoras Chilenas Unidas S.A.	99.501.760-1	Chile	Invoices	Subsidiary of joint venture	CLP	268,636	187,028	-	-	-	201	-	-
Cervecera CCU Chile Ltda.	96.989.120-4	Chile	Invoices	Subsidiary of joint venture	CLP	184,216	-						
Aguas CCU Nestlé Chile S.A.	76.003.431-2	Chile	Invoices	Subsidiary of joint venture	CLP	115,488	90,968	-	-	-	-	-	-
SM SAAM S.A.	76.196.718-5	Chile	Invoices	Associate	CLP	161,177	29,828	-	-	-	-	-	-
Transportes y Servicios Aéreos S.A.	96.994.240-2	Chile	Trading account	Joint venture of subsidiary	CLP	678	-	597,244	585,232	-	-	-	-
Asfaltos Cono Sur S.A.	96.973.920-8	Chile	Invoices	Joint venture	CLP	-	19,044	-	-	-	117,406	-	-
Foods Cía. de Alimentos CCU S.A.	99.542.980-2	Chile	Invoices	Joint venture	CLP	28,779	-	-	-	-	-	-	-
Other	-	Chile	Invoices	Other	CLP	9,063	5,801	-	-	253	843	-	-
Total						**3,255,069**	**4,250,309**	**597,244**	**585,232**	**2,080**	**127,730**	**-**	**-**

There are no allowances for doubtful accounts.

Note 7 – Balances and transactions with related parties (continued)

b) Significant transactions with related parties

The criterion of the Parent company is to classify the rights with its associates with respect to dividends as Other assets, in view of the related party's nature but not quality.

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 parties, significant items are those that exceed UF10,000 or 1% of the equity, whichever the lower.

				12-31-2013		12-31-2012	
Tax No.	**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	558,780	469,563	619,548	520,628
99.501.760-1	Embotelladoras Chilenas Unidas S.A.	Subsidiary of joint venture	Sale of products	857,704	720,760	807,089	678,226
96.790.240-3	Minera Los Pelambres S.A.	Shareholders in common	Sale of products	64,457,107	3,728,132	31,121,844	755,967
78.896.610-5	Cía. Minera El Tesoro S.A.	Shareholders in common	Purchase of products	-	-	4,638,707	-
78.896.610-5	Cía. Minera El Tesoro S.A.	Shareholders in common	Sale of products	1,021,264	221,284	1,110,404	141,768
76.196.718-5	SM SAAM S.A.	Associate	Sale of products	994,753	38,452	356,226	5,291

c) Remuneration and benefits received by senior management of the Company

This is detailed for each year as follows:

	12-31-2013	12-31-2012
	ThCh$	**ThCh$**
Wages & salaries	2,804,308	3,112,806
Fees (allowances & profit sharing)	1,073,020	774,156
Short-term benefits	3,055,547	3,458,000
Total	**6,932,875**	**7,344,962**

Note 8 – Inventory

The following table shows the composition of the inventory as of December 31, 2013 and 2012:

	12-31-2013 ThCh$	12-31-2012 ThCh$
Raw materials	20,775,849	8,658,036
Merchandise	6,365,041	6,553,156
Supplies for production	3,112,575	2,807,383
Work in progress	3,389,434	4,448,840
Finished goods	90,437,045	71,874,981
Others (1)	5,076,109	3,538,833
Total	**129,156,053**	**97,881,229**

(1) Mainly includes inventory in transit.

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 are detailed as follows:

	12-31-2013 ThCh$	12-31-2012 ThCh$
Amounts deducted from inventory	1,213,772	322,404

The costs of inventory recognized as expense in the consolidated comprehensive income statement as of December 31 each year are:

	12-31-2013 ThCh$	12-31-2012 ThCh$
Costs of inventory recognized as expense	1,762,667,053	1,357,933,320

Note 9 – Non-current assets or groups of assets for disposal classified as held for sale and discontinued operations

The following table shows the composition of these as of December 31, 2013 and 2012:

	12-31-2013 ThCh$	12-31-2012 ThCh$
Non-current assets held for sale	10,690,631	1,820,811
Discontinued operations	14,596,315	-
Total	**25,286,946**	**1,820,811**

(a) Non-current assets held for sale

The following table details the non-current assets held for sale as of December 31, 2013 and 2012:

	12-31-2013 ThCh$	12-31-2012 ThCh$
Properties	9,808,667	1,820,811
Machinery, vehicles & equipment	201,794	-
Service stations	680,170	-
Total	**10,690,631**	**1,820,811**

(b) Discontinued operations

The Board of the subsidiary Madeco, as part of its business strategic development plan and due to various internal and external factors, decided to suspend the operations of Decker Industrial S.A., a subsidiary that manufactured copper pipes in Argentina. This meant the dismissal of all its personnel and the sale of one of its production units in Buenos Aires.

Later, at its meeting of December 16, 2013, the Board of Madeco Mills S.A., a subsidiary of Madeco S.A., agreed to terminate its production and commercial activities related to the manufacture and sale of copper pipes. This termination was carried out on that same date.

The following table details a summary of the assets and liabilities of discontinued operations as of December 31, 2013 and 2012:

Assets	12-31-2013 ThCh$	12-31-2012 ThCh$
Cash & cash equivalents	269,265	-
Trade debtors & other accounts receivable	4,781,315	-
Inventory	3,593,872	-
Other assets	570,929	-
Current assets	**9,215,381**	**-**
Property, plant & equipment and other non-current assets	5,380,934	-
Total assets classified as discontinued operations	**14,596,315**	**-**

Note 9 – Non-current assets or groups of assets for disposal classified as held for sale and discontinued operations (continued)

Liabilities	12-31-2013 ThCh$	12-31-2012 ThCh$
Other financial liabilities, current	4,727,435	-
Trade creditors & other accounts payable	1,182,623	-
Accounts payable to related parties, current	4,319	-
Other short-term provisions	432,139	-
Provisions for employee benefits, current	888,786	-
Other non-financial liabilities, current	608,382	-
Current liabilities	**7,843,684**	**-**
Provisions for employee benefits & other provisions, non-current	137,340	-
Total liabilities classified as discontinued operations	**7,981,024**	**-**

Note 10 – Other financial assets, non-current

The following table shows the composition of this heading as of December 31, 2013 and 2012:

	12-31-2013 ThCh$	12-31-2012 ThCh$
Equity instruments (shares)	21,152,952	18,879,817
Mortgage-funding notes of national banks	2,028,380	480,254
Bonds issued by corporations	18,068,772	25,132,856
Bonds & deposits issued by national banks	24,746,173	30,710,213
Securities issued by Banco Central de Chile	10,643,478	8,882,382
Other equity & foreign investments	1,583,581	4,388,806
Total	**78,223,336**	**88,474,328**

Equity instruments

The equity instruments as of December 31, 2013 and 2012 are detailed as follows:

	12-31-2013 ThCh$	12-31-2012 ThCh$
Sociedad Nacional de Oleoductos S.A. (Sonacol)	16,161,697	16,161,697
Sociedad Nacional Marítima S.A. (Sonamar)	3,867,729	1,247,229
Others	1,123,526	1,470,891
Total	**21,152,952**	**18,879,817**

Note 11 – Other non-financial assets, non-current

The following shows the composition of this heading as of December 31, 2013 and 2012:

	12-31-2013 ThCh$	12-31-2012 ThCh$
Judicial deposits Ficap Brasil	8,180,178	8,236,351
Other recoverable taxes	1,525,483	1,521,716
Rentals paid in advance	1,631,774	1,004,766
Investment one-time investment account	594,286	544,565
Loans to Enex distributors	3,385,267	134,337
Others	1,151,696	379,909
Total	**16,468,684**	**11,821,644**

Note 12 – Investments recognized using the equity method

a) Summary of financial information of significant subsidiaries[3]

The summary of financial information of significant subsidiaries as of December 31, 2013 is as follows:

Company	Country of incorporation	Functional currency	Percentage interest	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 (loss) ThCh$
Madeco	Chile	USD	65.92%	141,018,409	154,353,657	-	93,261,134	91,691,441	-	205,771,981	(163,165,999)	1,117,630
Invexans	Chile	USD	65.92%	8,045,623	310,869,841	-	93,561,661	17,611,106	-	410,483	(199,875)	(47,883,741)
LQIF	Chile	CLP	50.00%	8,667	923,676,358	25,933,874,557	4,361,207	199,097,903	23,825,519,475	1,215,380,474	(623,200,452)	248,259,380
ENEX	Chile	CLP	100.00%	305,354,131	426,924,066	-	152,232,726	112,388,964	-	1,757,693,466	(1,630,361,291)	18,970,646
Total				**454,426,830**	**1,815,823,922**	**25,933,874,557**	**343,416,728**	**420,789,414**	**23,825,519,475**	**3,179,256,404**	**(2,416,927,617)**	**220,463,915**

The summary of financial information of significant subsidiaries as of December 31, 2012 is as follows:

Company	Country of incorporation	Functional currency	Percentage interest	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%	74,396,521	350,151,765	-	47,955,409	67,578,764	-	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				**290,372,052**	**1,584,585,436**	**23,261,067,990**	**260,029,505**	**350,257,232**	**21,523,886,983**	**2,655,930,351**	**(2,043,312,449)**	**271,149,843**

[3] Significant subsidiaries are determined by following the same criterion used in establishing the Company's **Operating Segments** (Note 33).

Note 12 – Investments recognized using the equity method (continued)

b) Interest in joint ventures

The Company's most significant interest 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 interest 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 60% of CCU.

In accordance with paragraph 56 of IAS 31, the following details summarized financial information of the significant interests in joint ventures as of December 31, 2013 and 2012:

12-31-2013

Company	Country of incorporation	Book value amount ThCh$	Percentage interest	Current assets ThCh$	Non-current assets ThCh$	Current liabilities ThCh$	Non-current liabilities ThCh$	Ordinary income ThCh$	Ordinary expenses ThCh$	Earnings ThCh$
Inversiones y Rentas S.A.	Chile	280,414,398	50.00%	819,389,229	936,361,333	395,761,685	308,121,833	1,197,226,510	(536,696,634)	75,379,622
Foods Compañía de Alimentos CCU S.A.	Chile	12,711,976	50.00%	10,118,422	28,109,818	11,796,719	1,007,569	23,312,230	(9,710,725)	174,201
Asfaltos Cono Sur S.A.	Chile	6,038,588	50.00%	727,438	12,804,384	1,454,641	-	2,496,213	(1,919,077)	477,182
Transportes y Servicios Aéreos S.A.	Chile	138,597	50.00%	1,403,797	70,299	2,413	1,194,490	-	-	48,140
Total				**831,638,886**	**977,345,834**	**409,015,458**	**308,308,754**	**1,223,034,953**	**(548,326,436)**	**76,079,145**

12-31-2012

Company	Country of incorporation	Book value ThCh$	Percentage interest	Current assets ThCh$	Non-current assets ThCh$	Current liabilities ThCh$	Non-current liabilities ThCh$	Ordinary income ThCh$	Ordinary expenses ThCh$	Earnings (loss) ThCh$
Inversiones y Rentas S.A.	Chile	220,476,221	50.00%	496,359,601	859,960,105	306,598,504	303,661,909	1,075,689,894	(493,087,247)	75,000,131
Foods Compañía de Alimentos CCU S.A.	Chile	12,624,785	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**	**899,162,365**	**317,211,656**	**305,559,635**	**1,098,541,899**	**(510,037,540)**	**75,003,374**

There are no contingent liabilities or investment commitments relating to the interest in joint ventures. The method used for recognizing the interest in the jointly-controlled entities is the equity value method, giving an identical treatment to investments in associates.

Note 12 – Investments recognized using the equity method (continued)

c) Interest 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% shareholding 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 agreed 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 paid capital. In accordance with the resolutions of the extraordinary shareholders' meeting of October 5, 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 consents of third parties who under contractual obligations assumed by CSAV or SAAM should give their consent to the division or gives them some right under such contracts. On February 15, 2012, therefore, CSAV was divided and the company Sociedad Matriz SAAM S.A. was constituted from it, the holder of approximately 99.99% of the shares of Sudamericana Agencias Aéreas y Marítimas S.A., a closely-held corporation whose activities include the provision of services relating to shipping, mainly in the ports, tugboats 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 paid capital.

During September 2013, Compañía Sud Americana de Vapores concluded the placement of a capital increase of USD 500 million, as agreed by the extraordinary shareholders' meeting of April 29, 2013. This increase was carried out by the issuance of 6,750,000,000 shares at a price of USD 0.04883 per share, thus fully completing the placement of the increase. Quiñenco and its subsidiaries Inmobiliaria Norte Verde and Inversiones Río Bravo, exercised their pre-emptive options and acquired 3,851,217,394 shares in CSAV for an amont of ThCh$ 71,483,798. As of December 31, 2013 therefore, Quiñenco and its subsidiaries Inmobiliaria Norte Verde and Inversiones Rio Bravo are jointly the holders of 7,115,258,625 shares in CSAV, representing 46.00% of its subscribed and paid capital.

(ii) Investment in Sociedad Matriz SAAM S.A.

On September 9, 2013, Quiñenco acquired 486,839,599 shares in Sociedad Matriz SAAM S.A for an amount of ThCh$24,351,717. As of December 31, 2013 therefore, Quiñenco and its subsidiaries Inmobiliaria Norte Verde and Inversiones Rio Bravo are jointly the holders of 4,132,338,553 shares in Sociedad Matriz SAAM S.A., representing 42.44% of its subscribed and paid capital.

Note 12 – Investments recognized using the equity method (continued)

c) Interest in associates (continued)

(iii) Investment in Compañía Cervecerías Unidas S.A. CCU

On June 18, 2013, the extraordinary shareholders' meeting of Compañía Cervecerías Unidas S.A. (CCU) agreed to a capital increase through the issue of 51,000,000 shares. The Board on September 12, 2013 agreed to set the placement price at Ch$6,500 per share for the pre-emptive option period, which lasted from September 13 to October 12, 2013.

As of December 31, 2013, 51,000,000 shares of the capital increase of CCU are subscribed and paid, of which Inversiones y Rentas S.A. did not subscribe. The subsidiary Inversiones Irsa Ltda. participated in this capital increase with the subscription of 11,133,284 shares.

The joint interest in CCU therefore fell from 66.11% to 60.00%.

(iv) Investment in Nexans

On January 11, 2012, the Compensations Committee of the indirect associate Nexans met with the interest of a director nominated by Madeco (out of a total of 3 members of the Committee). From that moment, Madeco therefore exercises a significant influence over Nexans so the investment has been valued using the equity method.

On March 27, 2013, an extraordinary shareholders' meeting approved the division of Madeco into two companies, Invexans being the legal successor and through which the investment in Nexans was placed together with other related obligations. The new company arising from this division became Madeco S.A. whose principal assets are the companies Alusa and Indalum.

In accordance with IFRS 5, the revenue, costs and expenses of these companies transferred to the new company Madeco S.A. were reclassified in 2012 from each of the lines of the income statement to the line Earnings from discontinued operations.

In accordance with French regulations, Nexans does not prepare interim financial statements for the March and September quarters. Invexans therefore uses as the latest available information, the financial statements at June and December to value this investment at equity value for the accounting closes at March and September respectively. This has been authorized by the SVS by its Resolution 10,914 of April 30, 2012.

Note 12 – Investments recognized using the equity method (continued)

c) Interest in associates (continued)

iii) In accordance with paragraph 37 of IAS 28, the following is summarized financial information on the significant interests in associates as of December 31, 2013 and 2012:

				12-31-2013						
Company	**Country of incorporation**	**Book value ThCh$**	**Percentage interest**	**Current assets ThCh$**	**Non-current assets ThCh$**	**Current liabilities ThCh$**	**Non-current liabilities ThCh$**	**Ordinary income ThCh$**	**Ordinary expenses ThCh$**	**Earnings (loss) ThCh$**
Compañía Sud Americana de Vapores S.A.	Chile	230,306,866	46.00%	320,677,182	854,625,856	380,156,048	247,559,476	1,203,803,249	(1,179,767,020)	(52,474,140)
SM SAAM S.A.	Chile	212,217,751	42.44%	101,861,509	437,137,366	74,063,955	117,100,450	174,797,189	(133,391,318)	28,365,006
Nexans S.A. (1) & (2)	France	299,527,930	26.55%	2,535,509,989	1,533,694,023	1,666,293,037	1,237,963,347	4,678,923,799	-	(213,321,368)
Total				**2,958,048,680**	**2,825,457,245**	**2,120,513,040**	**1,602,623,273**	**6,057,524,237**	**(1,313,158,338)**	**(237,430,502)**

				12-31-2012						
Company	**Country of incorporation**	**Book value ThCh$**	**Percentage interest**	**Current assets ThCh$**	**Non-current assets ThCh$**	**Current liabilities ThCh$**	**Non-current liabilities ThCh$**	**Ordinary income ThCh$**	**Ordinary expenses ThCh$**	**Earnings (loss) ThCh$**
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. (2)	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)**

(1) Relates to the latest information published by the company. These summarized financial statements include the effects of the fair values that Invexans S.A. controls.

(2) In accordance with French regulations, Nexans does not prepare interim financial statements for the March and September quarters. Invexans therefore uses as the latest available information, the financial statements at June and December to value this investment at equity value for the accounting closes at March and September respectively. This has been authorized by the SVS by its Resolution 10,914 of April 30, 2012.

Note 12 – Investments recognized using the equity method (continued)

d) Movement in investments in associates:

The movement during 2013 was as follows:

Company	Principal activity	Country	Functional currency	Percentage interest	Balance at 01-01-2013	Interest in earnings (loss)	Dividends recieived	Other Increases (decreasess)	Balance at 12-31-2013
					ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Inversiones y Rentas S.A.	Investments	Chile	CLP	50.00	220,476,221	37,689,811	(8,449,588)	30,697,954	280,414,398
Cía. Sud Americana de Vapores S.A. (1)	Transport	Chile	USD	46.00	156,646,519	(37,163,237)	-	110,823,584	230,306,866
SM SAAM S.A. (2)	Transport	Chile	USD	42.44	169,793,674	12,663,667	(5,505,807)	35,266,217	212,217,751
Habitaria S.A.	Real estate	Chile	CLP	50.00	202,616	5,732	-	(2,364)	205,984
Nexans S.A.	Manufacturing	France	EUR	26.55	247,861,822	(53,145,724)	-	104,811,832	299,527,930
Peruplast S.A.	Manufacturing	Peru	USD	50.00	12,329,867	-	-	(12,329,867)	-
Empaques Flexa S.A.S.	Manufacturing	Colombia	COP	50.00	2,801,710	-	-	(2,801,710)	-
Efren Soluciones S.A.	Manufacturing	Peru	USD	50.00	814,102	-	-	(814,102)	-
Inmobiliaria Eliseo S.A.	Real estate	Peru	USD	50.00	1,605,447	-	-	(1,605,447)	-
Foods Compañía de Alimentos CCU S.A.	Food	Chile	CLP	50.00	12,624,875	87,101	-	-	12,711,976
Transportes y Servicios Aéreos S.A.	Transport	Chile	CLP	50.00	114,527	24,070	-	-	138,597
Asfaltos Cono Sur S.A.	Bitumen	Chile	CLP	50.00	5,800,000	238,588	-	-	6,038,588
Sociedad Inversiones Aviación SIAV Ltda.	Supply of fuel & lubricants	Chile	CLP	33.33	1,250,918	834,854	(800,839)	12,570	1,297,503
Inmobiliaria El Norte y El Rosal S.A.	Real estate	Chile	CLP	50.00	34,408	214	-	-	34,622
Empresa Aérea El Litoral S.A.	Transport	Chile	CLP	0.57	410	(7)	-	(1)	402
Total					**832,357,116**	**(38,764,931)**	**(14,756,234)**	**264,058,666**	**1,042,894,617**

(1) The goodwill related to the acquisition of the associate CSAV is included forming part of the value of the investment. The amount shown of ThCh$ 230,306,866 therefore corresponds ThCh$ 229,961,850 to equity value and ThCh$ 345,016 to goodwill.

(2) 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$ 212,217,751 therefore corresponds ThCh$ 176,747,705 to equity value and ThCh$ 35,470,046 to goodwill.

12 – Investments recognized using the equity method (continued)

Movement in investments in associates:

novement during 2012 was as follows:

any	Principal activity	Country	Functional currency	Percentage interest	Balance at 01-01-2012	Interest in earnings (loss)	Dividends recieived	Other Increases (decreasess)	Balance at 12-31-2012
					ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
ones y Rentas S.A.	Investments	Chile	CLP	50.00	203,000,277	37,500,066	(16,462,312)	(3,561,810)	220,476,221
ıd Americana de Vapores S.A.	Transport	Chile	USD	37.44	118,965,704	(59,350,953)	-	97,031,768	156,646,519
ιAM S.A. (1)	Transport	Chile	USD	37.44	-	8,541,727	-	161,251,947	169,793,674
ria S.A.	Real estate	Chile	CLP	50.00	199,490	3,759	-	(633)	202,616
s S.A.	Manufacturing	France	EUR	22.41	-	(756,615)	(4,036,418)	252,654,855	247,861,822
ast S.A.	Manufacturing	Peru	USD	50.00	15,208,729	-	(3,380,240)	501,378	12,329,867
ıues Flexa S.A.S.	Manufacturing	Colombia	COP	50.00	-	-	-	2,801,710	2,801,710
Soluciones S.A.	Manufacturing	Peru	USD	50.00	-	-	-	814,102	814,102
iliaria Eliseo S.A.	Real estate	Peru	USD	50.00	-	-	-	1,605,447	1,605,447
Compañía de Alimentos CCU S.A.	Food	Chile	CLP	50.00	12,849,838	(224,962)	-	(1)	12,624,875
ortes y Servicios Aéreos S.A.	Transport	Chile	CLP	50.00	89,264	25,263	-	-	114,527
ɔs Cono Sur S.A.	Bitumen	Chile	CLP	50.00	5,806,792	201,322	(208,114)	-	5,800,000
ad Inversiones Aviación SIAV Ltda.	Suply of fuel & lubricants	Chile	CLP	33.33	1,194,717	731,698	(706,752)	31,255	1,250,918
iliaria El Norte y El Rosal S.A.	Real estate	Chile	CLP	50.00	35,117	(143)	-	(566)	34,408
sa Aérea El Litoral S.A.	Transport	Chile	CLP	0.57	-	(224)	-	634	410
					357,349,928	**(13,329,062)**	**(24,793,836)**	**513,130,086**	**832,357,116**

ɔdwill 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 ThCh$ 138,867,450 to equity value and),926,224 to goodwill.

Note 13 – Intangible assets other than goodwill

Classes of intangible assets, net	12-31-2013 ThCh$	12-31-2012 ThCh$
Intangible assets with finite life, net	35,515,542	28,387,817
Intangible assets with indefinite life, net (1)	183,748,228	178,790,378
Intangible assets, net	**219,263,770**	**207,178,195**

(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, 2013 and 2012 are detailed as follows:

As of December 31, 2013	Gross assets ThCh$	Accumulated Amortization ThCh$	Net assets ThCh$
Patents, trademarks & other rights	185,043,576	(1,295,348)	183,748,228
Computer programs	2,353,739	(842,313)	1,511,426
Other intangible assets	263,085,205	(229,081,089)	34,004,116
Total	**450,482,520**	**(231,218,750)**	**219,263,770**

As of December 31, 2012	Gross assets ThCh$	Accumulated Amortization ThCh$	Net assets ThCh$
Patents, trademarks & other rights	180,117,271	(1,326,893)	178,790,378
Computer programs	2,167,477	(459,512)	1,707,965
Other intangible assets	252,304,688	(225,624,836)	26,679,852
Total	**434,589,436**	**(227,411,241)**	**207,178,195**

Note 13 – Intangible assets other than goodwill (continued)

b) Movement of identifiable intangible assets

The following table shows the movement of identifiable intangible assets during 2013:

Movement	**Patents, registered trademarks & other rights ThCh$**	**Computer programs ThCh$**	**Other intangible assets ThCh$**	**Total ThCh$**
Initial balance	178,790,378	1,707,965	26,679,852	207,178,195
Additions	3,978	689,896	18,886	712,760
Acquisitions through business combinations	4,211,547	-	9,063,045	13,274,592
Amortization	(238,202)	(1,574,033)	(3,477,222)	(5,289,457)
Increase in foreign currency translation	374,565	89,706	798,699	1,262,970
Other increases	605,962	597,892	920,856	2,124,710
Closing balance	**183,748,228**	**1,511,426**	**34,004,116**	**219,263,770**

The following table 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 business combinations	-	-	465,683	465,683
Divestments	-	(506,536)	-	(506,536)
Amortization	(29,518)	(247,338)	(5,320,242)	(5,597,098)
Increase (decrease) in foreign currency translation	(14,005)	(67,369)	9,301	(72,073)
Other increases (decreases)	(500,497)	511,141	(409,567)	(398,923)
Closing balance	**178,790,378**	**1,707,965**	**26,679,852**	**207,178,195**

The subsidiary Madeco amortizes identifiable intangible assets in Administrative expenses in the consolidated comprehensive income statement. The subsidiary LQIF recognizes the amortization of its intangible assets in Other expenses by function.

Note 14 – Goodwill

The following table shows the movement in goodwill during 2013 and 2012:

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, 2013						
Initial balance at 01-01-2013	541,029,310	138,235,433	41,319,581	142,353,208	1,275,236	864,212,768
Other increases	-	-	-	52,348,192	15,958,650	68,306,842
Net closing balance at 12-31-2013	**541,029,310**	**138,235,433**	**41,319,581**	**194,701,400**	**17,233,886**	**932,519,610**
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
(Decrease) in foreign currency translation	-	-	-	-	(33,294)	(33,294)
Other increases	-	-	-	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**

Note 15 – Business Combinations

The subsidiary Empresa Nacional de Energía Enex S.A., on June 27, 2013, took control of the companies Petróleos Trasandinos S.A. (Petrans S.A.) and Operaciones y Servicios Terpel Ltda. (Opese Ltda.), both acquired from the Colombian group Terpel, which meant the transfer of the operations of the Terpel group in Chile, through the service stations the above subsidiaries operate, the distribution of lubricants, convenience stores and other related businesses.

On June 27, 2013, the subsidiary Enex closed the transaction with the payment of UF 5,291,345 (around ThUS$ 240,000), amount which includes the working capital and available cash.

Goodwill of ThCh$52,005,506 was generated by the acquisition, after distributing the values apportioned mainly to property, plant and equipment and trademarks on the basis of appraisals by independent experts. The impact of this transaction is detailed as follows:

	12-31-2013 ThCh$
Amount paid	120,921,359
Refund of payments	(631,282)
Amount paid	120,290,077
Net assets on acquisition date (book value)	64,743,012
Goodwill on appraisal of assets	4,130,494
Terpel brand (1)	297,000
Others	(885,935)
Total assets	68,284,571
Final goodwill	**52,005,506**

(1) Relates to the value assigned to the brand by external professionals, to which Enex has the right to use for 2 years until completing the change of the service stations' image. This intangible asset is being amortized over the term of use of the brand name, and the amortization in 2013 amounted to ThCh$ 74,250 (net value as of December 31, 2013 is ThCh$ 222,750).

Note 16 – Operations with non-controlling interests

- **Concurrence in capital increase of Banco de Chile**

  In December 2012 the subsidiary LQIF acquired all the Banco de Chile – T shares, being pro rata to its interest, in the ordinary pre-emptive offer period. The placement price was Ch$64, later confirming its non-concurrence in the special pre-emptive offer period.

  The net effect of the partial concurrence in the Bank's capital increase and the subsequent disposal of a minor number of Banco de Chile – T shares in January 2013, produced a net reduction in the direct and indirect interest in the Bank, which has been recognized as a credit to Other reserves, considering that the counterparties are non-controlling interests in Banco de Chile.

- **Fully paid-in shares**

  In March 2013 and 2012, 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 shareholdings 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 interest in Banco de Chile to its shareholders pro rata to their interest in the Bank.

  The effects of the dividend payment through stock dividends have generated a net increase in the direct and indirect interest in the Bank during 2013 and 2012. Consequently, the accounting treatment has been similar to an acquisition of shares. This operation has been recognized as a charge to Other reserves, considering that the counterparties are non-controlling interests in Banco de Chile.

- **Increased interest in Madeco**

  During 2012, Quiñenco participated in the capital increase of the subsidiary Madeco, increasing its holding from 54.44% to 55.40%. As the counterparties not participating in the capital increase corresponded to non-controlling interests of Madeco, the effects of this operation have been recognized in Other reserves.

  During the first half of 2013, Quiñenco acquired shares in Madeco, increasing its holding from 55.40% to 65.92%. This operation has been recognized as a credit to Other reserves, considering that the counterparties are non-controlling interests in this subsidiary.

- **Reduction in interest in Compañía Cervecerías Unidas CCU**

  During the third quarter of 2013, the indirect associate Compañía Cervecerías Unidas CCU increased its capital by 51,000,000 shares. As of December 31, 2013, these shares are fully subscribed and paid. Inversiones y Rentas S.A. did not participate in this increase. The subsidiary Inversiones Irsa Ltda. participated in the capital increase of CCU with the subscription of 11,133,284 shares. Its joint interest in CCU therefore declined from 66.11% to 60.00%.

  As the counterparties that participated are non-controlling interests, the effects of this operation have been recognized in Other reserves.

Notes to the Consolidated Financial Statements
As of December 31, 2013 and 2012
(Translation of financial statements originally issued in Spanish – See Note 2)

Note 16 – Operations with non-controlling interests (continued)

The net effects generated by these operations with non-controlling interests as of December 31, 2013 and 2012 are as follows:

	Acquisition & concurrence in capital increase of Banco de Chile	Payment of stock dividend	Share purchase Madeco	Non-concurrence in capital increase CCU	Concurrence in capital increase of Madeco	Payment of stock dividend	Total	
	12-31-2013	12-31-2013	12-31-2013	12-31-2013	12-31-2012	12-31-2012	12-31-2013	12-31-2012
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Equity value	21,492,353	(8,594,223)	15,604,909	41,295,101	1,404,061	(7,219,675)	69,798,140	(5,815,614)
Intangible assets	(1,201,909)	11,140	-	-	-	1,392	(1,190,769)	1,392
Variation other reserves	3,249,589	-	-	-	-	-	3,249,589	-
Net effect on equity	**23,540,033**	**(8,583,083)**	**15,604,909**	**41,295,101**	**1,404,061**	**(7,218,283)**	**71,856,960**	**(5,814,222)**

Note 17 – Property, plant and equipment

(a) Composition

These assets as of December 31, 2013 and 2012 are detailed as follows:

	Gross assets ThCh$	Accumulated depreciation ThCh$	Net assets ThCh$
As of December 31, 2013			
Construction in progress	42,143,391	-	42,143,391
Land	85,285,480	-	85,285,480
Buildings	49,490,185	(10,959,103)	38,531,082
Plant & equipment	221,360,656	(92,593,575)	128,767,081
Computer equipment	6,254,623	(5,259,467)	995,156
Fixed installations & accessories	14,290,767	(8,559,459)	5,731,308
Motor vehicles	4,763,976	(2,382,828)	2,381,148
Improvements to leased assets	454,490	(163,360)	291,130
Other property, plant & equipment	9,425,346	(6,640,389)	2,784,957
Total as of December 31, 2013	**433,468,914**	**(126,558,181)**	**306,910,733**
As of December 31, 2012			
Construction in progress	26,898,992	-	26,898,992
Land	65,863,024	-	65,863,024
Buildings	39,742,705	(10,361,128)	29,381,577
Plant & equipment	151,998,587	(86,368,813)	65,629,774
Computer equipment	5,587,706	(5,007,783)	579,923
Fixed installations & accessories	12,301,532	(8,352,848)	3,948,684
Motor vehicles	3,303,926	(2,071,063)	1,232,863
Other property, plant & equipment	7,450,417	(5,483,657)	1,966,760
Total as of December 31, 2012	**313,146,889**	**(117,645,292)**	**195,501,597**

Note 17 – Property, plant and equipment (continued)

(b) Movement

The movement of property, plant and equipment in 2013 is 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, 2013		26,898,992	65,863,024	29,381,577	65,629,774	579,923	3,948,684	1,232,863	-	1,966,760	195,501,597
Movement	Additions	12,644,290	3,756,882	987,647	19,831,020	544,193	343,654	1,499,623	19,284	1,293,765	40,920,358
	Acquisitions through business combinations	4,821,565	23,794,495	10,068,789	53,003,858	178,082	2,775,050	234,801	313,158	624,866	95,814,664
	Divestments	-	(2,413,485)	(14,868)	(266,402)	(586)	(37)	(44,776)	-	(3,902)	(2,744,056)
	Retirements	-	-	(108,874)	(965,369)	(3,175)	(30,391)	(15,353)	-	(52,062)	(1,175,224)
	Charge for depreciation	-	-	(1,382,175)	(11,250,190)	(331,781)	(968,553)	(448,340)	(57,677)	(820,876)	(15,259,592)
	Impairment loss recognized in income statement	-	-	-	(2,402,033)	-	-	-	-	(302,667)	(2,704,700)
	Increases in foreign currency translation	398,240	1,980,537	2,620,187	5,565,207	30,288	161,278	66,285	16,365	145,825	10,984,212
	Other (decreases)	(2,619,696)	(7,695,973)	(3,021,201)	(378,784)	(1,788)	(498,377)	(143,955)	-	(66,752)	(14,426,526)
Closing balance as of December 31, 2013		**42,143,391**	**85,285,480**	**38,531,082**	**128,767,081**	**995,156**	**5,731,308**	**2,381,148**	**291,130**	**2,784,957**	**306.910.733**

The movement of property, plant and equipment in 2012 is 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		6,263,636	66,932,970	32,023,422	68,361,427	672,383	4,359,386	1,478,191	-	2,225,298	182,316,713
Movement	Additions	24,238,354	895,526	167,704	4,781,095	271,545	566,698	305,424	-	642,699	31,869,045
	Divestments	-	(171,220)	-	(76,538)	(406)	-	(73,470)	-	-	(321,634)
	Transfer to (from) non-current assets & groups for disposal held for sale	-	(384,932)	(171,832)	-	-	-	-	-	-	(556,764)
	Retirements	-	-	-	(504,237)	(561)	-	(18,031)	-	(955)	(523,784)
	Charge for depreciation	-	-	(1,150,752)	(8,864,120)	(440,614)	(997,282)	(390,108)	-	(639,547)	(12,482,423)
	Increases (decreases) for revaluation recognized in income statement	-	-	-	204,487	-	-	-	-	-	204,487
	(Decreases) in foreign currency translation	(544,618)	(1,406,539)	(1,419,697)	(2,092,429)	(20,932)	(158,596)	(40,847)	-	(129,321)	(5,812,979)
	Other increases (decreases)	(3,058,380)	(2,781)	(67,268)	3,820,089	98,508	178,478	(28,296)	-	(131,414)	808,936
Closing balance as of December 31, 2012		**26,898,992**	**65,863,024**	**29,381,577**	**65,629,774**	**579,923**	**3,948,684**	**1,232,863**	**-**	**1,966,760**	**195,501,597**

Note 17 – Property, plant and equipment (continued)

(c) Financial leases

The subsidiary Enex and the Madeco subsidiaries, Alusa S.A., Peruplast S.A. and Aluflex S.A., have contracts for the acquisition of mainly 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.

The following details items of property, plant and equipment under financial leases as of December 31, 2013 and 2012:

	12-31-2013 ThCh$	12-31-2012 ThCh$
Land	4,007,271	6,365,958
Buildings, net	14,326,748	4,668,938
Plant & equipment, net	9,161,642	-
Motor vehicles, net	90,684	91,990
Total	**27,586,345**	**11,126,886**

The present value of future financial lease payments as of December 31, 2013 and 2012 is as follows:

		12-31-2013	
	Gross ThCh$	Interest ThCh$	Present value ThCh$
Less than one year	4,556,952	(604,151)	3,952,801
One to five years	12,229,316	(810,826)	11,418,490
Total	**16,786,268**	**(1,414,977)**	**15,371,291**

		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**

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 terms 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 operating leases as of December 31, 2013 and 2012 are as follows:

	12-31-2013 ThCh$	12-31-2012 ThCh$
Less than one year	7,931,849	6,061,421
One to five years	27,648,461	22,095,894
Total	**35,580,310**	**28,157,315**

The installments of leases and sub-leases recognized in the consolidated comprehensive income statement as of December 31, 2013 and 2012 are detailed as follows:

	12-31-2013 ThCh$	12-31-2012 ThCh$
Minimum lease payments under operating leases	7,130,598	6,321,625
Total	**7,130,598**	**6,321,625**

Note 18 – Investment properties

a) Investment properties as of December 31, 2013 and 2012 are detailed as follows:

	12-31-2013 ThCh$	12-31-2012 ThCh$
Land	3,476,845	3,578,090
Buildings	5,311,780	5,226,591
Total	**8,788,625**	**8,804,681**

b) Movement

The movement in investment properties during 2013 and 2012 is as follows:

2013	**Land ThCh$**	**Buildings ThCh$**	**Total ThCh$**
Initial balance, net	3,578,090	5,226,591	8,804,681
Charge for depreciation	-	(156,736)	(156,736)
Divestments in disposal of businesses	(1,953,248)	(63,096)	(2,016,344)
Transfer to other properties	722,536	768,193	1,490,729
Increases in foreign currency translation	156,628	79,406	236,034
Other increases	972,839	(542,578)	430,261
Closing balance, net	**3,476,845**	**5,311,780**	**8,788,625**

2012	**Land ThCh$**	**Buildings ThCh$**	**Total ThCh$**
Initial balance, net	4,055,303	4,800,092	8,855,395
Charge for depreciation	-	(1,328,227)	(1,328,227)
Additions	-	1,795,721	1,795,721
(Decrease) in foreign currecy translation	(477,213)	(40,995)	(518,208)
Closing balance, net	**3,578,090**	**5,226,591**	**8,804,681**

c) Revenue from rentals and direct operating expenses of investment properties during 2013 and 2012 is as follows:

	12-31-2013 ThCh$	12-31-2012 ThCh$
Revenue from rental of investment properties	1,314,634	1,281,210
Direct operating expenses	(538,584)	(422,314)

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 following table shows the positive taxable income fund (FUT) and its credits of the Parent company as of December 31, 2013:

Credit	ThCh$
20%	9,534
17%	218,848,739
16.5%	4,679,846
none	87,900,071

The positive non-taxable income fund (FUNT) and its related credits as of December 31, 2013 are as follows:

	ThCh$
Non-taxable income	274,687,700
Exempt with credit	35,430,514

(b) Deferred taxes

The following table shows the composition of deferred tax assets and liabilities as of December 31, 2013 and 2012:

Deferred taxes	12-31-2013 Assets ThCh$	12-31-2013 Liabilities ThCh$	12-31-2012 Assets ThCh$	12-31-2012 Liabilities ThCh$
Depreciation	476,050	9,989,325	887	4,709,060
Amortization	183,906	-	-	2,370,649
Provisions	6,881,384	-	3,077,708	-
Post-employment benefits	2,017,988	75,031	1,872,177	67,514
Revaluations of property, plant & equipment	2,157,397	11,097,000	1,451,840	5,138,634
Revaluations of investment properties	-	-	11,466	-
Intangible assets	112,936	37,652,587	-	38,109,721
Revaluations of financial instruments	27,724	-	1,661	-
Tax losses	2,201,914	-	5,164,664	-
Tax credits	7,041,383	-	8,791,506	-
Deferred tax assets related to Other	14,158,033	-	12,835,145	-
Deferred tax liabilities related to Other	-	13,310,626	-	6,663,446
Total	**35,258,715**	**72,124,569**	**33,207,054**	**57,059,024**

Note 19 – Income tax and deferred taxes (continued)

(c) Credit (charge) for income tax

Credit (charge) for income tax is detailed as follows:

	12-31-2013 ThCh$	12-31-2012 ThCh$
Charge for current taxes	(13,152,680)	(8,767,026)
Charge for other taxes & deferred taxes	(301,492)	(139,868)
Other tax credits	6,978,277	6,804,388
Adjustment for deferred tax assets & liabilities	(2,419,727)	12,575,040
Others	147,184	(893,348)
Net total of (charge) credit	**(8,748,438)**	**9,579,186**

(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:

	12-31-2013 ThCh$	12-31-2012 ThCh$
Tax charge using the statutory rate	**(648,557)**	**(3,464,758)**
Tax effect of rates of other jurisdictions	(2,763,725)	-
Tax effect of non-taxable ordinary income	23,844,050	28,842,747
Tax effect of expenses disallowed for tax purposes	(28,944,679)	(17,038,386)
Tax effect of use of tax losses not previously recognized	(219,924)	250,887
Tax effect of a new evaluation of deferred tax assets not recognized	(78,245)	416,536
Tax effect of change in taxation rates	-	300,014
Tax effect of taxes foreseen in excess in previous years	(362,078)	272,146
Other increases in charge for statutory taxes	424,720	-
Tax (charge) credit using the effective rate	**(8,748,438)**	**9,579,186**

Note 20 – Other current and non-current financial liabilities

Other current and non-current financial liabilities as of December 31, 2013 and 2012 is detailed as follows:

	Current		Non-current	
	12-31-2013	12-31-2012	12-31-2013	12-31-2012
	ThCh$	ThCh$	ThCh$	ThCh$
Bank loans	135,715,083	122,923,042	165,302,072	121,095,298
Bonds outstanding	34,882,347	24,027,669	526,944,070	448,726,425
Financial leases	4,024,205	1,198,511	12,108,248	3,876,285
Hedge liabilities	97,214	51,889	-	-
Total	**174,718,849**	**148,201,111**	**704,354,390**	**573,698,008**

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Note 20 – Other current and non-current financial liabilities (continued)

(a) The interest-bearing bank loans as of December 31, 2013 are as follows:

								Nominal amount						Book values							
Debtor Tax No.	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 12-31-13 ThCh$	Up to 3 months ThCh$	3 to 12 months ThCh$	Non-current at 31-12-13 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	26.8%	26.50%	790,614	-	-	-	-	790,614	790,614	790,614	-	-	-	-	-	790,614
Foreign	Aluflex S.A.	Argentina	Banco de la Nación	ARS	Monthly	9.90%	9.90%	282,019	122,283	690,363	357,409	-	1,452,074	404,302	282,019	122,283	1,047,772	690,363	357,409	-	1,452,074
Foreign	Aluflex s.A.	Argentina	Banco Galicia	ARS	Monthly	33.00%	33.00%	53,624	-	-	-	-	53,624	53,624	53,624	-	-	-	-	-	53,624
Foreign	Aluflex S.A.	Argentina	Banco Patagonia S.A.	ARS	Quarterly	21.10%	20.45%	1,126,067	241,348	563,145	-	-	1,930,560	1,367,415	1,126,067	241,348	563,145	563,145	-	-	1,930,560
76.801.220-2	Alumco S.A.	Chile	Banco BCI	CLP	Quarterly	0.43%	0.43%	482,410	-	-	-	-	482,410	482,410	482,410	-	-	-	-	-	482,410
76.801.220-2	Alumco S.A.	Chile	Banco BCI	USD	Monthly	0.90%	0.90%	1,047,965	-	-	-	-	1,047,965	1,047,965	1,047,965	-	-	-	-	-	1,047,965
76.801.220-2	Alumco S.A.	Chile	Banco Security	USD	Monthly	1.30%	1.30%	320,161	-	-	-	-	320,161	320,161	320,161	-	-	-	-	-	320,161
94.956.680-K	Alusa S.A.	Chile	Banco BBVA	USD	At maturity	0.42%	0.42%	2,701,942	-	-	-	-	2,701,942	2,701,942	2,701,942	-	-	-	-	-	2,701,942
94.956.680-K	Alusa S.A.	Chile	Banco Estado	USD	At maturity	3.19%	3.34%	-	1,111,357	2,936,352	780,541	-	4,828,250	1,111,357	-	1,111,357	3,716,893	2,936,352	780,541	-	4,828,250
Foreign	Empaques Flexa S.A.S.	Colombia	Bancolombia	COP	At maturity	3.51%	3.51%	12,414	-	4,271,063	3,041,766	-	7,325,243	12,414	12,414	-	7,312,829	4,271,063	3,041,766	-	7,325,243
Foreign	Empaques Flexa S.A.S.	Colombia	Banco Corpbanca	COP	At maturity	7.20%	7.20%	1,710,774	-	-	-	-	1,710,774	1,710,774	1,710,774	-	-	-	-	-	1,710,774
76.309.108-2	Indalum S.A.	Chile	Banco BBVA	CLP	Semi-annually	0.43%	0.43%	-	300,559	-	-	-	300,559	300,559	-	300,559	-	-	-	-	300,559
76.309.108-2	Indalum S.A.	Chile	Banco BCI	CLP	Quarterly	0.44%	0.44%	1,591,176	-	-	-	-	1,591,176	1,591,176	1,591,176	-	-	-	-	-	1,591,176
76.309.108-2	Indalum S.A.	Chile	Banco Security	CLP	Semi-annually	6.38%	6.38%	-	313,355	937,500	-	-	1,250,855	313,355	-	313,355	937,500	937,500	-	-	1,250,855
76.309.108-2	Indalum S.A.	Chile	Banco BBVA	USD	Semi-annually	1.53%	1.53%	-	526,348	-	-	-	526,348	526,348	-	526,348	-	-	-	-	526,348
76.309.108-2	Indalum S.A.	Chile	Banco BCI	USD	Monthly	0.94%	0.94%	770,680	-	-	-	-	770,680	770,680	770,680	-	-	-	-	-	770,680
76.309.108-2	Indalum S.A.	Chile	Banco Itaú	USD	Annually	1.01%	1.01%	829,301	-	-	-	-	829,301	829,301	829,301	-	-	-	-	-	829,301
76.275.453-3	Madeco S.A.	Chile	Banco Itaú	USD	At maturity	3.57%	3.54%	-	65,876	-	42,634,816	-	42,700,692	65,876	-	65,876	42,634,816	-	42,634,816	-	42,700,692
Foreign	Peruplast S.A.	Peru	Banco BBVA	USD	At maturity	1.33%	1.33%	-	1,051,119	-	-	-	1,051,119	1,051,119	-	1,051,119	-	-	-	-	1,051,119
Foreign	Peruplast S.A.	Peru	Banco Citibank N.A.	USD	At maturity	1.53%	1.53%	2,636,914	-	-	-	-	2,636,914	2,636,914	2,636,914	-	-	-	-	-	2,636,914
Foreign	Peruplast S.A.	Peru	Banco de Crédito	USD	Quarterly	4.87%	4.87%	1,101,748	749,443	2,997,771	2,997,771	1,873,607	9,720,340	1,851,191	1,101,748	749,443	7,869,149	2,997,771	2,997,771	1,873,607	9,720,340
Foreign	Peruplast S.A.	Peru	Banco Scotiabank	USD	At maturity	3.92%	3.98%	2,303,399	2,990,277	996,759	-	-	6,290,435	5,293,676	2,303,399	2,990,277	996,759	996,759	-	-	6,290,435
81.021.000-8	Invexans S.A.	Chile	Banco Santander	USD	At maturity	0.69%	0.69%	3,674,030	-	-	-	-	3,674,030	3,674,030	3,674,030	-	-	-	-	-	3,674,030
81.021.000-8	Invexans S.A.	Chile	Banco BBVA	USD	Semi-annually	4.20%	3.90%	-	60,056	7,806,245	-	-	7,866,301	60,056	-	60,056	7,806,245	7,806,245	-	-	7,866,301
81.021.000-8	Invexans S.A.	Chile	Banco BBVA	USD	Semi-annually	4.22%	3.90%	-	60,390	7,803,207	-	-	7,863,597	60,390	-	60,390	7,803,207	7,803,207	-	-	7,863,597
81.021.000-8	Invexans S.A.	Chile	Banco Itaú	USD	At maturity	1.47%	1.06%	-	41,862,199	-	-	-	41,862,199	41,862,199	-	41,862,199	-	-	-	-	41,862,199
81.021.000-8	Invexans S.A.	Chile	Banco BBVA	USD	At maturity	1.47%	1.06%	-	18,314,826	-	-	-	18,314,826	18,314,826	-	18,314,826	-	-	-	-	18,314,826
81.021.000-8	Invexans S.A.	Chile	Banco BCI	CLP	At maturity	1.47%	1.06%	-	26,250,460	-	-	-	26,250,460	26,250,460	-	26,250,460	-	-	-	-	26,250,460
91.705.000-7	Quiñenco S.A.	Chile	Banco BBVA	CLP	At maturity	5.58%	5.58%	55,750	20,000,000	-	-	-	20,055,750	20,055,750	55,750	20,000,000	-	-	-	-	20,055,750
96.929.880-5	LQIF S.A.	Chile	Banco Estado	CLP	Monthly	0.45%	0.45%	204,199	-	-	-	-	204,199	204,199	204,199	-	-	-	-	-	204,199
78.080.440-8	Enex S.A.	Chile	Banco Santander	CLP	Annually	6.45%	7.09%	-	-	11,368,830	7,762,755	-	19,131,585	-	-	-	19,131,585	11,368,830	7,762,755	-	19,131,585
78.080.440-8	Enex S.A.	Chile	Banco BBVA	CLP	Annually	6.45%	7.09%	-	-	20,670,600	14,114,100	-	34,784,700	-	-	-	34,784,700	20,670,600	14,114,100	-	34,784,700
78.080.440-8	Enex S.A.	Chile	Banco Estado	CLP	Annually	6.06%	6.06%	-	-	-	12,697,472	18,000,000	30,697,472	-	-	-	30,697,472	-	12,697,472	18,000,000	30,697,472
			TOTAL											**135,715,083**			**165,302,072**				**301,017,155**

Note 20 – Other current and non-current financial liabilities (continued)

(b) The interest-bearing bank loans as of December 31, 2012 are as follows:

Debtor Tax No.	Debtor	Debtor country	Creditor	Currency	Repayment	Effective rate	Nominal rate	Nominal amount Up to 3 months ThCh$	Nominal amount 3 to 12 months ThCh$	Nominal amount 1 to 3 years ThCh$	Nominal amount 3 to 5 Years ThCh$	Nominal amount Over 5 years ThCh$	Total Nominal amount ThCh$	Current at 12-31-12 ThCh$	Book values Up to 3 months ThCh$	Book values 3 to 12 months ThCh$	Non-current at 12-31-12 ThCH$	Book values 1 to 3 years ThCh$	Book values 3 to 5 years ThCh$	Book values Over 5 years ThCh$	Total debt outstanding ThCh$
Foreign	Aluflex S.A.	Argentina	Banco Citibank	ARS	Monthly	15.88%	15.88%	395,998	-	-	-	-	395,998	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	-	-	-	215,209	215,209	143,583	71,626	-	-	-	-	215,209
Foreign	Aluflex S.A.	Argentina	Banco Galicia	ARS	Monthly	14.50%	14.50%	366,592	-	-	-	-	366,592	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	-	2,831,984	1,757,592	1,269,232	488,360	1,074,392	781,376	293,016	-	2,831,984
76.801.220-2	Alumco S.A.	Chile	Banco Security	CLP	Monthly	6.49%	6.30%	477,685	-	-	-	-	477,685	477,685	477,685	-	-	-	-	-	477,685
94.956.680-K	Alusa S.A.	Chile	Banco Estado	USD	Quarterly	1.86%	1.86%	1,814,584	671,944	1,007,916	-	-	3,494,444	2,486,528	1,814,584	671,944	1,007,916	1,007,916	-	-	3,494,444
Foreign	Decker Industrial S.A.	Argentina	Banco Patagonia S.A.	ARS	At maturity	22.00%	22.00%	211,531	-	-	-	-	211,531	211,531	211,531	-	-	-	-	-	211,531
91.524.000-3	Indalum S.A.	Chile	Banco Bice	CLP	Monthly	6.55%	6.36%	403,675	-	-	-	-	403,675	403,675	403,675	-	-	-	-	-	403,675
91.524.000-3	Indalum S.A.	Chile	Banco Itaú	CLP	Quarterly	6.47%	6.30%	903,020	-	-	-	-	903,020	903,020	903,020	-	-	-	-	-	903,020
91.524.000-3	Indalum S.A.	Chile	Banco Security	CLP	Semi-annually	7.71%	7.57%	988,871	312,500	928,755	625,000	-	2,855,126	1,301,371	988,871	312,500	1,553,755	928,755	625,000	-	2,855,126
91.524.000-3	Indalum S.A.	Chile	Banco BBVA	USD	Semi-annually	2.47%	2.46%	-	482,682	-	-	-	482,682	482,682	-	482,682	-	-	-	-	482,682
91.524.000-3	Indalum S.A.	Chile	Banco Estado	USD	Semi-annually	2.36%	2.35%	-	1,446,731	-	-	-	1,446,731	1,446,731	-	1,446,731	-	-	-	-	1,446,731
76.009.053-0	Madeco Mills S.A.	Chile	Banco Itaú	CLP	At maturity	0.58%	0.58%	-	1,371,242	-	-	-	1,371,242	1,371,242	-	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	-	-	-	2,020,544	2,020,544	720,590	1,299,954	-	-	-	-	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	-	-	-	1,963,992	1,963,992	965,573	998,419	-	-	-	-	1,963,992
91.021.000-9	Madeco S.A.	Chile	Banco BBVA	USD	At maturity	4.21%	3.94%	-	76,710	-	14,280,918	-	14,357,628	76,710	-	76,710	14,280,918	-	14,280,918	-	14,357,628
91.021.000-9	Madeco S.A.	Chile	Banco Itaú	USD	At maturity	3.79%	3.57%	-	57,555	-	39,006,132	-	39,063,687	57,555	-	57,555	39,006,132	-	39,006,132	-	39,063,687
96.929.880-5	LQIF S.A.	Chile	Banco Estado	CLP	Monthly	6.45%	6.05%	99,082,840	-	-	-	-	99,082,840	99,082,840	99,082,840	-	-	-	-	-	99,082,840
92.011.00-2	Enex S.A.	Chile	Banco Santander	CLP	Annually	6.75%	7.41%	140,758	2,114,054	7,493,837	7,522,234	7,755,489	25,026,372	2,254,812	140,758	2,114,054	22,771,560	7,493,837	7,522,234	7,755,489	25,026,372
92.011.00-2	Enex S.A.	Chile	Banco BBVA	CLP	Annually	6.75%	7.41%	255,924	3,845,946	13,625,101	13,676,733	14,098,791	45,502,495	4,101,870	255,924	3,845,946	41,400,625	13,625,101	13,676,733	14,098,791	45,502,495
92.011.00-2	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											**122,923,042**			**121,095,298**				**244,018,340**

The above tables do not include bank loans granted by Banco de Chile to Quiñenco and its subsidiaries, amounting to ThCh4,560,646 as of December 31, 2013 (ThCh$8,195,231 in 2012), which have been eliminated in the preparation of these consolidated financial statements.

Notes to the Consolidated Financial Statements
As of December 31, 2013 and 2012
(Translation of financial statements originally issued in Spanish – See Note 2)

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Note 20 – Other current and non-current financial liabilities (continued)

(c) The bonds outstanding as of December 31, 2013 are as follows:

										Book values													
Debtor Tax No.	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	385	Series C	2039	CLF	Annual	4.93%	4.85%	-	2,130,123	-	-	69,757,756	71,887,879	2,130,123	-	2,130,123	69,757,756	-	-	69,757,756	71,887,879
96.929.880-5	LQIF	Chile	597	Series D	2033	CLF	Annual	3.84%	3.50%	-	1,879,999	-	-	88,668,917	90,548,916	1,879,999	-	1,879,999	88,668,917	-	-	88,668,917	90,548,916
91.705.000-7	Quiñenco	Chile	595	Series I	2021	CLF	Annual	3.71%	3.70%	-	498,812	-	-	23,222,520	23,721,332	498,812	-	498,812	23,222,520	-	-	23,222,520	23,721,332
91.705.000-7	Quiñenco	Chile	715	Series J	2034	CLF	Annual	3.90%	3.85%	-	1,558,224	-	-	69,219,977	70,778,201	1,558,224	-	1,558,224	69,219,977	-	-	69,219,977	70,778,201
91.705.000-7	Quiñenco	Chile	229	Series A	2026	CLF	Annual	4.17%	4.17%	-	3,780,447	7,459,059	6,060,486	16,405,779	33,705,771	3,780,447	-	3,780,447	29,925,324	7,459,059	6,060,486	16,405,779	33,705,771
91.705.000-7	Quiñenco	Chile	427	Series C	2032	CLF	Annual	4.24%	4.00%	-	71,228	-	-	53,169,724	53,240,952	71,228	-	71,228	53,169,724	-	-	53,169,724	53,240,952
91.705.000-7	Quiñenco	Chile	595	Series E	2018	CLF	Annual	3.51%	3.35%	-	12,334,705	23,309,560	23,285,718	-	58,929,983	12,334,705	-	12,334,705	46,595,278	23,309,560	23,285,718	-	58,929,983
91.705.000-7	Quiñenco	Chile	596	Series F	2032	CLF	Annual	3.97%	3.85%	-	2,150,381	-	-	103,284,795	105,435,176	2,150,381	-	2,150,381	103,284,795	-	-	103,284,795	105,435,176
91.705.000-7	Quiñenco	Chile	426	Series G	2018	CLF	Annual	3.81%	3.50%	-	10,478,428	21,677,891	21,421,888	-	53,578,207	10,478,428	-	10,478,428	43,099,779	21,677,891	21,421,888	-	53,578,207
					TOTAL											34,882,347			526,944,070				561,826,417

(d) The bonds outstanding as of December 31, 2012 are as follows:

										Book values													
Debtor Tax No.	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	Serie B	2025	CLF	Annual	5.48%	4.75%	-	6,056,229	9,136,300	9,136,300	36,545,214	60,874,043	6,056,229	-	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	CLF	Annual	4.93%	4.85%	-	2,094,153	-	-	64,773,192	66,867,345	2,094,153	-	2,094,153	64,773,192	-	-	68,522,250	66,867,345
96.929.880-5	LQIF	Chile	597	Series D	2033	CLF	Annual	3.80%	3.50%	-	755,622	-	-	34,261,125	35,016,747	755,622	-	755,622	34,261,125	-	-	34,261,125	35,016,747
91.705.000-7	Quiñenco	Chile	229	Series A	2026	CLF	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	CLF	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	CLF	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	CLF	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	CLF	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	CLF	Annual	3.81%	3.50%	-	15,950	10,338,293	22,357,097	20,398,714	53,110,054	15,950	-	15,950	53,094,104	10,338,293	22,357,097	20,398,714	53,110,054
					TOTAL											24,027,669			448,726,425				472,754,094

Note 20 – Other current and non-current financial liabilities (continued)

(e) The financial leases as of December 31, 2013 are as follows:

								Book values											
Debtor Tax No.	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$	Current debt ThCh$	Up to 1 month ThCh$	3 to 12 months ThCh$	Debt Non-current ThCh$	1 to 3 years ThCh$	3 to 5 years ThCh$	Total debt ThCh$
76.801.220-2	Alumco S.A.	Chile	Banco Security	CLP	Monthly	8.04%	8.04%	2,343	5,707	-	-	8,050	8,050	2,343	5,707	-	-	-	8,050
94.956.680-K	Alusa S.A.	Chile	Banco Corpbanca	CLF	Semi-annually	4.80%	4.80%	-	821,931	1,294,590	-	2,116,521	821,931	-	821,931	1,294,590	1,294,590	-	2,116,521
Foreign	Empaques Flexa S.A.S.	Colombia	Banco de Colombia	COP	Monthly	0.62%	0.60%	29,491	89,841	209,139	474,521	802,992	119,332	29,491	89,841	683,660	209,139	474,521	802,992
Foreign	Empaques Flexa S.A.S.	Colombia	Leasing de Occidente S.A	COP	Monthly	0.39%	0.37%	1,355	978	1,087	-	3,420	2,333	1,355	978	1,087	1,087	-	3,420
Foreign	Peruplast S.A.	Peru	Banco Citibank	USD	Monthly	4.80%	4.80%	51,857	159,087	451,680	22,459	685,083	210,944	51,857	159,087	474,139	451,680	22,459	685,083
Foreign	Peruplast S.A.	Peru	Banco Continental	USD	Monthly	4.88%	4.88%	111,008	371,705	1,016,755	931,807	2,431,275	482,713	111,008	371,705	1,948,562	1,016,755	931,807	2,431,275
Foreign	Peruplast S.A.	Peru	Banco de Crédito	USD	Monthly	5.15%	5.15%	395,682	1,444,670	4,125,265	1,854,266	7,819,883	1,840,352	395,682	1,444,670	5,979,531	4,125,265	1,854,266	7,819,883
Foreign	Peruplast S.A.	Peru	Banco Scotiabank	USD	Monthly	4.80%	4.80%	115,828	352,221	741,130	295,791	1,504,970	468,049	115,828	352,221	1,036,921	741,130	295,791	1,504,970
78.080.440-8	Enex S.A.	Chile	Des. de Tec. y Sistemas	CLF	Monthly	6.60%	6.60%	869	10,088	1,617	-	12,574	10,957	869	10,088	1,617	1,617	-	12,574
78.080.440-8	Enex S.A.	Chile	Metlife Chile	CLF	Monthly	7.44%	7.44%	2,316	25,481	124,390	191,880	344,067	27,797	2,316	25,481	316,270	124,390	191,880	344,067
78.080.440-8	Enex S.A.	Chile	Metlife Chile	CLF	Monthly	6.90%	6.90%	2,645	29,102	133,873	237,998	403,618	31,747	2,645	29,102	371,871	133,873	237,998	403,618
			TOTAL										4,024,205			12,108,248			16,132,453

(f) The financial leases as of December 31, 2012 are as follows:

								Book values													
Debtor Tax No.	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 nominal amount ThCh$	Debt current ThCh$	Up to 1 month 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	5,459	5,810	-	-	-	-	11,269
76.801.220-2	Alumco S.A.	Chile	Banco Security	CLP	Monthly	8.04%	8.04%	2,165	6,756	8,825	-	-	17,746	8,921	2,165	6,756	8,825	8,825	-	-	17,746
94.956.680-K	Alusa S.A.	Chile	Banco Corpbanca	CLF	Semi-annually	4.80%	4.80%	-	772,578	1,632,995	432,708	-	2,838,281	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%	97,386	297,092	787,844	886,309	114,989	2,183,620	394,478	97,386	297,092	1,789,142	787,844	886,309	114,989	2,183,620
91.021.000-9	Madeco S.A.	Chile	-	CLP	At maturity	-	-	-	1,800	-	-	-	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	12,615	-	-	22,080	9,465	852	8,613	12,615	12,615	-	-	22,080
			TOTAL											1,198,511			3,876,285				5,074,796

Note 20 – Other current and non-current financial liabilities (continued)

(g) The hedge liabilities as of December 31, 2013 are detailed as follows:

Classification	Type of hedge	Company	Risk hedged	Item hedged	Current 12-31-2013 ThCh$	Non-current 12-31-2013 ThCh$	Fair value 12-31-2013 ThCh$
Other derivatives	Fair value hedge instrument	Invexans	Exposure to variations in commodity prices (copper)	Copper inventory	97,214	-	97,214
			Total hedge liabilities		**97,214**	**-**	**97,214**

(h) 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	Invexans	Exposure to variations in commodity prices (copper & aluminum)	Copper & aluminum inventory	21,010	-	21,010
Other derivatives	Cash flow hedge instrument	Invexans	Exposure to variations in commodity prices (copper & aluminum)	Expected sales	30,879	-	30,879
			Total hedge liabilities		**51,889**	**-**	**51,889**

Note 20 – Other current and non-current financial liabilities (continued)

(i) Other information on hedge assets and liabilities

1. Fair value and cash flow hedge instruments:

The subsidiary Madeco and its subsidiaries recognize a hedge asset-liability of cash flows to cover the risk of variations in commodity prices (copper and aluminum), fixing the price of expected sales.

The subsidiary Madeco and its subsidiaries recognize a hedge asset and liability of fair value to cover their exposure to the risk of variations in commodity prices (copper and aluminum), the principal raw materials in their stock of inventory. Madeco also recognized a hedge asset and liability to cover its exposure to exchange rate risk (dollar/Chilean pesos) with respect to assets in time deposits.

Note 21 – Trade creditors and other accounts payable

The composition of this heading as of December 31, 2013 and 2012 is as follows:

	12-31-2013 ThCh$	12-31-2012 ThCh$
Trade creditors	191,916,821	111,312,373
Other accounts payable	6,524,655	3,712,574
Total	**198,441,476**	**115,024,947**

Note 22 – Other provisions

a) Composition

The composition of this heading as of December 31, 2013 and 2012 is as follows:

	Current		Non-current	
	12-31-2013 ThCh$	12-31-2012 ThCh$	12-31-2013 ThCh$	12-31-2012 ThCh$
Restructuring expenses	2,087,392	1,750,000	-	-
Lawsuits	-	-	-	96,067
Profit sharing & bonuses	770,675	725,004	-	-
Other provisions (1) (2)	8,500,068	9,930,040	22,556,507	17,015,426
Total	**11,358,135**	**12,405,044**	**22,556,507**	**17,111,493**

Note 22 – Other provisions (continued)

b) Other provisions

(1) Other current provisions as of December 31, 2013 and 2012 are detailed as follows:

	Current	
	12-31-2013	**12-31-2012**
	ThCh$	**ThCh$**
Royalties & others	1,919,344	1,897,903
Service station maintenance & operational services	1,572,810	2,736,863
Contingencies	982,987	584,733
Brand agreements	906,988	737,099
Municipal & other taxes	736,994	596,269
General, audit, annual report & other expenses	279,916	974,084
Basic consumption	224,910	212,711
Commissions & insurance	216,773	574,888
Export, import & freight expenses	206,474	421,304
Fees & consultancies	199,153	233,076
Others	1,253,719	961,110
Total	**8,500,068**	**9,930,040**

(2) Other non-current provisions as of December 31, 2013and 2012 are detailed as follows:

	Non-current	
	12-31-2013	**12-31-2012**
	ThCh$	**ThCh$**
Contingencies	11,216,676	10,819,257
Removal of tanks	10,418,255	4,676,509
Incident occurred but not reported (Banchile)	921,576	1,608,555
Others	-	7,172
Total	**22,556,507**	**17,111,493**

Note 22 – Other provisions (continued)

c) Movement

The movement of provisions in 2013 was as follows:

Movement	**Restructuring ThCh$**	**Legal claims ThCh$**	**Other provisions & interests ThCh$**	**Total ThCh$**
Initial balance at 01-01-2013	1,750,000	96,067	27,670,470	29,516,537
Additional provisions	-	-	27,933,353	27,933,353
Increase in existing provisions	-	-	44,105,142	44,105,142
Provision used	-	-	(73,922,388)	(73,922,388)
Increeases Petrans S.A. & Opese Ltda.	-	-	5,343,346	5,343,346
Increase in foreign currency translation	-	-	466,864	466,864
Other increases (decreases)	337,392	(96,067)	230,463	471,788
Changes in provisions, total	337,392	(96,067)	4,156,780	4,398,105
Closing balance at 12-31-2013	**2,087,392**	**-**	**31,827,250**	**33,914,642**

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

Provisions for employee benefits as of December 31, 2013 and 2012 are detailed as follows:

	Current		Non-current	
	12-31-2013 ThCh$	12-31-2012 ThCh$	12-31-2013 ThCh$	12-31-2012 ThCh$
Personnel vacations	4,083,046	3,206,813	-	-
Remuneration	1,727,393	904,815	-	-
Severance payments & retirement fund	1,518,348	1,694,449	18,744,684	21,657,754
Lawsuit settlements	19,433	98,654	111,178	133,969
Social security charges & other benefits	826,161	317,284	-	-
Total	**8,174,381**	**6,222,015**	**18,855,862**	**21,791,723**

b) Severance payments

Invexans and Madeco and its subsidiaries have collective agreements with their personnel which establish remuneration and/or short and long-term benefits 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 recognized for post-employment benefit plans is basically obtained from the obligations for remuneration of employees and their valuation based on the actuarial method, for which the following assumptions are used as of December 31, 2013 and 2012:

Provision for termination benefits		12-31-2013	12-31-2012	
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).

Note 23 – Provisions for employee benefits (continued)

b) Severance payments (continued)

Reconciliation of present value defined benefits plan obligations	**12-31-2013 ThCh$**	**12-31-2012 ThCh$**
Present value defined benefits plan obligation, initial balance	3,407,428	3,663,883
Cost of current service defined benefits plan obligation	202,467	394,624
Interest cost of defined benefits plan obligation	78,248	127,488
Actuarial gains defined benefits plan obligation	267,913	270,484
(Decrease) in foreign currency translation	(15,498)	(3,737)
Contributions paid defined benefits plan obligation	(860,930)	(1,045,314)
Business combinations defined benefits plan obligation	2,114,049	-
Settlements defined benefits plan obligation	(3,091,361)	-
Present value defined benefits plan obligation, closing balance	**2,102,316**	**3,407,428**

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 recognized 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, 2013 and 2012:

Provision for termination benefits	**12-31-2013**	**12-31-2012**
Mortality table	M95H-M95M	M95H-M95M
Annual interest rate	5.25%	5.50%
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

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Note 23 – Provisions for employee benefits (continued)

b) Severance payments (continued)

Provision post-retirement benefits	**12-31-2013**	**12-31-2012**
Mortality table	RV-2009	RV-2009
Annual interest rate	2.36%	3.0%

Severance payments

Reconciliation of present value defined benefits plan obligation	**12-31-2013 ThCh$**	**12-31-2012 ThCh$**
Present value defined benefits plan obligation, initial balance	9,171,848	10,720,849
Cost of current service defined benefits plan obligation	2,176,505	1,549,001
Interest cost of defined benefits plan obligation	779,607	911,272
Actuarial (losses) defined benefits plan obligation	(1,534,599)	(649,869)
Contributions paid defined benefits plan obligation	(3,580,182)	(3,359,405)
Present value defined benefits plan obligation, closing balance	**7,013,179**	**9,171,848**

Retirement fund

Reconciliation of present value defined benefits plan obligation	**12-31-2013 ThCh$**	**12-31-2012 ThCh$**
Present value defined benefits plan obligation, initial balance	9,269,672	9,718,742
Interest cost of defined benefits plan obligation	474,059	424,928
Actuarial gains defined benefits plan obligation	740,641	7,178
Contributions paid defined benefits plan obligation	(830,357)	(881,176)
Present value defined benefits plan obligation, closing balance	**9,654,015**	**9,269,672**

Presentation in the statement of financial position **Provisions for employee benefits**	**12-31-2013 ThCh$**	**12-31-2012 ThCh$**
Liability recognized for severance payments, current	1,518,348	1,694,449
Liability recognized for severance payments, non-current	18,744,684	21,657,754
Total obligation for employee benefits	**20,263,032**	**23,352,203**

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Note 24 – Other non-financial liabilites, current

Other non-financial liabilities, current as of December 31, 2013 and 2012 are detailed as follows:

	12-31-2013 ThCh$	12-31-2012 ThCh$
Dividends payable Quiñenco shareholders	37,704,148	42,098,247
Dividends payable non-controlling interests of subsidiaries	535,130	2,644,822
Others	1,350,807	2,014,772
Total	**39,590,085**	**46,757,841**

Note 25 – Other non-financial liabilities, non-current

Other non-financial liabilities, non-current as of December 31, 2013 and 2012 are detailed as follows:

	12-31-2013 ThCh$	12-31-2012 ThCh$
Insurance company reserves	45,811,019	48,264,602
Total	**45,811,019**	**48,264,602**

Note 26 - Classes of financial assets and liabilities

The following table shows the financial assets as of December 31, 2013 and 2012:

Description of financial asset	Category & valuation of financial asset	Current 12-31-2013 ThCh$	Current 12-31-2012 ThCh$	Non-current 12-31-2013 ThCh$	Non-current 12-31-2012 ThCh$	Fair value 12-31-2013 ThCh$	Fair value 12-31-2012 ThCh$
Cash & cash equivalents	Financial asset at fair value	386,210,633	252,456,986	-	-	386,210,633	252,456,986
Equity instruments (investments in shares)	Financial asset at fair value (market value) available for sale	-	-	21,152,952	18,879,817	21,152,952	18,879,817
Financial investments more than 90 days for current assets & more than one year for non-current assets	Financial asset at fair value	108,999,828	80,701,481	57,070,384	69,594,511	166,070,212	150,295,992
Expected sales	Cash-flow hedge instrument		-	-	-	-	-
Trade debtors & other accounts receivable	Financial assets		-		-	-	-
Other current & non-current financial assets		**108,999,828**	**80,701,481**	**78,223,336**	**88,474,328**	**187,223,164**	**169,175,809**
Trade debtors & other accounts receivable	Financial assets	209,546,617	122,860,885	1,274,138	1,177,760	210,820,755	124,038,645
Accounts receivable from related parties	Financial assets	3,255,069	4,250,309	597,244	585,232	3,852,313	4,835,541
Total financial assets		**708,012,147**	**460,269,661**	**80,094,718**	**90,237,320**	**788,106,865**	**550,506,981**

Note 26 - Classes of financial assets and liabilities (continued)

The following table shows the financial liabilities as of December 31, 2013 and 2012:

Description of financial liability	Category & valuation of financial liability	Current 12-31-2013 ThCh$	Current 12-31-2012 ThCh$	Non-current 12-31-2013 ThCh$	Non-current 12-31-2012 ThCh$	Fair value 12-31-2013 ThCh$	Fair value 12-31-2012 ThCh$
Bank loans, bonds payable & other loans	Financial liabilities	170,597,430	146,950,711	692,246,142	569,821,723	862,843,572	716,772,434
Financial lease obligations	Financial liabilities	4,024,205	1,198,511	12,108,248	3,876,285	16,132,453	5,074,796
Interest-rate hedges	Cash-flow hedge instrument	-	-	-	-	-	-
Exchange-rate hedges	Fair value hedge instrument	-	-	-	-	-	-
Commodity price hedges (copper)	Fair value hedge instrument	97,214	21,010	-	-	97,214	21,010
Expected sales	Cash-flow hedge instrument	-	30,879	-	-	-	30,879
Other current & non-current financial liabilities		**174.718.849**	**148,201,111**	**704,354,390**	**573,698,008**	**879,073,239**	**721,899,119**
Trade creditors, social-security withholdings, taxes & other accounts payable	Financial liabilities at amortized cost	198,441,476	115,024,947	-	-	198,441,476	115,024,947
Accounts payable to related parties	Financial liabilities at amortized cost	2,080	127,730	-	-	2,080	127,730
Total financial liabilities		**373,162,405**	**263,353,788**	**704,354,390**	**573,698,008**	**1,077,516,795**	**837,051,796**

Note 27 - Equity

a) Capital and number of shares

The capital of the Company comprised the following as of December 31, 2013:

Number of shares:

Series	Shares subscribed	Shares paid	Shares with voting rights
Single	1,662,759,593	1,662,759,593	1,662,759,593

Capital:

	Capital subscribed ThCh$	Capital paid ThCh$
Issued capital	1,223,669,810	1,223,669,810
Share premium	31,538,354	31,538,354
	1,255,208,164	**1,255,208,164**

The extraordinary shareholders' meeting of July 29, 2013 agreed to the following:

- With respect to the capital increase approved at the extraordinary shareholders' meeting of October 6, 2011, it was agreed to annul the statutory capital in the part not subscribed (100,000,000 shares), in accordance with article 20 of the Corporations Regulations, with the respective cancellation of the corresponding shares issued.
- Approve the capitalization of the balance of Share premium amounting to ThCh$50,151,431.
- Increase the capital from ThCh$905,487,845 divided into 1,344,577,775 shares of one series and of no par value, to ThCh$1,255,487,845 divided into 1,694,577,775 shares of one series and of no par value, in one or more stages.

As of December 31, 2013, 318,181,818 shares have been subscribed and paid, leaving the issued capital at ThCh$1,255,208,164 divided into 1,662,759,593 shares.

b) Controlling shareholders

The issued and paid-in shares of Quiñenco S.A. are held 81.4% by the companies Andsberg Inversiones Ltda., Ruana Copper A.G. Agencia Chile, Inversiones Orengo S.A., Inversiones Consolidadas S.A., Inversiones Salta S.A., Inversiones Alaska Ltda., 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., Inversiones Salta S.A. and Inversiones Alaska Ltda. The estate of Guillermo Luksic Craig controls 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, 2012 and December 31, 2013:

Dividend No.	Type of dividend	Date agreed	Payment date	Dividend per share Ch$
29 & 30	Final	04/26/2012	05/07/2012	32.71133
31 & 32	Final	04/30/2013	05/13/2013	51.92804

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 instruments in the equity of the controller.

d) Other reserves

Other reserves as of December 31, 2013 and 2012 are detailed as follows:

	12-31-2013 ThCh$	12-31-2012 ThCh$
Reserves for foreign currency translation differences	857,616	(37,462,130)
Reserves for revaluation surplus	384,026	384,026
Reserves for cash-flow hedges	(5,268,170)	1,676,885
Reserves for assets available for sale	3,050,835	687,546
Sale of LQIF-D shares, net of taxes	131,642,239	131,642,239
Dilution effect of non-concurrence capital increase CCU	40,399,427	-
Others	94,694,045	54,370,495
Total	**265,760,018**	**151,299,061**

It should be mentioned that the amount shown in exchange differences in the comprehensive income statement for the year relate mainly to the effect of the conversion of the dollar, functional currency of the associates Compañía Sud Americana de Vapores (CSAV) and SM SAAM S.A. and the subsidiaries Invexans and 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, 2013 and 2012 is detailed as follows:

	12-31-2013 ThCh$	12-31-2012 ThCh$
Sale of goods	1,948,481,388	1,326,396,927
Provision of services	106,464,850	121,898,939
Total	**2,054,946,238**	**1,448,295,866**

(b) Other expenses by function

Other expenses by function as of December 31, 2013 and 2012 are detailed as follows:

	12-31-2013 ThCh$	12-31-2012 ThCh$
Amortization of intangible assets	(2,686,400)	(5,210,555)
Lawsuits Brazil	(410,352)	(4,876,831)
Write-off of property, plant & quipment	(127,693)	-
Other operating expenses	(56,299)	(22,505)
Total	**(3,280,744)**	**(10,109,891)**

(c) Other gains (losses)

Other gains (losses) as of December 31, 2013 and 2012 are detailed as follows:

	12-31-2013 ThCh$	12-31-2012 ThCh$
Other gains		
Gain on sale of shares	10,843,223	-
Recognition of negative goodwill investment in Nexans S.A.	11,336,487	41,156,362
Recognition of negative goodwill investment in Peruplast	14,691,019	-
Recognition of negative goodwill Opese (Operaciones y servicios Terpel Ltda.)	2,211,718	-
Extraordinary credit to subordinated obligation by sale of options	5,445,385	-
Gain on sale of property, plant and equipment	755,325	-
Total other gains	**45,283,157**	**41,156,362**
Other losses		
Directors' allowances, profit sharing & remuneration	(1,188,744)	(1,248,282)
Plant transfer expenses Peru	(1,043,176)	-
Restructuring expenses	(2,097,716)	-
Provision for impairment	(3,127,267)	-
Provision for taxes, fines & interest	(1,652,912)	-
Assets write-off (Colombia)	(185,657)	-
Effect of change in investment interest in Nexans S.A.	(174,672)	(3,616,976)
Contingencies	(305,362)	(505,914)
Third-party consultancy	(296,169)	(615,811)
Donations	(894,125)	-
Other (expenses)	(1,020,205)	(564,953)
Total other (losses)	**(11,986,005)**	**(6,551,936)**
Total Other gains, net	**33,297,152**	**34,604,426**

Notea 28 – Revenue and expenses (continued)

(d) Financial costs

Financial costs as of December 31, 2013 and 2012 are detailed as follows:

	12-31-2013 ThCh$	12-31-2012 ThCh$
Interest on bank loans and bonds issued	(36,936,858)	(26,531,371)
Interest on other financial instruments	(1,212,245)	(16,637)
Fair value derivatives	-	812,438
Bank commission, stamp taxes & other financial costs	(1,369,935)	(725,673)
Total	**(39,519,038)**	**(26,461,243)**

Note 29 – Personnel expenses

Personnel expenses as of December 31 each year is as follows:

	12-31-2013 ThCh$	12-31-2012 ThCh$
Wages & salaries	(45,011,575)	(18,879,475)
Short-term employee benefits	(10,235,163)	(6,289,166)
Post-employment benefits	(2,934,678)	(673,245)
Severance payments	(4,270,323)	(1,874,922)
Other personnel expenses	(1,143,419)	(798,385)
Total	**(63,595,158)**	**(28,515,193)**

The personnel expenses of Madeco S.A. related to the discontinued operations amounted to ThCh$ 29,035,180 as of December 31, 2012.

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 at December 31 each year is as follows:

	12-31-2013	12-31-2012
Earnings attributable to holders of equity instruments of the controller	124,840,504	139,642,577
Income available for common shareholders, basic	124,840,504	139,642,577
Weighted average number of shares, basic	1,406,934,937	1,338,335,100
Basic earnings per share ThCh$	**0.088732251**	**0.104340517**

Note 31 – The environment

The Parent company is not affected by this concept as it is an investment company.

As of December 31, 2013 the subsidiaries Invexans and Madeco have made no disbursements for this concept.

As of December 31, 2013 the subsidiary Enex disbursed ThCh$815,343 (ThCh$1,071,799 in 2012) to control atmospheric emissions and change fuel tanks in the service station network, in the cleaning of soil and groundwaters 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 placed in a diversified way).

Regarding the risk related to 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, 2013 Madeco had 235 tons of aluminum hedged by derivative contracts.

The risk associated with financial liabilities and assets is managed by Invexans in accordance with 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 placed in a diversified way).

The subsidiary LQ Inversiones Financieras has no accounts receivable subject to credit risk. Its investments of surplus cash are made in market conditions in fixed-rate instruments to match the maturities of its financial commitments and operational expenses.

Note 32 – Financial risk management policy (continued)

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 commercial area, 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.

The investments of surplus cash of Enex are limited to fixed-rate instruments (such as repurchase agreements and time deposits) 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 Enex's current treasury policy.

For the detail of balances of financial assets, see Note 26 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 issue 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 one of its companies.

The subsidiary Invexans periodically estimates its projected liquidity needs for each year, between the cash receivable (rent, dividends, etc.), the respective payments (commercial, financial, etc.) and available cash, in order not to have to resort to external short-term financing. Invexans' 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 the company.

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 20 Other current and non-current financial liabilities.

Note 32 – Financial risk management policy (continued)

Market risk

Exchange-rate risk

At the corporate level as of December 31, 2013 there is no exposure for currency exchange rate 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 2013 or December 2012.

In the subsidiary Invexans the exposure to exchange-rate risk derives from its asset and liability positions in currencies other than its functional currency, i.e. the US dollar, and fluctuations occurring between both currencies. Both the Board and management of Invexans 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 adverse effects for Invexans be projected, financial derivatives can be contracted (mainly cross-currency swaps) in order to mitigate these possible risks.

As of December 31, 2013, Invexans' net exposure to exchange-rate risk is an asset equivalent to Ch$9,343 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$467 million in the consolidated comprehensive income statement.

In the subsidiary Madeco the exposure to exchange-rate risk 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 balance 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.

As of December 31, 2013, Madeco's net exposure to exchange risk is an asset equivalent to Ch$4,138 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$207 million in the consolidated comprehensive income statement.

The subsidiary LQIF has no exchange-rate exposure as it has no foreign currency assets or liabilities as of December 31, 2013 and 2012.

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. To mitigate this, Enex has a policy to minimize the net exposure (assets-liabilities) in foreign currency using habitual purchases of currency on the spot market. As of December 31, 2013, the net exchange-rate exposure of Enex is an asset equivalent to Ch$8,434 million. If a 5% fluctuation is assumed against the functional currency on this exposure, an estimated effect of Ch$422 million would be generated in the comprehensive income statement.

Exchange differences produced by converting to pesos the balances in the functional currencies of consolidated or associate entities whose functional currency is other than the peso, a credit or charge is recognized in equity until the clearance of the balance when they will be recognized in income.

Note 32 – Financial risk management policy (continued)

Interest-rate risk

At the corporate level, Quiñenco as of December 31, 2013 has financial assets at fair value with changes in income for Ch$411,298 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$32 million.

At the corporate level, Quiñenco has 95.2% of its obligations at fixed rates and 4.8% at variable rates.

Invexans has 60.4% of its obligations at fixed rate and 39.6% at variable rates.

Madeco has 38.4% of its obligations at fixed rate and 61.6% at variable rates.

LQIF has all its financial commitments at fixed rates, implying a low exposure to rate risk.

Enex has 36.8% of its obligations at fixed rate and 63.2% 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 79.4% of the debt is structured at fixed interest rates.

Net position	12-31-2013	12-31-2012
Fixed interest rate	79.4%	81.3%
Hedged interest rate	0.0%	0.0%
Variable interest rate	20.6%	18.7%
Total	**100.0%**	**100.0%**

As of December 31, 2013, the consolidated variable interest-rate exposure is Ch$160,914 million. A 100 basis point variation in the interest rate would generate an effect on financial costs for the year of Ch$1,609 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, Invexans and their subsidiaries.
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, Invexans 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, 2013 and 2012 is as follows:

	12-31-2013 ThCh$	**12-31-2012 ThCh$**
South America	2,034,861,853	1,429,126,230
Central America	18,458,645	11,175,489
North America	1,588,437	7,962,111
Europe	28,533	20,920
Africa	8,770	1,223
Asia	-	9,893
Total ordinary income from external customers	**2,054,946,238**	**1,448,295,866**

Note 33 – Information by segment (continued)

The following table shows the results by segment for the year 2013:

	Segments December 2013				
Income Statement	**Manufacturing**	**Financial**	**Energy**	**Other**	**Total**
Non-banking businesses	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**
Income from ordinary activities	206,182,464	-	1,757,693,466	91,070,308	2,054,946,238
Ordinary income from transactions between segments	-	-	-	-	-
Cost of sales	(163,365,874)	-	(1,630,361,291)	(24,490,283)	(1,818,217,448)
Gross margin	42,816,590	-	127,332,175	66,580,025	236,728,790
Other income by function	12,972,987	-	7,404,041	3,119,635	23,496,663
Distribution costs	(6,210,591)	-	-		(6,210,591)
Administrative expenses	(23,482,775)	(1,046,303)	(112,672,401)	(68,478,510)	(205,679,989)
Other expenses by function	(504,358)	(2,686,400)	(89,986)		(3,280,744)
Other gains	17,038,955	5,445,385	3,029,563	7,783,249	33,297,152
Earnings from operating activities	42,630,808	1,712,682	25,003,392	9,004,399	78,351,281
Financial income	118,988	605,620	1,923,259	13,693,227	16,341,094
Financial costs	(7,053,488)	(11,439,341)	(6,686,139)	(14,340,070)	(39,519,038)
Interest in earnings (losses) of associates & joint ventures recognized using the equity method	(53,145,724)	-	1,073,442	13,307,351	(38,764,931)
Exchange differences	(2,116,342)	-	(454,136)	148,175	(2,422,303)
Results of indexation adjustments	182,722	(3,498,562)	7,486	(7,434,965)	(10,743,319)
Earnings (loss) before tax	(19,383,036)	(12,619,601)	20,867,304	14,378,117	3,242,784
Charge for income tax	(8,266,428)	857,371	(1,896,642)	557,261	(8,748,438)
Earnings (loss) from continuing operations	(27,649,464)	(11,762,230)	18,970,662	14,935,378	(5,505,654)
(Loss) from discontinued operations	(7,647,980)	-	-	-	(7,647,980)
Earnings (loss) of non-banking businesses	**(35,297,444)**	**(11,762,230)**	**18,970,662**	**14,935,378**	**(13,153,634)**
Income Statement banking services					
Total net operating income	-	1,216,507,483	-	-	1,216,507,483
Total operating expenses	-	(623,200,452)	-	-	(623,200,452)
Operating result	-	593,307,031	-	-	593,307,031
Income from investments in companies	-	2,071,770	-	-	2,071,770
Interest on subordinated debt with Banco Central de Chile	-	(69,700,679)	-	-	(69,700,679)
Result before income tax	-	525,678,122	-	-	525,678,122
Income tax	-	(80,020,254)	-	-	(80,020,254)
Result from continuing operations	-	445,657,868	-	-	445,657,868
Earnings banking services	-	445,657,868	-	-	445,657,868
Consolidated earnings (Loss)	**(35,297,444)**	**433,895,638**	**18,970,662**	**14,935,378**	**432,504,234**
Earnings attributable to owners of the controller	**(30,990,253)**	**124,129,690**	**18,970,662**	**12,730,405**	**124,840,504**
Earnings attributable to non-controlling interests	(4,307,191)	309,765,948	-	2,204,973	307,663,730
Consolidated earnings (Loss)	**(35,297,444)**	**433,895,638**	**18,970,662**	**14,935,378**	**432,504,234**

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 following shows the depreciation, amortization, components of cash flows and the assets and liabilities by segment, as of December 31, 2013:

	Manufacturing	**Financial**	**Energy**	**Other**	**Total**
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Depreciation & amortization	(8,337,703)	(2,770,660)	(7,757,022)	(1,840,400)	(20,705,785)
Cash flow from non-banking services					
Operating cash flow	17,557,185	(433,995)	27,614,176	4,023,062	48,760,428
Investment cash flow	(77,267,402)	7,728,309	(140,558,977)	(87,961,742)	(298,059,812)
Financing cash flow	72,344,141	(127,125,101)	125,223,972	243,392,218	313,835,230
Cash flow from banking services					
Operating cash flow	-	(208,223,816)	-	-	(238,223,816)
Investment cash flow	-	(419,006,279)	-	-	(419,006,279)
Financing cash flow	-	959,734,784	-	-	959,734,784
Current assets	149,064,032	8,667	305,354,131	445,989,700	900,416,530
Non-current assets	465,223,498	923,676,358	426,924,066	826,375,550	2,642,199,472
Banking assets	-	25,929,313,911	-	-	25,929,313,911
Total assets	**614,287,530**	**26,852,998,936**	**732,278,197**	**1,272,365,250**	**29,471,929,913**
Current liabilities	186,822,795	4,361,207	152,232,726	109,064,641	452,481,369
Non-current liabilities	109,302,547	199,097,903	112,388,964	442,912,933	863,702,347
Banking liabilities	-	23,728,952,862	-	-	23,728,952,862
Total liabilities	**296,125,342**	**23,932,411,972**	**264,621,690**	**551,977,574**	**25,045,136,578**

Notes to the Consolidated Financial Statements
As of December 31, 2013 and 2012
(Translation of financial statements originally issued in Spanish – See Note 2)

Note 33 – Information by segment (continued)

The income by segments as of December 31, 2012 are as follows:

	Segments December 2012				
Income Statement	**Manufacturing**	**Financial**	**Energy**	**Other**	**Total**
Non-banking businesses	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**M$**
Income from ordinary activities	178,825	-	1,340,622,690	107,494,351	1,448,295,866
Ordinary income from transactions between segments	-	-	-	-	-
Cost of sales	(54,806)	-	(1,246,250,757)	(20,317,718)	(1,266,623,281)
Gross margin	124,019	-	94,371,933	87.176.633	181,672,585
Other income by function	448,102	-	5,090,365	3,906,429	9,444,896
Distribution costs	(31,175)	-	-	-	(31,175)
Administrative expenses	(1,635,096)	(976,578)	(91,573,041)	(70,060,940)	(164,245,655)
Other expenses by function	(5,062,059)	(5,210,555)	(4,800)	167,523	(10,109,891)
Other gains (losses)	37,501,566	-	(271,594)	(2,625,546)	34,604,426
Earnings (losses) from operating activities	31,345,357	(6,187,133)	7,612,863	18,564,099	51,335,186
Financial income	11,384	812,788	1,812,290	18,463,993	21,100,455
Financial costs	(274,871)	(7,212,358)	(5,751,596)	(13,222,418)	(26,461,243)
Interest in earnings (loss) of associates & joint ventures recognized using the equity method	(756,685)	-	933,020	(13,505,397)	(13,329,062)
Exchange differences	269,953	-	(137,599)	(3,587,501)	(3,455,147)
Results of indexation adjustments	-	(4,136,004)	597,120	(8,327,515)	(11,866,399)
Earnings (loss) before tax	30,595,138	(16,722,707)	5,066,098	(1,614,739)	17,323,790
Charge for income tax	(7,087,690)	(3,766,230)	23,321,075	(2,887,969)	9,579,186
Earnings (loss) from continuing operations	23,507,448	(20,488,937)	28,387,173	(4,502,708)	26,902,976
Earnings (loss) from discontinued operations	4,360,924	-	-	-	4,360,924
Earnings (loss) from non-banking businesses	**27,868,372**	**(20,488,937)**	**28,387,173**	**(4,502,708)**	**31,263,900**
Income Statement 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
Income from investments in companies	-	(229,405)	-	-	(229,405)
Interest on subordinated debt with Banco Central de Chile	-	(73,709,381)	-	-	(73,709,381)
Income before income tax	-	449,218,813	-	-	449,218,813
Income tax	-	(54,039,788)	-	-	(54,039,788)
Result from continuing operations	-	395,179,025	-	-	395,179,025
Earnings (loss) banking services	-	395,179,025	-	-	395,179,025
Consolidated 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
Consolidated 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 following shows the depreciation, amortization, components of cash flows and the assets and liabilities by segment, as of December 31, 2012:

	Manufacturing	**Financial**	**Energy**	**Other**	**Total**
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Depreciation & amortization	(6,257,837)	(5,212,903)	(5,690,299)	(2,246,709)	(19,407,748)
Cash flow from non-banking services					
Operating cash flow	6,068,982	942,032	17,182,990	26,363,482	50,557,486
Investing cash flow	(27,244,515)	9,972,007	(25,469,772)	(240,722,210)	(283,464,490)
Financing cash flow	18,047,444	(113,542,541)	47,178,650	351,420,277	303,103,830
Cash flow from banking services					
Operating cash flow	-	(1,142,700,082)	-	-	(1,142,700,082)
Investing cash flow	-	313,832,403	-	-	313,832,403
Financing cash flow	-	741,883,441	-	-	741,883,441
				-	
Current assets	74,396,521	1,487,179	214,488,352	304,517,102	594,889,154
Non-current assets	350,151,765	926,361,278	308,072,393	658,734,939	2,243,320,375
Banking assets	-	23,252,872,759	-	-	23,252,872,759
Total assets	**424,548,286**	**24,180,721,216**	**522,560,745**	**963,252,041**	**26,091,082,288**
Current liabilities	47,955,409	108,189,119	103,884,977	74,854,488	334,883,993
Non-current liabilities	67,578,764	195,375,639	87,302,829	367,667,618	717,924,850
Banking liabilities	-	21,449,800,807	-	-	21,449,800,807
Total liabilities	**115,534,173**	**21,753,365,565**	**191,187,806**	**442,522,106**	**22,502,609,650**

Note 34 – Effect of currency exchange rate variations

a) The following table details assets by local and foreign currency as of December 31, 2013:

Assets		Chilean	Unidad de			Argentine		Colombian	
Non-banking businesses	**Dollars**	**pesos**	**Fomento**	**Euros**	**Soles**	**pesos**	**Reales**	**Pesos**	**Total**
Current assets	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**
Cash & cash equivalents	35,774,981	345,904,070	-	3,542,502	323,267	356,027	176,396	133,390	386,210,633
Other financial assets, current	1,912	51,519,961	56,886,933	-	-	-	591,022	-	108,999,828
Other non-financial assets, current	353,451	21,589,851	816	356,188	34,279	401,127	194,247	147,079	23,077,038
Trade debtors & other accounts receivable, current	32,394,218	153,625,009	677,159	-	1,999,712	6,960,658	7,259,500	6,630,361	209,546,617
Accounts receivable from related parties, current	-	3,255,069	-	-	-	-	-	-	3,255,069
Inventory	33,139,390	84,534,525	-	-	-	-	6,539,010	4,943,128	129,156,053
Tax assets, current	61,324	13,183,636	-	-	1,361,201	87,244	190,941	-	14,884,346
Total current assets other than assets or groups of assets for disposal classified as held for sale or held for distribution to the owners	**101,725,276**	**673,612,121**	**57,564,908**	**3,898,690**	**3,718,459**	**7,805,056**	**14,951,116**	**11,853,958**	**875,129,584**
Non-current assets or groups of assets for disposal classified as held for sale	21,550,502	3,136,376	1,671	1,979	-	596,418	-	-	25,286,946
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	**21,550,502**	**3,136,376**	**1,671**	**1,979**	**-**	**596,418**	**-**	**-**	**25,286,946**
Current assets, total	**123,275,778**	**676,748,497**	**57,566,579**	**3,900,669**	**3,718,459**	**8,401,474**	**14,951,116**	**11,853,958**	**900,416,530**
Non-current assets									
Other financial assets, non-current	1,936	18,877,265	-	59,344,135	-	-	-	-	78,223,336
Other non-financial assets, non-current	-	7,156,587	980,213	-	-	79,012	8,181,791	71,081	16,468,684
Accounts receivable, non-current	-	1,274,138	-	-	-	-	-	-	1,274,138
Accounts receivable from related parties, non-current	-	597,244	-	-	-	-	-	-	597,244
Investments recognized using the equity method	440,678,473	365,578,320	-	236,637,824	-	-	-	-	1,042,894,617
Intangible assets other than goodwill	15,897,200	203,363,190	-	-	-	-	3,380		219,263,770
Goodwill	16,365,716	916,153,894	-	-	-	-	-	-	932,519,610
Property, plant & equipment	100,347,920	187,657,615	-	-	-	-	18,905,198	-	306,910,733
Investment properties	3,227,319	5,561,306	-	-	-	-	-	-	8,788,625
Deferred tax assets	2,568,000	32,690,715	-	-	-	-	-	-	35,258,715
Total assets, non-current	**579,086,564**	**1,738,910,274**	**980,213**	**295,981,959**	**-**	**79,012**	**27,090,369**	**71,081**	**2,642,199,472**
Total assets, non-banking business	**702,362,342**	**2,415,658,771**	**58,546,792**	**299,882,628**	**3,718,459**	**8,480,486**	**42,041,485**	**11,925,039**	**3,542,616,002**

Note 34 – Effect of currency exchange rate variations (continued)

b) The following table details liabilities by national and foreign currency as of December 31, 2013:

Liabilities Non-banking businesses Current liabilities	Dollars ThCh$	Chilean Pesos ThCh$	Unidad de Fomento ThCh$	Euros ThCh$	Soles ThCh$	Argentine pesos ThCh$	Reales ThCh$	Colombian Pesos ThCh$	Other Currencies ThCh$	Total ThCh$
Other financial liabilities, current	85,277,303	49,205,959	35,774,779	-	-	2,615,955	-	1,844,853	-	174,718,849
Trade creditors & other accounts payable, current	43,373,982	144,766,113	1,059,149	346,858	1,316,847	3,654,261	3,924,266	-	-	198,441,476
Accounts payable to related parties, current	1,827	253		-	-	-	-	-	-	2,080
Other short-term provisions	366,982	9,655,285	56,414	-	-	446,850	798,449	34,155	-	11,358,135
Tax liabilities, current	23,562	6,931,674	-	-	5,253,096	-	7,007	-	-	12,215,339
Provisions for employee benefits, current	-	6,098,515	19,432	-	1,292,546	400,250	363,638	-	-	8,174,381
Other non-financial liabilities, current	936,414	38,339,775	-	-	2,260	229,242	82,394	-	-	39,590,085
Total current liabilities other than liabilities included in groups of assets for disposal classified as held for sale	**129,980,070**	**254,997,574**	**36,909,774**	**346,858**	**7,864,749**	**7,346,558**	**5,175,754**	**1,879,008**	**-**	**444,500,345**
Liabilities included in groups of assets for disposal classified as held for sale	3,692,124	4,030,909	22,027	1,244	-	182,734	-	25,993	25,993	7,981,024
Total current liabilities	**133,672,194**	**259,028,483**	**36,931,801**	**348,102**	**7,864,749**	**7,529,292**	**5,175,754**	**1,905,001**	**25,993**	**452,481,369**
Non-current liabilities										
Other financial liabilities, non-current	80,266,222	85,551,257	528,928,418	-	-	1,610,917	-	7,997,576	-	704,354,390
Other long-term provisions	-	20,778,934	-	-	-	-	1,777,573	-	-	22,556,507
Deferred tax liabilities	4,310,215	58,895,068	-	-	4,199,571	2,956,030	1,763,685	-	-	72,124,569
Provisions for employee benefits, non-current	-	18,744,685	111,177	-	-	-	-	-	-	18,855,862
Other non-financial liabilities, non-current	-	45,811,019	-	-	-	-	-	-	-	45,811,019
Total non-current liabilities	**84,576,437**	**229,780,963**	**529,039,595**	**-**	**4,199,571**	**4,566,947**	**3,541,258**	**7,997,576**	**-**	**863,702,347**
Total non-banking business liabilities	**218,248,631**	**488,809,446**	**565,971,396**	**348,102**	**12,064,320**	**12,096,239**	**8,717,012**	**9,902,577**	**25,993**	**1,316,183,716**

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Note 34 – Effect of currency exchange rate variations (continued)

c) The following table details assets by local and foreign currency as of December 31, 2012:

Assets Non-banking businesses Current assets	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	237,589,038	-	7,058	117,900	20,059	1,602	116,657	252,456,986
Other financial assets, current	-	46,693,056	34,008,425	-	-	-	-	-	80,701,481
Other non-financial assets, current	109,991	19,453,784	6,601	337,991	-	409,193	-	-	20,317,560
Trade debtors & other accounts receivable, current	21,350,574	94,629,322	100,959	-	-	6,780,030	-	-	122,860,885
Accounts receivable from related parties, current	154,963	4,095,346	-	-	-	-	-	-	4,250,309
Inventory	29,022,743	68,858,486	-	-	-	-	-	-	97,881,229
Tax assets, current	-	14,200,689	-	-	-	207,516	191,688	-	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	**65,242,943**	**485,519,721**	**34,115,985**	**345,049**	**117,900**	**7,416,798**	**193,290**	**116,657**	**593,068,343**
Non-current assets or groups of assets for disposal classified as held for sale	1,820,811	-	-	-	-	-	-	-	1,820,811
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	**1,820,811**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,820,811**
Current assets, total	**67,063,754**	**485,519,721**	**34,115,985**	**345,049**	**117,900**	**7,416,798**	**193,290**	**116,657**	**594,889,154**
Non-current assets									
Other financial assets, non-current	2,920	18,879,817	69,591,591	-	-	-	-	-	88,474,328
Other non-financial assets, non-current	-	2,591,832	974,759	-	-	3,836	8,251,217	-	11,821,644
Collection rights, non-current	936	1,176,824	-	-	-	-	-	-	1,177,760
Accounts receivable from related parties, non-current	-	-	585,232	-	-	-	-	-	585,232
Investments recognized using the equity method	341,189,609	240,503,975	-	247,861,822	-	-	-	2,801,710	832,357,116
Intangible assets other than goodwill	1,328,298	205,849,897	-	-	-	-	-	-	207,178,195
Goodwill	407,079	863,805,689	-	-	-	-	-	-	864,212,768
Property, plant & equipment	68,816,649	126,684,948	-	-	-	-	-	-	195,501,597
Investment properties	-	8,804,681	-	-	-	-	-	-	8,804,681
Deferred tax assets	2,077,126	31,129,928	-	-	-	-	-	-	33,207,054
Total assets, non-current	**413,822,617**	**1,499,427,591**	**71,151,582**	**247,861,822**	**-**	**3,836**	**8,251,217**	**2,801,710**	**2,243,320,375**
Total assets, non-banking business	**480,886,371**	**1,984,947,312**	**105,267,567**	**248,206,871**	**117,900**	**7,420,634**	**8,444,507**	**2,918,367**	**2,838,209,529**

Note 34 – Effect of currency exchange rate variations (continued)

d) The following table details liabilities by local and foreign currency as of December 31, 2012:

Liabilities Non-banking businesses Current liabilities	Dollars ThCh$	Chilean pesos ThCh$	Unidad de Fomento ThCh$	Euros ThCh$	Soles ThCh$	Argentine pesos ThCh$	Reales ThCh$	Other currencies ThCh$	Total ThCh$
Other financial liabilities, current	9,140,751	111,513,453	24,800,247	-	-	2,746,660	-	-	148,201,111
Trade creditors & other accounts payable, current	18,892,639	92,250,188	459,910	13,474	-	2,955,414	38,304	415,018	115,024,947
Accounts payable to related parties, current	5,627	121,621	482	-	-	-	-	-	127,730
Other short-term provisions	429,905	10,922,514	47,983	-	-	368,989	592,113	43,540	12,405,044
Tax liabilities, current	395,570	5,463,369	-	-	-	221,625	-	64,741	6,145,305
Provisions for employee benefits, current	-	5,758,852	14,865	-	-	303,119	-	145,179	6,222,015
Other non-financial liabilities, current	372,745	46,255,893	-	-	-	66,135	-	63,068	46,757,841
Total current liabilities other than liabilities included in groups of assets for disposal classified as held for sale	**29,237,237**	**272,285,890**	**25,323,487**	**13,474**	**-**	**6,661,942**	**630,417**	**731,546**	**334,883,993**
Liabilities included in groups of assets for disposal classified as held for sale	-	-	-	-	-	-	-	-	-
Total current liabilities	**29,237,237**	**272,285,890**	**25,323,487**	**13,474**	**-**	**6,661,942**	**630,417**	**731,546**	**334,883,993**
Non-current liabilities									
Other financial liabilities, non-current	56,084,108	65,747,380	450,792,128	-	-	1,074,392	-	-	573,698,008
Other long-term provisions	-	15,516,463	-	-	-	96,067	1,498,963	-	17,111,493
Deferred tax liabilities	471,284	55,129,220	-	-	-	1,458,520	-	-	57,059,024
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	**56,555,392**	**206,225,261**	**451,016,255**	**-**	**-**	**2,628,979**	**1,498,963**	**-**	**717,924,850**
Total non-banking business liabilities	**85,792,629**	**478,511,151**	**476,339,742**	**13,474**	**-**	**9,290,921**	**2,129,380**	**731,546**	**1,052,808,843**

Note 35 – Contingencies and Commitments

(a) Lawsuits

a.1) The subsidiary VTR presented Case 10,520-07 in 1999 which is pending before the Santiago Appeals Court, against the ruling 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 Lawsuit 29 of January 21, 1998 for First Category Income 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 ruling 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, therefore invalidating 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 10,520-2007). These 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.

a.2) The subsidiary VTR has appealed before the Santiago Appeals Court (Case 6692-04) which is pending review by the court. This appeal was made against the ruling 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 Lawsuit 1025 of that tax office. On March 25, 2009, the Santiago Appeals Court invalidated the ruling and all the previous proceedings in the first instance as the ruling 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 10,384-2009), rejecting the company's tax appeal on September 8, 2009. As a result, an appeal was lodged on October 15, 2009 and if rejected again the case would be heard by Santiago Appeals Court. In January 2013, the Tax Court rejected the replacement brought but permitting an appeal to the Santiago Appeals Court.

a.3) As of December 31, 2013, the subsidiaries Invexans and Madeco have lawsuits pending against them with respect to claims related to their normal businesses which, according to the company's legal advisers, present no risk of significant losses.

a.4) The subsidiary Inversiones Río Grande S.p.A. has a lawsuit before the Tax Court of the Metropolitan Santiago East Regional Office of the Internal Revenue Service (Case No.10.349-2002) for a tax appeal made by the company against claim 62 with respect to the reimbursement of monthly tax prepayments for income absorbed by the tax loss for the tax year 1999 (ThCh$ 484,329 (historic) of tax).

Note 35 – Contingencies and Commitments (continued)

(a) Lawsuits (continued)

This appeal was rejected by the Tax Court. An appeal was then made for reconsideration. In February 2013, the tribunal rejected this and allowed an appeal to be made to the Santiago Appeal Courts.

a.5) On August 26, 2005, the subsidiary VTR S.A. was notified of lawsuit 156 by the Internal Revenue Service with respect to First Category Income tax, paragraph 3 of Article 21 of the Income Tax Law, for the tax year 2003, amounting to ThCh$ 484,269 (historic). On November 4, 2005 the subsidiary VTR appealed the claim, requesting a revision. On February 16, 2006, Resolution 32/2006 was issued which stated that a revision was not appropriate, so a formal appeal was made. On June 29, 2007, observations were presented to the report 93 issued on June 6, 2007 by the large international companies inspection department of the Internal Revenue Service. On July 9, 2007 the Tax Court resolved to accept the observations in that report. In October 2012, the Tax Court rejected the appeal and allowed an appeal to be made to the courts of appeal.

(b) Financial contingencies

(1) As of December 31, 2013 Quiñenco and the group companies are in compliance with the financial covenants related to bond issues. Quiñenco's principal financial covenants as of December 31, 2013 are:

- To maintain unencumbered assets to unsecured debt at book value of at least 1.3 times. As of December 31, 2013 the ratio of unencumbered assets to unsecured debt at book value is 5.3 times, as follows:

Quiñenco individual	**ThCh$**
Total assets	2,990,975,785
Encumbered assets	-
Unencumbered assets	**2,990,975,785**
Total current liabilities	93,772,451
Other short-term provisions	(2,863,542)
Provisions for employee benefits, current	(595,244)
Total non-current liabilities	479,842,671
Other long-term provisions	(2,771,963)
Unsecured debt	**567,384,373**

Note 35 – Contingencies (continued)

(b) Financial contingencies (continued)

- To maintain an unconsolidated financial debt ratio to total equity of no more than 0.46:1. As of December 31, 2013 the financial debt to total equity at book value ratio is 0.18:1, as follows:

Financial debt	**ThCh$**
Other financial liabilities, current	50,927,975
Other financial liabilities, non-current	368,517,397
Accounts payable to related parties, non-current	105,412,405
Financial debt	**524,857,777**
Capitalization	
Equity attributable to owners of the controller	2,417,360,663
Financial debt	524,857,777
Capitalization	**2,942,218,440**

- To maintain a consolidated financial debt ratio to total capitalization of no more than 0.61:1. As of December 31, 2013 the consolidated financial debt ratio to total capitalization at book value is 0.20, as follows:

Financial debt	**ThCh$**
Other financial liabilities, current	174,718,849
Accounts payable to related parties, non-current	2,080
Other financial liabilities, non-current	704,354,390
Financial debt	**879,075,319**
Capitalization	
Equity attributable to owners of the controller	2,417,360,663
Financial debt	879,075,319
Non-controlling interests (1)	1,122,336,674
Capitalization	**4,418,772,656**

(i) Relates to non-controlling interests of Quiñenco ThCh$ 2,009,432,672 less non-controlling interests of LQIF ThCh$ 887,095,998.

- To maintain a minimum equity of Ch$753,378 million. As of December 31, 2013 the equity attributable to owners of the controller is Ch$ 2,417,361million.
- 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.

Note 35 – Contingencies (continued)

(b) Financial contingencies (continued)

(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, 2013 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 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, 2013 is 0.077 times.

(4) As of December 31, 2013, Madeco and its subsidiaries have various covenants whose principal terms are:

Long-term loans for the purchase of shares in Nexans.

5) Invexans S.A. (legal successor of Madeco S.A.)

During October and December 2012, Invexans signed two loan agreements with BBVA for US$ 15 million each. Both loans are payable on October 26, 2015. The agreements require 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.

As of December 31, 2013, Invexans is in compliance with restrictions stated in the above loan agreements, as follows:

Covenants	**12-31-2013**	**Covenants**
Net total leverage of consolidated statement of financial position	0.51	< 1.00
Minimum equity	ThUSD 395,994	> ThUSD 250,000
Luksic Group shareholding in Invexans	65.9%	> 45.0%

Note 35 – Contingencies (continued)

(c) Other contingencies

Sale of the Cable Unit to Nexans.

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:

c.1) 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 Invexans and its subsidiaries of the cable assets transferred to Nexans, compliance with prevailing regulations and the absence of contingencies, apart from those disclosed in the contract. Invexans, 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 Invexans were effective until December 2009, except for i) labor and tax 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.

c.2) Covenants and restrictions for Invexans

Invexans is 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 to Nexans the same collateral that it may grant to its creditors in the future; and iv) maintain the confidentiality of information that is not public knowledge.

c.3) 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 originated 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. Invexans responds only for 90% of the obligation to indemnify for the taxes in Brazil until the sale date.

c.4) Limitation of responsibility of Invexans.

The sale contract states that Invexans is not liable for damages caused by individual events when these do not exceed US$73,000, nor for accumulated damages, excluding the individual damages mentioned above, that do not exceed US$ 147 million, and if these are exceeded, Invexans shall be liable according to the contract.

Note 35 – Contingencies (continued)

c.5) Transaction with Nexans.
On November 26, 2012, Invexans and Nexans signed a settlement to end differences originating from the indemnities stipulated in the cables unit sale contract with Nexans, through the payment by Madeco of R$23.68 million. 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 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 for Invexans. The settlement also terminated the liability of Invexans for certain civil and labor proceedings listed in that agreement which their signature was pending until the damages reach a certain limit. Finally, Invexans 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.

(d) Tax contingencies

On July 19, 2006, Ficap S.A., a former Invexans cable subsidiary and now Nexans Brasil S.A. (“Nexans Brasil – ex Ficap”), received a claim 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 claim. 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 claims amounting to ThR$ 8,481 (equivalent on that date to ThUS 4,590) including interest and fines. The arguments and bases for these claims are accessory to the lawsuit mentioned in the previous paragraph so the result is closely related to that lawsuit. According to Madeco’s legal advisors in Brazil, there are well-founded arguments for reversing this situation. Our legal advisors 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 claim 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 tax balance 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.

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 this 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.

Note 35 – Contingencies (continued)

(d) Tax contingencies (continued)

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 claims is ThR$7,424.

According to Brazilan 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 demands 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) more than 5 years the prescription of the collection has passed between the notification of thee executive collection and the last payment of the amnesty mentioned.

During December 2013, Nexans Brasil was notified of a tax claim for ThR$31,765 referring to a possible difference in the income tax payment for capital gains (“imposto de renda retido na fonte (“IRRF”)), for using a tax rate of 15% instead of 25%.

The Brazilian tax authorities understand that a tax rate of 25% should be used, as they consider that the corporate reorganization carried out by Madeco S.A., in which it directly became the owner of the shares in Ficap S.A. would be an abusive tax planning and therefore illicit, its only motive being to pay less tax in Brazil. The Brazilian tax authorities consider that if the sale of the shares had been made by the previous owner, i.e. the company resident in the Cayman Islands “Metal Overseas S.A.” (i.e. controlled 100% by Madeco S.A.), the applicable rate would be 25% and not 15% which is the rate to be used when the seller is a resident of Chile.

The company, for its part, understands that, among other arguments: i. the action of the The Brazilian tax authorities is prescribed as more than 5 years have passed since the payment of the tax (i.e. the tax payment was made in September 2008 and the notification was made in December 2013); ii. the sale of the cable unit of Madeco S.A. was an operation involving 5 Latin American countries in which Madeco S.A. centralized all its sales from just one country, Chile, so it cannot be argued that its only motive was to pay less tax in Brazil; and iii. if the only reason behind the corporate reorganization had been to pay less tax in Brazil, the transaction would have been confirmed directly in Cayman Islands through the sale of the shares of Metal Overseas S.A., leaving the Brazilian authority without the right to charge any tax.

Our legal advisors believe there are good possibilities for reversing the claim notified.

Note 36 – Collateral received

The Company has received no collateral from third parties as of December 31, 2013.

Note 37 – Sanctions

Neither the Company nor its directors or managers received any sanctions from the SVS or any other regulatory authority during 2013 and 2012.

Note 38 – Events after the Reporting Period

On January 9, 2014 the Company reported the following material information to the SVS:

As reported on this date by the subsidiary LQ Inversiones Financieras S.A. ("LQIF"), its Board on January 9 decided to start the process for the sale of part of its interest in Banco de Chile through a secondary offering, locally and internationally, of up to 6,900,000,000 shares that it holds.

This operation has to be finally approved, including the share price, by the Board of LQIF at a later meeting.

In order to enable the above resolution of LQIF therefore, Quiñenco S.A. has proceeded to adjust the shareholders' agreement signed with Citigroup in LQIF, so that, effective January 9, 2014, LQIF's obligation to maintain an interest in Banco de Chile with 58.33% of the voting rights is reduced to 51% of those rights, which does not imply any change in the control of Banco de Chile currently held by Quiñenco S.A.

Subject to the fomalization of the sale of the shares of Banco de Chile referred to above, by the subsidiary LQIF, Quiñenco S.A. will complement the information in this report with respect to the effects of this operation on Quiñenco S.A.

On March 6, 2014 the Company reported the following material information to the SVS:

This report complements what was reported on January 9, 2014, relating the secondary placement of shares of Banco de Chile held by the subsidiary LQ Inversiones Financieras S.A. ("LQIF").

On January 29, 2014 LQIF placed 6,700,000,000 shares of Banco de Chile at a price of Ch$67 per share on the Santiago Stock Exchange.

On February 14, 2014 Quiñenco received an eventual dividend of Ch$205,159,060,649 against the accumulated earnings of that subsidiary from LQIF.

The Board of Quiñenco on this date stated that the described operation had no effect on the company's distributable earnings. The effect on equity will be shown in the financial statements for the first quarter of 2014.

There were no other events of a financial or other nature between December 31, 2013 and the date of issuance of these consolidated financial statements that might affect significantly an interpretation of them.

Note 39 – Additional Notes

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) are as follows.

Note 39.1 – Corporate information

The extraordinary shareholders' meeting held on July 18, 1996, recorded in 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 objective 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 as a part of the shares in the new banking company, Banco de Chile would be transferred.

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, which shares represent 30.69% of the share capital of that bank (31.81% in 2012) 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.

As of December 31, 2013, the total balance of the Subordinated Obligation with Banco Central de Chile, including interest, amounts to U.F. 27,865,005.08 (U.F. 33,025,256.10 in 2012), 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 obligated to annually pay 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 it is otherwise recognized 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.

Note 39 – Additional notes (continued)

Note 39.1 – Company information (continued)

The annual quota for 2013 amounts to ThCh$ 145,122,601 (ThCh$142,318,228 in 2012). As of December 31, 2013 there is a surplus in the Surpluses for Future Deficits Account of U.F. 15,634,989.72 (U.F. 11,911,513.59 in 2012).

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 adjudicated 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

Effective as of 2013, IAS 19 "Employee benefits", amended the accounting treatment of measurements of liabilities for defined benefits plan and termination benefits. The principal effect on the financial statements relates to the recognition of gains or losses arising from changes in actuarial variables which from this year are recognized as a charge or credit to Other comprehensive income. The effects of modifications in actuarial variations were previously recognized directly in income.

In order to present comparative financial statements, the reclassifications made to the statement of financial position and consolidated income statement for 2012 were as follows:

	Balances as of December 31, 2012 ThCh$	Reclassification ThCh$	Pro forma balances as of December 2012 ThCh$
EQUITY			
Of the owners of SM Chile S.A.:			
Capital	285,893,521	-	285,893,521
Reserve	526,477,168	(797,390)	525,679,778
Valuation accounts	8,760,536	-	8,760,536
Retained earnings:			
Retained earnings from previous years	12,499,931	-	12,499,931
Earnings	73,794,670	797,390	74,592,060
less:			
Provision for minimum dividends	(56,469,802)	-	(56,469,802)
Sub total	850,956,024	-	850,956,024
Non-controlling interest	1,097,682,581	-	1,097,682,581
TOTAL EQUITY	**1,948,638,605**	**-**	**1,948,638,605**
TOTAL LIABILITIES & EQUITY	**23,261,067,990**	**-**	**23,261,067,990**

Note 39 – Additional notes (continued)

Note 39.2 – Accounting changes (continued)

INCOME STATEMENT	Balances as of December 31, 2012 ThCh$	Reclassification ThCh$	Pro forma balances as of December 2012 ThCh$
NET OPERATING INCOME	1,134,772,093	-	1,134,772,093
Staff remuneration & expenses	(312,239,160)	2,199,818	(310,039,342)
Administrative expenses	(247,456,607)	-	(247,456,607)
Depreciation & amortization	(30,957,764)	-	(30,957,764)
Impairment	(898,173)	-	(898,173)
Other operating expenses	(22,521,381)	-	(22,521,381)
TOTAL OPERATING EXPENSES	(614,073,085)	2,199,818	(611,873,267)
OPERATING INCOME	520,699,008	2,199,818	522,898,826
Income from investments in companies	(229,405)	-	(229,405)
Income before income tax	520,469,603	2,199,818	522,669,421
Income tax	(54,039,788)	(439,964)	(54,479,752)
Provision for payment of Subordinated Obligation with Banco Central de Chile	(142,318,228)	-	(142,318,228)
CONSOLIDATED EARNINGS FOR THE YEAR	**324,111,587**	**1,759,854**	**325,871,441**

STATEMENT OF OTHER COMPREHENSIVE INCOME	Balances as of December 31, 2012 ThCh$	Reclassification ThCh$	Pro forma balances as of December 2012 ThCh$
CONSOLIDATED EARNINGS FOR THE YEAR	**324,111,587**	**1,759,854**	**325,871,441**
TOTAL OTHER COMPREHENSIVE INCOME TO BE RECLASSIFIED IN INCOME	**9,732,260**	**-**	**9,732,260**
OTHER COMPREHENSIVE INCOME THAT WILL NOT BE RECLASSIFIED IN INCOME			
Adjustment for defined benefits plans	-	(996,738)	(996,738)
Sub total other comprehensive income that will not be reclassified in income	**-**	**(996,738)**	**(996,738)**
Income tax related to components of other comoprehensive results that will not be reclassified in income	-	199,348	199,348
TOTAL COMPREHENSIVE INCOME THAT WILL NOT BE RECLASSIFIED IN INCOME	**-**	**(797,390)**	**(797,390)**
CONSOLIDATED COMPREHENSIVE INCOME FOR THE YEAR	**333,843,847**	**962,464**	**334,806,311**

During the year ended December 31, 2013, there have been no other 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) On January 04, 2013 the subsidiary Banco de Chile concluded the signing of the insurance agreements between Banco de Chile and its subsidiary Banchile Corredores de Seguros Limitada, with Banchile Seguros de Vida S.A., which were entered into through private instruments dated on December 28, 2012, which are:

(1) Brokerage Agreement entered into by the subsidiary Banchile Corredores de Seguros Limitada and the related company Banchile Seguros de Vida S.A.

(2) Agreements entered into by Banco de Chile and Banchile Seguros de Vida S.A.:

a) Collection and Data Administration Agreement.
b) Use of Distribution Channels Agreement.
c) Banchile Trademark Licensing Agreement.
d) Credit Life Insurance Agreement.

(3) Framework agreement for Insurance Banking, signed between Banco de Chile, Banchile Corredores de Seguros Limitada and Banchile Seguros de Vida S.A.

All the agreements have a term of 3 years from January 1, 2013, excluding those insurances, as applicable, that are related to loan mortgages subject to public tender in accordance with article 40 of DFL 251 of 1931.

Banchile Seguros de Vida S.A. is a related party to Banco de Chile in accordance with Article 146 of the Chilean Corporations Law. In turn, Banchile Corredores de Seguros Limitada is a subsidiary of Banco de Chile, incorporated pursuant to Article 70 letter a) of the Chilean Banking Law.

(b) On January 17, 2013 the Banco Central de Chile, in session 1730-02-130117 held that day, agreed and determined, in accordance with article 30 letter b) of Law 19,396, the selling price of the subscription options pertaining the 1,279,502,316 (Banco de Chile-T series) cash shares issued by Banco de Chile as agreed during the extraordinary shareholders meeting of October 17, 2012. Those shares are owned by Sociedad Administradora de la Obligación Subordinada SAOS S.A. and are pledged as collateral to Banco Central de Chile.

The above subscription options shall be preferentially offered to shareholders of series A, B and D of Sociedad Matriz del Banco de Chile S.A. during the so called "Special Preferential Rights Offer Period" which will begin on January 19, 2013 and close on February 17, 2013.

Note 39 – Additional notes (continued)

Note 39.3 – Material information of the banking subsidiaries (continued)

In accordance with the above resolution of the Banco Central de Chile, the price of each option shall be as follows:

“The price of the subscription option, “Option Price”, shall correspond to the greater of Ch$0.1 and the value resulting from the difference obtained by multiplying 0.9752 and the average trading price of Banco de Chile´s shares registered on the local stock exchanges during the three market business days preceding the date in which the corresponding option is acquired, the “Weighted Average Share Price”, and Ch$62.0920.

For these purposes, the “Weighted Average Share Price” was determined, for each day, in accordance to the weighted average price of Banco de Chile´s shares traded during the three market business days preceding the date in which the corresponding option is acquired, having in mind that the value corresponding to the Weighted Average Price, in relation to the beginning of the Special Preferential Rights Offering Period shall be of Ch$71.4. This value considers the resulting prices from the Ordinary Preferential Rights Offer Period referred to in letter a) of article 30 of Law 19,396, so that, initially, the Option Price shall correspond to Ch$7.5 per each Banco de Chile share, and subsequently, the Option Price shall be determined pursuant to the Weighted Average Share Price, as explained before.

In any event, and for the purposes of selling the subscription options, the Option Price shall be Ch$7.5 for each Banco de Chile share, priovided the Weighted Average Share Price, determined as described before, does not exceed Ch$76.9 nor be less than Ch$71.3.

The Option Price that is determined in accordance with the above shall be paid in cash pursuant to the conditions set forth by Banco de Chile for purposes of the Bank’s capital increase and its calculation procedure shall also be governed by the term established in the final paragraph of letter b) of article 30 of the Law 19,396, in accordance to the conditions established by the same legal provision”.

In addition, Banco Central de Chile resolved that Sociedad Administradora de la Obligación Subordinada SAOS S.A. shall preferentially offer the options to the mentioned shareholders at the price stated above. The price was notified in advance by Sociedad Administradora de la Obligación Subordinada SAOS S.A. to Banco Central de Chile and also to interested parties at the beginning of each day of the “Special Preferential Rights Offer Period”.

(c) On January 24, 2013 at its ordinary meeting BCH 2,769, the Board of Banco de Chile resolved to call an ordinary shareholders’ meeting for March 21, 2013 in order to propose, among other matters, the distribution of dividend number 201 of Ch$3.41625263165 for each of the 88,037,813,511 Banco de Chile shares, payable as a charge to the distributable earnings for the year ended December 31, 2012, corresponding to 70% of 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 distributable earnings for the year ended December 31, 2012, through the issuance of fully paid-in shares, of no par value, with a value of Ch$71.97 per Banco de Chile share which will be distributed among the shareholders in the proportion of 0.02034331347 shares for each Banco de Chile share, and to adopt the agreements that are necessary in this regard, subject to the exercise of the options established in article 31 of Law 19,396. The ordinary and extraordinary shareholders’ meetings of Banco de Chile held on March 21, 2013 approved the above agreements.

Note 39 – Additional notes (continued)

Note 39.3 – Material information of the banking subsidiaries (continued)

(d) The Board of SM-Chile S.A. on January 24, 2013 agreed to call the ordinary shareholders' meeting for March 21, 2013 in order to propose, among other things, the distribution of dividend 17 of Ch$3.45082243474 per share of the "B", "D" and "E" series, and the distribution shareholders of those same series, of fully paid-in shares that SM-Chile S.A. receives as result of the capitalization of earnings of Banco de Chile for the year 2012, to be distributed on the basis of 0.02034331347 Banco de Chile shares for each share of the series stated.

(e) The ordinary shareholders' meeting of SM-Chile S.A. held on March 21, 2013 approved the payment of dividend 17, as proposed by the Board. As a result of the capitalization made by the subsidiary Banco de Chile, the direct interest of SM-Chile S.A. in that bank fell from 13.20% to 13.03%, while the indirect interest fell from 44.29% to 43.72%.

(f) On March 21, 2013, the subsidiary Banco de Chile reported that its ordinary shareholders' meeting confirmed the appointment of Francisco Aristeguieta Silva as a director of Banco de Chile, a position he will hold until the renewal of the Board.

(g) On March 21, 2013, SM-Chile S.A. reported that its ordinary shareholders' meeting confirmed the appointment of Francisco Aristeguieta Silva as a director of SM-Chile S.A, a position he will hold until the renewal of the Board.

(h) On March 26, 2013, Banco Central de Chile informed the subsidiary Banco de Chile that at its extraordinary council meeting 1742E, Banco Central de Chile agreed to opt that all the surpluses due to it for the year ended December 31, 2012, including the part of the proportional gain on the agreed capitalization, be paid in cash.

(i) On March 27, 2013, Guillermo Luksic Craig died, a distinguished member of our Board and of Banco de Chile since 2001, and a member of the controlling group.

(j) On April 11, 2013, the Board of Banco de Chile appointed Jean-Paul Luksic Fontbona as a director until the next ordinary shareholders' meeting, in replacement of Guillermo Luksic Craig.

(k) On April 25, 2013 the Board appointed Francisco Pérez Mackenna as a director until the next ordinary shareholders' meeting, in replacement of Guillermo Luksic Craig.

Note 39 – Additional notes (continued)

Note 39.3 – Material information of the banking subsidiaries (continued)

(l) On May 13, 2013, and regarding the capitalization of 30% of the distributable earnings for the year ended December 31, 2012, through the issuance of fully paid-in shares, agreed in the extraordinary shareholders' meeting held on March 21, 2013, it was reported that:

a) At said extraordinary shareholders' meeting, it was agreed to increase the Bank´s capital in an amount of Ch$86,201,422,505 through the issuance of 1,197,741,038 fully paid-in shares, of no par value, as a charge against the distributable earnings for the year 2012 that were not distributed as dividends, as agreed at the ordinary shareholders' meeting held the same day.

The Chilean Superintendency of Banks and Financial Institutions (SBIF) approved the amendment of the bylaws, through Resolution 126 of April 30, 2013, which was registered on page 34,465, number 23,083 in the register of the Chamber of Commerce of Santiago for the year 2013, and was published in the Official Gazette on May 8, 2013.

The issuance of fully paid-in shares was registered with the SBIF with 2/2013, on May 10, 2013.

b) The Board of Banco de Chile, at its meeting 2,775 of May 9, 2013, set May 30, 2013 as the date for issuance and distribution of the fully paid-in shares.

c) The shareholders entitled to receive the new shares, at a ratio of 0.02034331347 fully paid-in shares for each Banco de Chile share, shall be those registered in the shareholders' register on May 24, 2013.

d) In accordance to the first transitory article of the Bank's bylaws, Banco de Chile-T shares issued as a consequence of the capital increase agreed on the extraordinary shareholders' meeting of October 17, 2012, do not allow their holders to receive dividends or fully paid-in shares relating to Banco de Chile's net distributable earnings for the year 2012. Once such dividends and/or fully paid-in shares are distributed, the Banco de Chile-T series shares will automatically convert to Banco de Chile shares.

e) The respective certificates will be duly assigned to each shareholder. The Bank will only print these for those shareholders who request it in writing at the Shareholders Department of Banco de Chile.

f) As a consequence of the issuance of the fully paid-in shares, the capital of the Bank will be divided in 93,175,043,991 nominative shares, of no par value, fully subscribed and paid.

Note 39 – Additional notes (continued)

Note 39.3 – Material information of the banking subsidiaries (continued)

(m) On May 14, SM-Chile S.A. reported the following with respect to the payment of the dividend by means of paid-in shares of the subsidiary Banco de Chile, agreed at the ordinary shareholders' meeting of Sociedad Matriz del Banco de Chile S.A. held on March 21, 2013:

a) At the above-mentioned ordinary shareholders' meeting, it was agreed to distribute as a dividend, among the shareholders of the series B, D and E, the paid-in shares to be received from the subsidiary Banco de Chile, on the basis of 0.02034331347 shares of Banco de Chile for each one of the share of the above series. That meeting agreed to the distribution of shares of Banco de Chile to be on the date agreed by the Board of Banco de Chile.

b) The SBIF approved the amendment of the bylaws, through Resolution 126 of April 30, 2013, which was registered on page 34,465,number 23,083 in the register of the Chamber of Commerce of Santiago for the year 2013, and was published in the Official Gazette on May 8, 2013.

The issuance of fully paid-in shares was registered with the SBIF with 2/2013, on May 10, 2013.

The Board of Banco de Chile, at its meeting 2,775 of May 9, 2013, set May 30, 2013 as the date for issuance and distribution of the fully paid-in shares.

c) The shareholders therefore entitled to receive the new shares, at a ratio of 0.02034331347 fully paid-in shares for each Banco de Chile series B, D and E share of Sociedad Matriz del Banco de Chile S.A., shall be those registered in the shareholders' register on May 24, 2013.

d) The respective certificates will be duly assigned to each shareholder. The Bank will only print these for those shareholders who request them in writing at the Shareholders Department of Banco de Chile.

(n) On July 1, 2013 it was reported that by public deed dated June 19, 2013 before the Santiago notary Raul Perry Pefaur, the subsidiary Banco de Chile acquired all the shares of Banchile Asesoría Financiera S.A. in the entity Banchile Factoring S.A, a subsidiary of Banco de Chile, taking over the assets and liabilities of the subsidiary.

In accordance with article 103 number 2 of Law 18,046 of Corporate Law, having passed an uninterrupted period of more 10 of days, Banchile Factoring S.A. was disolved as 100% of its shares were held by Banco de Chile, thus becoming its legal successor as of June 30.

Note 39 – Additional notes (continued)

Note 39.3 – Material information of the banking subsidiaries (continued)

(o) The board of Banco de Chile accepted the resignation of Fernando Concha Ureta as director on August 8, 2013, to take effect as of August 21, 2013.

Effective August 22, 2013, the Board appointed Juan Enrique Pino Visinteiner as a director until the next ordinary shareholders' meeting.

(p) On October 17, 2013 Banco de Chile reported that the board of Latibex ("Consejo de Administración de Bolsas y Mercados Españoles Sistemas de Negociación, S.A."), in response to Banco de Chile's request, resolved to exclude the trading of Banco de Chile's shares from Latibex from October 18, 2013.

(q) By public deed dated December 9, 2013 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 Debtors' Life Insurance Agreement ("Contrato de Seguro Colectivo de Desgravamen") and the Collective Debtors' Life, Total and Permanent Disability 2/3 Insurance Agreement ("Contrato de Seguro Colectivo de Desgravamen e Invalidez Total y Permanente 2/3") (portfolio in pesos and housing subsidies D.S. number 1 of 2011) both for mortgage loans.

These contracts were signed in accordance with article 40 of DFL 251 of 1931, General Regulation 330 of the SVS and Circular 3,530 of the SBIF, both dated March 21, 2012, by which the public tender for the collective policy for life insurance and total and permanent disability 2/3 insurance agreement (portfolio in pesos and housing subsidies D.S. number 1 of 2011) was adjudicated to Banchile Seguros de Vida S.A. who offered in both cases the lowest rates of 0.0103% monthly and of 0.0109% monthly, respectively, which includes the commission of 14% of the insurance broker Banchile Corredores de Seguros Limitada.

(r) On December 26, 2013, Banco de Chile and Banchile Seguros de Vida S.A. signed an amendment to the "Convenio Uso de Canales de Distribución" (agreement for the use of distribution channels) dated December 28th, 2012, adjusting the percentage of commission associated to certain insurances and the base-calculation formula of the commission agreed in the agreement.

This amendment is effective from December 1, 2013, and until December 31, 2015.

Note 39 – Additional notes (continued)

Note 39.4 – **Business Segments**

For management purposes, the Bank is organized into four business segments, which are defined in accordance with the types of products and services offered and the type customer targeted. These business segments are as follows:

Retail: This segment focuses on individuals and small and medium-sized businesses (SME) with annual sales up to UF 70,000, where the products are focused primarily on consumer loans, commercial loans, checking accounts, credit cards, credit lines and mortgage loans.

Wholesale: This segment focuses on corporate clients and large companies, whose annual revenue exceeds UF 70,000, where the products focus primarily on commercial loans, checking accounts and cash-management services, debt instruments, foreign trade, derivative contracts and leasing.

Treasury: This segment includes revenue associated with managing the Bank's own finance and exchange operations.

Transactions with customers carried out by the Treasury are shown in the above respective segments. These products are generally highly transaction-focused and include foreign exchange transactions, derivatives and financial instruments.

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

Entity
- Banchile Trade Services Limited
- Banchile Administradora General de Fondos S.A.
- Banchile Asesoría Financiera S.A.
- Banchile Corredores de Seguros Ltda.
- Banchile 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 performance of the Bank's business segments is not necessarily comparable with similar information from other financial institutions because it is based on internal reporting policies. The accounting policies used to prepare the Bank's operating segment information are similar to those described in the summary of significant accounting principles. The Bank obtains most of its revenue from interest, indexation adjustments and fees, less provisions and expenses. Management is mainly based on these concepts in its evaluation of segment performance and decision-making regarding goals and the allocation of resources for each unit. Although the income from the segments reconcile with those of the Bank at the total level, this is not necessarily so at the level of different concepts, since the performance is measured and controlled individually, not on a consolidated basis, and applying the following criteria:

- The net interest margin of loans and deposits is measured on an individual transaction level, this being the difference between the effective customer rate and the transfer price set in terms of maturity and currency of each operation.

- Capital and its financial impacts on income have been assigned to each segment in accordance with the Basel guidelines.

- Operating expenses are distributed at each area level. The assignment of expenses from functional areas to business segments is done by using different expense assignment criteria for which specific drivers are defined for the different concepts.

There were no transactions with a customer or counterparty that exceed 10% of the Bank's total revenue in 2013 and 2012.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Taxes are managed at a corporate level and are not assigned by business segments.

On July 1, 2013, Banco de Chile absorbed its subsidiary Banchile Factoring SA. This subsidiary was previously presented in the subsidiaries operating segment. As a result the absorbtion by the Bank, its operations are now presented under the retail and wholesale segments. Operating segment information for previous periods has been reclassified for comparison purposes.

Note 39 – Additional notes (continued)

Note 39.4 – Business Segments (continued)

The following table shows the results for 2013 and 2012 by each segment of the subsidiary Banco de Chile:

	Retail		Wholesale		Treasury (1)		Subsidiaries		Sub total		Consolidation adjustment		Total	
	2013 ThCh$	2012 ThCh$	2013 ThCh$	2012 ThCh$	2013 ThCh$	2012 ThCh$	2013 ThCh$	2012 ThCh$	2013 ThCh$	2012 ThCh$	2013 ThCh$	2012 ThCh$	2013 ThCh$	2012 ThCh$
Net Interest & Indexation Revenue	737,477,802	671,973,232	303,127,563	263,107,549	23,269,317	18,355,553	(12,142,703)	(12,295,775)	1,051,731,979	941,140,559	7,439,000	11,698,730	1,059,170,979	952,839,289
Net fee Income	150,193,980	153,353,053	42,614,992	42,228,918	(1,354,550)	(366,649)	106,280,110	103,472,023	297,734,532	298,687,345	(10,641,145)	(11,419,762)	287,093,387	287,267,583
Other Operating Income	35,553,361	16,757,632	57,318,669	33,068,530	(5,607,281)	14,746,130	32,438,802	31,521,813	119,703,551	96,094,105	(9,940,855)	(14,151,957)	109,762,696	81,942,148
Total Operating Income	923,225,143	842,083,917	403,061,224	338,404,997	16,307,486	32,735,034	126,576,209	122,698,061	1,469,170,062	1,335,922,009	(13,143,000)	(13,872,989)	1,456,027,062	1,322,049,020
Allowances for Credit Risk	(203,586,068)	(180,558,494)	(38,031,499)	(7,621,574)	46,782	(21,677)	(43,025)	13,101	(241,613,810)	(188,188,644)	-	-	(241,613,810)	(188,188,644)
Depreciation & Amortization	(20,067,606)	(20,903,335)	(5,911,837)	(7,300,354)	(1,181,841)	(1,204,000)	(1,747,368)	(1,550,075)	(28,908,652)	(30,957,764)	-	-	(28,908,652)	(30,957,764)
Other Operating Expenses (2)	(397,458,942)	(390,052,485)	(112,527,744)	(109,104,735)	(5,170,940)	(8,671,614)	(92,023,032)	(86,717,695)	(607,180,658)	(594,546,529)	13,143,000	13,872,989	(594,037,658)	(580,673,540)
Result of Investments in Companies	1,123,143	(287,593)	814,178	(228,439)	95,227	(18,262)	39,222	304,889	2,071,770	(229,405)	-	-	2,071,770	(229,405)
Earnings before Tax	303,235,670	250,282,010	247,404,322	214,149,895	10,096,714	22,819,481	32,802,006	34,748,281	593,538,712	521,999,667	-	-	593,538,712	521,999,667
Income Tax													(79,935,973)	(54,389,445)
Earnings after Tax													513,602,739	467,610,222

(1) The Treasury results for 2013 were especially affected by the application of the Counterparty Adjustment Valuation stated in Note 2 (gg), as Ch$14,289,359 of the Ch$16,412,620 constituted for this concept, corresponded to this segment.

(2) During 2013, the methodology for assigning indirect expenses of sight accounts was modified, related to the remunerations agreement and its settlement, for the business segments. For comparison purposes, the figures for 2012 have therefore been corrected using the current methodology.

The following table shows the total balances of assets and liabilities as of December 31, 2013 and 2012 for each of the above segments:

	Retail		Wholesale		Treasury		Subsidiaries		Sub total		Consolidation adjustment		Total	
	2013 ThCh$	2012 ThCh$	2013 ThCh$	2012 ThCh$	2013 ThCh$	2012 ThCh$	2013 ThCh$	2012 ThCh$	2013 ThCh$	2012 ThCh$	2013 ThCh$	2012 ThCh$	2013 ThCh$	2012 ThCh$
Assets	10,943,083,786	9,852,431,623	10,937,297,481	9,614,329,230	3,456,477,306	3,746,908,012	634,466,326	635,224,850	25,971,324,899	23,848,893,715	(191,116,560)	(717,653,000)	25,780,208,339	23,131,240,715
Current & deferred taxes													149,105,572	129,827,275
Total assets													25,929,313,911	23,261,067,990
Liabilities	8,299,052,150	7,706,837,774	9,536,765,121	9,225,881,115	5,378,699,460	4,495,605,090	482,626,576	489,829,850	23,697,206,679	21,918,153,829	(191,116,560)	(717,653,000)	23,506,090,119	21,200,500,829
Current & deferred taxes													46,902,008	53,509,909
Total liabilities													23,552,992,127	21,254,010,738

Note 39 – Additional notes (continued)

Note 39.5 – Cash and cash equivalents

(a) The balances of cash and cash equivalents and their reconciliation to the statement of cash flows for each year are as follows:

	2013 ThCh$	2012 ThCh$
Cash & bank deposits:		
Cash (*)	485,536,554	400,248,236
Deposits with Banco Central de Chile (*)	71,787,076	67,833,437
Deposits with banks in Chile	15,588,293	15,294,983
Foreign deposits	300,395,956	201,547,803
Sub total – cash & deposits in banks	873,307,879	684,924,459
Operations pending settlement, net	248,127,761	237,392,177
Highly-liquid financial instruments	358,093,477	304,886,322
Repurchase agreements	59,089,388	9,119,523
Total cash & cash equivalents	1,538,618,505	1,236,322,481

(*) The level of funds in cash and with Banco Central de Chile reflects 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:

	2013 ThCh$	2012 ThCh$
Assets		
Documents payable by other banks (clearing)	232,698,242	249,019,016
Funds receivable	141,773,298	147,591,634
Sub total – assets	374,471,540	396,610,650
Liabilities		
Funds payable	(126,343,779)	(159,218,473)
Sub total – liabilities	(126,343,779)	(159,218,473)
Operations pending settlement, net	248,127,761	237,392,177

Note 39 – Additional notes (continued)

Note 39.6 – Trading instruments

Instruments classified as financial instruments for trading are as follows:

	2013 ThCh$	2012 Thch$
Instruments issued by the State and Banco Central de Chile		
Bonds of Banco Central de Chile	34,406,579	25,585,091
Notes of Banco Central de Chile	2,995,221	3,067,609
Other instruments issued by the State & Banco Central de Chile	27,534,641	43,726,614
Instruments of Other National Institutions		
Deposit notes of banks in Chile	-	-
Mortgage-funding notes of banks in Chile	14,191	21,402
Bonds of banks in Chile	1,926,258	-
Deposits in banks in Chile	255,582,411	87,093,029
Bonds of other companies in Chile	3,426,719	-
Other instruments issued in Chile	1,035,214	187,999
Instruments of Foreign Institutions		
Foreign sovereign or central bank instruments	-	-
Other foreign instruments	-	-
Investments in Mutual Funds		
Funds managed by related parties	66,212,460	33,041,511
Funds managed by others	-	-
Total	393,133,694	192,723,255

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, 2013 and 2012.

Instruments of other national institutions include instruments sold under repurchase agreements to customers and financial institutions, amounting to ThCh$227,452,532 as of December 31, 2013 (ThCh$86,863,494 in 2012).

Repurchase agreements have an average maturity of 14 days as of year-end (11 days in 2012).

The Bank also holds investments in its own mortgage-funding notes amounting to ThCh$41,313,486 as of December 31, 2012 (ThCh$51,153,723 in 2012), which are shown deducted from Debt instruments issued.

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Note 39 – Additional notes (continued)

Note 39.7 – Repurchase agreements and loans of securities

(a) Repurchase agreement rights: The Bank grants financing to its customers through repurchase operations and loans of securities, in which it obtains financial instruments in guarantee. The detail as of December 31, 2013 and 2012 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	
	2013 ThCh$	2012 ThCh$	2013 ThCh$	2012 ThCh$	2013 ThCh$	2012 ThCh$	2013 ThCh$	2012 ThCh$	2013 ThCh$	2012 ThCh$	2013 ThCh$	2012 ThCh$	2013 ThCh$	2012 ThCh$
Instruments issued by the State & Banco Central de Chile														
Bonds of Banco Central de Chile	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Notes of Banco Central de Chile	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other instruments issed by 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 issue by banks in Chile	8,443,188	-	-	-	-	-	-	-	-	-	-	-	8,443,188	-
Deposits in banks in Chile	46,084,337	-	-	-	-	-	-	-	-	-	-	-	46,084,337	-
Bonds of other Chilean companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other instruments issued in Chile	3,901,731	7,755,814	12,249,838	855,030	11,742,876	25,906,531	-	-	-	-	-	-	27,894,445	34,517,375
Instruments of Foreign Institutions														
Foreign sovereign and central bank instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other foreign instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	58,429,256	8,338,115	12,249,838	855,030	11,742,876	25,906,531	-	-	-	-	-	-	82,421,970	35,099,676

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. These repurchase agreements as of December 31, 2013 and 2012 are 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	
	2013 ThCh$	2012 ThCh$	2013 ThCh$	2012 ThCh$	2013 ThCh$	2012 ThCh$	2013 ThCh$	2012 ThCh$	2013 ThCh$	2012 ThCh$	2013 ThCh$	2012 ThCh$	2013 ThCh$	2012 ThCh$
Instruments issued by the State & Banco Central de Chile														
Bonds of Banco Central de Chile	16,831,036	-	-	-	-	-	-	-	-	-	-	-	16,831,036	-
Notes of Banco Central de Chile	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other instruments issued by the State & Banco Central de Chile	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Instruments of Other National Institutions														
Deposit notes of banks in Chile	232,511,476	219,526,813	7,217,402	1,602,510	-	-	-	-	-	-	-	-	239,728,878	221,129,323
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	205,840	5,266,691	-	-	-	-	-	-	-	-	-	-	205,840	5,266,691
Instruments of Foreign Institutions														
Foreign sovereign and central bank instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other foreign instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	249,548,352	224,793,504	7,217,402	1,602,510	-	-	-	-	-	-	-	-	256,765,754	226,396,014

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 and its subsidiaries have 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, 2013, the Bank has investments under resale agreements with a fair value of ThCh$81,830,391 (ThCh$34,865,475 in 2012). The Bank and its subsidiaries are 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, 2013 amounts to ThCh$255,302,085 (ThCh$266,395,046 in 2012). 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.

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Note 39 – Additional notes (continued)

Note 39.8 – Financial Derivative Contracts and Accounting Hedges

(a) The Bank, as of December 31, 2013 and 2012, has the following portfolio of derivative instruments:

	Notional amount of contracts with final maturity in												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	
	2013 ThCh$	2012 ThCh$	2013 ThCh$	2012 ThCh$	2013 ThCh$	2012 ThCh$	2013 ThCh$	2012 ThCh$	2013 ThCh$	2012 ThCh$	2013 ThCh$	2012 ThCh$	2013 ThCh$	2012 ThCh$	2013 ThCh$	2012 ThCh$
Derivatives held for fair value hedges																
Currency & rate swaps	-	-	-	-	32,032,440	-	17,093,677	31,388,193	13,416,214	41,557,854	66,391,772	74,626,306	-	-	14,012,336	10,331,980
Interest-rate swaps	8,569,236	-	-	-	4,731,480	-	25,394,379	27,569,525	8,411,520	17,790,255	117,419,562	116,386,548	714,226	-	11,312,491	21,311,016
Total derivative hedges at fair value	8,569,236	-	-	-	36,763,920	-	42,488,056	58,957,718	21,827,734	59,348,109	183,811,334	191,012,854	714,226	-	25,324,827	31,642,996
Cash flow hedge derivatives																
Currency & rate swaps	-	151,912,880	-	-	59,730,425	-	313,263,417	55,382,252	209,464,982	14,082,728	300,385,964	78,861,215	37,970,947	22,414	6,680,542	2,055,051
Total cash flow hedge derivatives	-	151,912,880	-	-	59,730,425	-	313,263,417	55,382,252	209,464,982	14,082,728	300,385,964	78,861,215	37,970,947	22,414	6,680,542	2,055,051
Derivatives for trading																
Currency forwards	2,815,835,108	4,231,745,532	2,194,765,018	2,519,045,978	3,812,355,861	3,260,326,092	323,881,757	191,364,318	52,512,620	2,457,621	38,549	65,293	41,673,145	70,166,274	65,395,911	81,789,974
Currency & rate swaps	124,909,079	69,219,670	470,928,384	199,337,739	1,400,553,349	1,034,040,339	1,195,626,982	1,721,408,094	1,024,720,916	719,072,787	1,465,279,883	1,026,518,392	193,454,951	177,403,284	243,979,940	166,181,536
Interest-rate swaps	567,058,411	353,132,640	1,318,722,390	905,870,222	4,275,294,823	3,298,276,159	4,767,240,461	3,540,462,193	2,919,321,415	1,505,936,054	2,549,583,599	1,650,102,794	97,973,952	81,092,794	99,487,591	97,870,414
Currency call options	12,491,480	30,306,158	39,108,767	20,937,893	138,808,558	46,685,563	6,571,499	4,794,700	-	-	-	-	2,300,567	472,266	3,559,485	394,874
Currency put options	7,034,134	26,009,478	31,078,165	15,287,620	75,379,088	25,979,867	-	-	-	-	-	-	599,695	341,172	705,269	387,326
Total derivatives for trading	3,527,328,212	4,710,413,478	4,054,602,724	3,660,479,452	9,702,391,679	7,665,308,020	6,293,320,699	5,458,029,305	3,996,554,951	2,227,466,462	4,014,902,031	2,676,686,479	336,002,310	329,475,790	413,128,196	346,624,124
Total	3,535,897,448	4,862,326,358	4,054,602,724	3,660,479,452	9,798,886,024	7,665,308,020	6,649,072,172	5,572,369,275	4,227,847,667	2,300,897,299	4,499,099,329	2,946,560,548	374,687,483	329,498,204	445,133,565	380,322,171

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 following table shows the elements and instruments hedged at fair value outstanding as of December 31, 2013 and 2012:

	2013 ThCh$	2012 ThCh$
Element hedged		
Commercial loans	128,934,103	147,572,353
Corporate bonds	164,526,177	161,746,328
Hedge instrument		
Cross-currency swap	128,934,103	147,572,353
Interest-rate swap	164,526,177	161,746,328

(c) Cash-Flow Hedges:

(c.1) The Bank 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, Hong Kong dollars, Peruvian soles, Swiss francs, Japanese yen and other foreign bank obligations. 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 portion in UF of the hedge instrument, whose indexation impacts daily on interest and indexation income in the income statement.

Note 39 – Additional notes (continued)

Note 39.8 – Financial Derivative Contracts and Accounting Hedges (continued)

(c) Cash-Flow Hedges (continued)

(c.2) The following table shows the cash flows of bonds issued abroad subject to this hedge and cash flows of the asset part of the derivative instrument:

	2013						
	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	(206,295)	(618,885)	(62,274,982)	-	-	-	(63,100,162)
Corporate bond HKD	-	-	(7,010,961)	(14,022,033)	(14,009,474)	(240,224,481)	(275,266,949)
Corporate bond PEN	-	-	(577,899)	(1,154,216)	(14,689,557)	-	(16,421,672)
Corporate bond CHF	(215,638)	-	(4,720,107)	(143,070,324)	(229,700,924)	(105,324,853)	(483,031,846)
Obligation USD	(272,901)	(81,922)	(1,064,468)	(135,477,890)	-	-	(136,897,181)
Corporate bond JPY	-	(76,395)	(560,497)	(56,964,309)	(597,878)	(29,172,656)	(87,371,735)
Hedge instrument							
Cash inflows:							
Cross-currency swap MXN	206,295	618,885	62,274,982	-	-	-	63,100,162
Cross-currency swap HKD	-	-	7,010,961	14,022,033	14,009,474	240,224,481	275,266,949
Cross-currency swap PEN	-	-	577,899	1,154,216	14,689,557	-	16,421,672
Cross-currency swap CHF	215,638	-	4,720,107	143,070,324	229,700,924	105,324,853	483,031,846
Cross-currency swap USD	272,901	81,922	1,064,468	135,477,890	-	-	136,897,181
Cross-currency swap JPY	-	76,395	560,497	56,964,309	597,878	29,172,656	87,371,735
Net cash flow	-	-	-	-	-	-	-

	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$
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)
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	-	-	-	-	-	-	-

Note 39 – Additional notes (continued)

Note 39.8 – Financial Derivative Contracts and Accounting Hedges (continued)

(c) Cash-Flow Hedges (continued):

(c.2) The following table shows the cash flows of underlying assets and cash flows of the liability part of the derivative instrument:

	2013						
	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	2,751,432	232,645	82,887,903	359,407,103	237,627,429	351,723,763	1,034,630,275
Hedge instrument							
Cash outflows:							
Cross-currency swap MXN	-	-	(61,400,032)	-	-	-	(61,400,032)
Cross-currency swap HKD	-	-	(5,790,884)	(11,617,159)	(11,562,210)	(217,999,287)	(246,969,540)
Cross-currency swap PEN	-	-	(449,840)	(898,447)	(14,672,732)	-	(16,021,019)
Cross-currency swap JPY	-	(232,645)	(2,099,058)	(63,678,516)	(1,845,987)	(30,919,541)	(98,775,747)
Cross-currency swap USD	-	-	(3,313,837)	(133,094,291)	-	-	(136,408,128)
Cross-currency swap CHF	(2,751,432)	-	(9,834,252)	(150,118,690)	(209,546,500)	(102,804,935)	(475,055,809)
Net cash flow	-	-	-	-	-	-	-

	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 MXN	-	-	(1,643,774)	(60,172,879)	-	-	(61,816,653)
Cross-currency swap HKD	-	-	(2,411,780)	(5,482,704)	(5,497,709)	(106,868,535)	(120,260,728)
Cross-currency swap PEN	-	-	(440,849)	(881,698)	(14,819,121)	-	(16,141,668)
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 proportional unrealized income generated by adjustment to market value in 2012 in the subsidiary Banco de Chile for derivative contracts that are hedge instruments in this cash-flow hedging strategy has been recognized as a credit to equity amounting to ThCh$7,931,837 (credit of ThCh$825,165 in 2012). The net effect of deferred taxes is a credit to equity of ThCh$6,345,470 in 2013 (net credit of ThCh$663,538 in 2012).

The accumulated balance for this concept net of deferred taxes as of December 31, 2013 is a credit to equity of ThCh$5,866,980 (credit of ThCh$478,490 in 2012).

(c.4) The effect this year of the cash-flow hedge derivatives, which compensate for the income of the instruments hedged is a credit to income of ThCh$51,794,640 (charge of ThCh$2,318,689 in 2012).

(c.5) As of December 31, 2013 and 2012, there is no inefficiency in the cash-flow hedges as both the element hedged and the object of the hedge mirror each other, which implies that all variations in value attributable to components of rate and indexation are completely offset.

(c.6) As of December 31, 2013 and 2012, the Bank has no hedges of net investment in foreign businesses.

Note 39 – Additional notes (continued)

Note 39.9 – Due by banks

(a) As of December 31, 2013 and 2012, the balances of amounts due by banks are as follows:

	2013 ThCh$	2012 ThCh$
Banks in Chile		
Interbank commercial loans	100,012,500	14,309,402
Other credits with banks in Chile	-	-
Allowance for loans to banks in Chile	(36,005)	(5,151)
Sub total	99,976,495	14,304,251
Foreign banks		
Interbank commercial loans	252,696,761	146,980,453
Foreign trade finance Chilean exports	97,194,068	67,786,653
Foreign trade finance between third countries	12,864,267	14,508,500
Allowance for loans to banks abroad	(1,256,459)	(953,959)
Sub total	361,498,637	228,321,647
Banco Central de Chile		
Blocked deposits in Banco Central	600,000,000	1,100,000,000
Other credits with Banco Central	580,600	696,096
Sub total	600,580,600	1,100,696,096
Total	1,062,055,732	1,343,321,994

(b) The movement in allowances for loans due by banks during 2013 and 2012 was as follows:

	Banks		
	In Chile ThCh$	Abroad ThCh$	Total ThCh$
Balance as of January 1, 2012	5,421	1,000,985	1,006,406
Write-offs	-	-	-
Allowances made	-	-	-
Allowances released	(270)	(47,026)	(47,296)
Balances as of December 31, 2012	5,151	953,959	959,110
Write-offs	-	-	-
Allowances made	30,854	302,500	333,354
Allowances released	-	-	-
Balances as of December 31, 2013	36,005	1,256,459	1,292,464

Note 39– Additional notes (continued)

Note 39.10 – Loans and Accounts Receivable from Customers

(a1) Loans and Accounts Receivable from Customers:

The composition of loans as of December 31, 2013 and 2012 is as follows:

	December 31, 2013							
	Assets before Allowances				Allowances made			
	Normal portfolio ThCh$	Sub-standard portfolio ThCh$	Default portfolio ThCh$	Total ThCh$	Individual Allowances ThCh$	Group Allowances ThCh$	Total ThCh$	Net asset ThCh$
Commercial loans								
Commercial loans	9,497,014,866	117,956,633	269,260,322	9,884,231,821	(95,962,345)	(86,531,948)	(182,494,293)	9,701,737,528
Foreign trade finance	1,027,508,157	73,090,069	54,084,150	1,154,682,376	(68,272,428)	(641,962)	(68,914,390)	1,085,767,986
Debtors in checking accounts	253,198,267	3,159,561	2,930,822	259,288,650	(3,030,699)	(3,332,320)	(6,363,019)	252,925,631
Factoring operations	520,775,864	2,538,183	745,426	524,059,473	(9,569,975)	(821,572)	(10,391,547)	513,667,926
Commercial leasing operations (1)	1,156,350,225	27,394,109	26,002,972	1,209,747,306	(5,264,986)	(10,223,850)	(15,488,836)	1,194,258,470
Other loans & accounts receivable	34,621,390	306,568	5,011,258	39,939,216	(763,353)	(3,283,601)	(4,046,954)	35,892,262
Sub total	12,489,468,769	224,445,123	358,034,950	13,071,948,842	(182,863,786)	(104,835,253)	(287,699,039)	12,784,249,803
Housing loans								
Loans with mortgage-funding notes	81,704,838	-	5,649,872	87,354,710	-	(219,885)	(219,885)	87,134,825
Endorsable mortgage loans	120,584,567	-	2,320,859	122,905,426	-	(285,187)	(285,187)	122,620,239
Other housing loans	4,455,510,152	-	61,312,288	4,516,822,440	-	(17,997,409)	(17,997,409)	4,498,825,031
Loans from the ANAP	23,600	-	-	23,600	-	-	-	23,600
Housing leases	-	-	-	0	-	-	-	-
Other loans & accounts receivable	5,154,873	-	47,370	5,202,243	-	(140)	(140)	5,202,103
Sub total	4,662,978,030	-	69,330,389	4,732,308,419	-	(18,502,621)	(18,502,621)	4,713,805,798
Consumer loans								
Installment consumer loans	1,865,945,503	-	169,215,789	2,035,161,292	-	(134,460,096)	(134,460,096)	1,900,701,196
Checking account debtors	231,493,008	-	9,458,989	240,951,997	-	(7,843,692)	(7,843,692)	233,108,305
Credit card debtors	758,741,864	-	25,039,826	783,781,690	-	(31,665,586)	(31,665,586)	752,116,104
Consumer leases	-	-	-	0	-	-	-	-
Other loans & accounts receivable	185,198	-	616,349	801,547	-	(308,514)	(308,514)	493,033
Sub total	2,856,365,573	-	204,330,953	3,060,696,526	-	(174,277,888)	(174,277,888)	2,886,418,638
Total	20,008,812,372	224,445,123	631,696,292	20,864,953,787	(182,863,786)	(297,615,762)	(480,479,548)	20,384,474,239

Notes to the Consolidated Financial Statements
As of December 31, 2013 and 2012
(Translation of financial statements originally issued in Spanish – See Note 2)

Note 39– Additional notes (continued)

Note 39.10 – Loans and Accounts Receivable from Customers (continued)

(a1) Loans and Accounts Receivable from Customers (continued)

	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
Sub total	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
Sub total	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)
Sub total	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

(1) The Bank finances its customers to acquire assets, whether movable or immovable, under financial lease contracts. As of December 31, 2013 ThCh$503,972,751 (ThCh$451,647,141 in 2012) relate to real-estate financial leases, and ThCh$705,774,555 (ThCh$661,624,904 in 2012) relate to movable asset financial leases.

Note 39 – Additional notes (continued)

Note 39.10 – Loans and Accounts Receivable from Customers (continued)

(a.2) Impaired portfolio

As of December 31, 2013 and 2012, the normal and impaired portfolios are detailed as follows:

	Assets before allowances						**Allowances made**							
	Normal portfolio		**Impaired portfolio**		**Total**		**Individual**		**Group**		**Total**		**Net assets**	
	2013 ThCh$	**2012 ThCh$**	**2013 ThCh$**	**2012 ThCh$**	**2013 ThCh$**	**2012 ThCh$**	**2013 ThCh$**	**2012 ThCh$**	**2013 ThCh$**	**2012 ThCh$**	**2013 ThCh$**	**2012 ThCh$**	**2013 ThCh$**	**2012 ThCh$**
Commercial loans	12,624,892,186	11,341,671,031	447,056,656	381,718,251	13,071,948,842	11,723,389,282	(182,863,786)	(164,900,472)	(104,835,253)	(82,406,611)	(287,699,039)	(247,307,083)	12,784,249,803	11,476,082,199
Housing loans	4,662,978,030	4,149,264,505	69,330,389	49,401,786	4,732,308,419	4,198,666,291	-	-	(18,502,621)	(16,079,606)	(18,502,621)	(16,079,606)	4,713,805,798	4,182,586,685
Consumer loans	2,856,365,573	2,651,351,976	204,330,953	180,162,615	3,060,696,526	2,831,514,591	-	-	(174,277,888)	(164,046,853)	(174,277,888)	(164,046,853)	2,886,418,638	2,667,467,738
Total	**20,144,235,789**	**18,142,287,512**	**720,717,998**	**611,282,652**	**20,864,953,787**	**18,753,570,164**	**(182,863,786)**	**(164,900,472)**	**(297,615,762)**	**(262,533,070)**	**(480,479,548)**	**(427,433,542)**	**20,384,474,239**	**18,326,136,622**

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 2013 and 2012 was as follows:

	Allowances		
	Individual ThCh$	Group ThCh$	Total ThCh$
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
Balance at January 1, 2013	164,900,472	262,533,070	427,433,542
Write-offs:			
Commercial loans	(8,648,084)	(27,379,470)	(36,027,554)
Housing loans	-	(3,241,882)	(3,241,882)
Consumer loans	-	(157,264,958)	(157,264,958)
Total write-offs	(8,648,084)	(187,886,310)	(196,534,394)
Debt exchange (see letter g)	(12,555,900)	-	(12,555,900)
Allowances made	39,167,298	222,969,002	262,136,300
Allowances released	-	-	-
Balance at December 31, 2013	182,863,786	297,615,762	480,479,548

Apart from these allowances for credit risk, country-risk allowances 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, 2013 and 2012, 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, 2013 and 2012, 100% of the sold loan portfolio of the Bank and its subsidiaries, for which all or substantially all the risks and benefits associated with these financial assets have been transferred, 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 (*)	
	2013 ThCh$	2012 ThCh$	2013 ThCh$	2012 ThCh$	2013 ThCh$	2012 ThCh$
Up to 1 year	435,787,578	394,284,389	(53,919,557)	(50,643,341)	381,868,021	343,641,048
1 to 2 years	314,545,581	293,525,272	(39,404,826)	(36,615,005)	275,140,755	256,910,267
2 to 3 years	197,979,112	189,111,087	(25,096,768)	(23,440,134)	172,882,344	165,670,953
3 to 4 years	121,241,361	112,380,594	(16,987,368)	(15,766,304)	104,253,993	96,614,290
4 to 5 years	78,992,172	75,451,382	(12,662,669)	(11,338,591)	66,329,503	64,112,791
Over 5 years	232,607,050	206,025,259	(29,878,719)	(25,733,419)	202,728,331	180,291,840
Total	1,381,152,854	1,270,777,983	(177,949,907)	(163,536,794)	1,203,202,947	1,107,241,189

(*) The net balance receivable does not include past-due portfolio totaling ThCh$6,544,359 as of December 31, 2013 (ThCh$6,030,856 in 2012).

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, 2013 and 2012, the portfolio before allowances by customers' economic activity is as follows:

	Loans in				Total			
	Chile		Abroad					
	2013 ThCh$	2012 ThCh$	2013 ThCh$	2012 ThCh$	2013 ThCh$	%	2012 ThCh$	%
Commercial loans								
Commerce	2,513,287,512	2,286,500,320	39,677,422	28,172,677	2,552,964,934	12.24	2,314,672,997	12.34
Transport & telecommunications	1,602,348,459	1,470,358,250	-	-	1,602,348,459	7.68	1,470,358,250	7.84
Manufacturing	1,361,002,349	1,380,993,843	-	-	1,361,002,349	6.52	1,380,993,843	7.36
Services	1,240,028,158	1,310,572,756	-	-	1,240,028,158	5.94	1,310,572,756	6.99
Construction	1,457,769,705	1,252,546,394	311,183	-	1,458,080,888	6.99	1,252,546,394	6.68
Financial services	1,627,843,598	1,148,094,446	415,345,172	706,477,111	2,043,188,770	9.79	1,854,571,557	9.88
Agriculture & livestock	914,104,916	901,300,010	-	-	914,104,916	4.38	901,300,010	4.80
Electricity, gas & water	504,087,857	328,763,086	27,884,761	-	531,972,618	2.55	328,763,086	1.75
Mining	340,045,262	305,385,640	-	67,051,300	340,045,262	1.63	372,436,940	1.99
Fishing	219,172,811	233,893,098	-	-	219,172,811	1.05	233,893,098	1.25
Others	790,289,543	226,998,365	18,750,134	84,477,217	809,039,677	3.88	311,475,582	1.65
Sub total	12,569,980,170	10,845,406,208	501,968,672	886,178,305	13,071,948,842	62.65	11,731,584,513	62.53
Housing loans	4,732,308,419	4,198,666,291	-	-	4,732,308,419	22.68	4,198,666,291	22.38
Consumer loans	3,060,696,526	2,831,514,591	-	-	3,060,696,526	14.67	2,831,514,591	15.09
Total	20,362,985,115	17,875,587,090	501,968,672	886,178,305	20,864,953,787	100.00	18,761,765,395	100.00

Note 39 – Additional notes (continued)

Note 39.10 – Loans and Accounts Receivable from Customers (continued)

(e) Sale of loan portfolio

During August, September and December 2013, the Bank acquired loans whose nominal value amounts to ThCh$467,717,137.

(f) Sale or assignment of loans

During 2013 and 2012, the following loans were sold or assigned:

2013			
Loans value ThCh$	**Allowance ThCh$**	**Sale value ThCh$**	**Effect on income gain ThCh$**
197,819,871	(354,796)	198,134,268	669,193

2012			
Loans value ThCh$	**Allowance ThCh$**	**Sale value ThCh$**	**Effect on income gain ThCh$**
118,347,412	(198,799)	118,347,412	198,799

(g) Exchange of loans for bonds

On June 27, 2013, an exchange was made of impaired loans for notes representing financial instruments (bonds) of the same debtor. The loans on that date had a value of ThCh$13,952,177 with an allowance for the associated credit risk of ThCh$12,555,900. The bonds received in the exchange were classified as investment instruments available for sale.

As there was no active market for these financial instruments on the date of exchange, and therefore there was insufficient information available for calculating their fair value reliably, it was decided that at the date of the exchange, the price or fair value was equivalent to the fair value of the loans exchanged. There were therefore no effects on income for this transaction.

On December 27, 2013, the SBIF instructed that these financial instruments be classified as instruments for trading. This generated a credit to income of ThCh$577,859 as of December 31, 2013.

Note 39 – Additional notes (continued)

Note 39.10 – Loans and Accounts Receivable from Customers (continued)

(h) Securitization of own assets

During 2012, the Bank subscribed a securitized asset issue contract and a contract of assignment of loans without recourse with its subsidiary Banchile Securitizadora S.A., by which fixed-rate commercial loans were transferred. With this, Banchile Securitizadora formed the Separate Equity 17, in accordance with Chapter XVIII of Law 18,045. The securitized assets became part of the separate equity to support the issuance of Series A securitized bonds, which were all sold to third parties.

The book value of the loan on the transaction date was Ch$30,276 million, and the effective amount received from this transfer amounted to Ch$30,407 million, with which a gain of Ch$131 million was made plus the release of allowances for credit risk of Ch$24 million. In addition, the subsidiary Banchile Securitizadora S.A. charged the Bank a fee 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 total bond placement 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 recognized as an investment instrument available for sale with a fair value of Ch$23,310 as of December 31, 2013 (Ch$22,841 as of December 31, 2012), this being the entity's maximum exposure deriving from this transaction.

The Bank analyzed all the relevant aspects of the transaction in accordance with the provisions of IAS 39 and IFRS 10 for writing down the assets and consolidation. It concluded that (i) there is no kind of control over the assets transferred or power over the separate equity; (ii) it has transferred substantially all the benefits and risks of the asset assigned to the separate equity; (iii) it has no exposure or right to variable returns from its implication in the separate equity; and (iv) it retains no powers of decision enabling it to obtain substantial benefits from the assets assigned. According to Law 18,045, the holders of Equity 17 bonds are those with the power to decide in the event of default in the commitments as contemplated in the Securities Market Law, and also as established in the issue indenture. As a result, the Bank wrote down the loans involved in the above loan assignment transaction and has not consolidated the separate equity.

Additional information on the transaction	**2013**	**2012**
Value of securitized asset	Ch$20,517 million	Ch$24,795 million
Value of the securitized bond	Ch$20,385 million	Ch$24,644 million
Remaining term of the securitized asset	4 years	5 years
Remaining term of the securitized bond	4 years	5 years
Securitized asset rate	UF + 4.83%	UF + 4.83%
Securitized bond rate	UF + 4.54%	UF + 4.54%

No securitization transactions of own assets were made in 2013.

Note 39 – Additional notes (continued)

Note 39.11 – Investment instruments

As of December 31, 2013 and 2012, the investment instruments designated as available for sale and held to maturity were as follows:

	2013			2012		
	Available for sale ThCh$	Held to maturity ThCh$	Total ThCh$	Available for sale ThCh$	Held to maturity ThCh$	Total ThCh$
Instruments issued by the State & Banco Central de Chile						
Bonds of Banco Central de Chile	333,034,705	-	333,034,705	110,569,461	-	110,569,461
Notes of Banco Central de Chile	50,414,900	-	50,414,900	968,312	-	968,312
Other instruments issued by the State & Banco Central de Chile	202,957,607	-	202,957,607	140,246,385	-	140,246,385
Instruments of Other National Institutions						
Deposit notes of banks in Chile	-	-	-	-	-	-
Mortgage-funding notes of banks in Chile	96,933,185	-	96,933,185	85,687,865	-	85,687,865
Bonds of banks in Chile	128,500,327	-	128,500,327	116,099,522	-	116,099,522
Deposits with banks in Chile	617,816,102	-	617,816,102	560,390,552	-	560,390,552
Bonds of other companies in Chile	13,559,323	-	13,559,323	32,280,262	-	32,280,262
Notes of other companies in Chile	-	-	-	-	-	-
Other instruments issued in Chile	154,267,410	-	154,267,410	129,693,236	-	129,693,236
Instruments of Foreign Institutions						
Foreign sovereign or central bank instruments	-	-	-	-	-	-
Other instruments	76,222,491	-	76,222,491	88,504,327	-	88,504,327
Total	1,673,706,050	-	1,673,706,050	1,264,439,922	-	1,264,439,922

Note 39 – Additional notes (continued)

Note 39.11 – Investment instruments (continued)

Instruments issued by the State and Banco Central de Chile include instruments sold under repurchase agreements to customers and financial institutions, amounting to ThCh$16,840,268 as of December 31, 2013 (nil in 2012). The repurchase agreements had an average maturity of 3 days as of December 2013.

Instruments of other institutions in Chile include instruments sold under repurchase agreements to customers and financial institutions amounting to ThCh$109,334 (ThCh$5,266,691 in 2012).

Instruments of foreign institutions mainly include bank bonds and shares.

The portfolio of instruments available for sale as of December 31, 2013 includes a net accumulated unrealized gain of ThCh$12,840,001 (ThCh$8,325,646 in 2012), recognized as valuation adjustment in equity.

As of December 31, 2013 there is no evidence of impairment of investment instruments available for sale (impairment of ThCh550,506 in 2012).

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 recognized 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 from financial operations, as of December 31, 2013 and 2012.

The gross realized gains and losses on sales of instruments available for sale in the subsidiary Banco de Chile as of December 31, 2013 and 2012 are as follows:

	2013 ThCh$	2012 ThCh$
Unrealized gain during the year	10,305,765	12,161,921
Realized (loss) (reclassified to income)	(4,662,873)	(810,025)
Sub total	5,642,892	11,351,896
Income tax on other comprehensive income	(1,128,537)	(2,256,206)
Net effect	4,514,355	9,095,690

Notes to the Consolidated Financial Statements
As of December 31, 2013 and 2012
(Translation of financial statements originally issued in Spanish – See Note 2)

Note 39 – Additional notes (continued)

Note 39.12 – Investments in Companies

(a) The Investments in companies shows a total of ThCh$16,670,099 in 2012 (ThCh$13,933,040 in 2012), split as follows:

		Interest of the institution		Equity of the company		Investment			
						Value		Income	
		2013	2012	2013	2012	2013	2012	2013	2012
Company	**Shareholder**	**%**	**%**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**
Associates									
Administrador Financiero del Transantiago S.A. (*)	Banco de Chile	20.00	20.00	9,736,758	6,076,064	1,947,362	1,215,227	732,141	(527,640)
Soc. Operadora de Tarjetas de Crédito Nexus S.A.	Banco de Chile	25.81	25.81	7,197,097	6,411,960	1,857,293	1,654,684	289,449	556,443
Redbanc S.A.	Banco de Chile	38.13	38.13	4,401,123	4,109,443	1,678,334	1,567,109	158,901	(375,552)
Sociedad Imerc OTC S.A. (**) (***)	Banco de Chile	12.49	-	11,410,183	-	1,425,160	-	(17,539)	-
Transbank S.A.	Banco de Chile	26.16	26.16	5,231,744	6,305,598	1,368,446	1,649,333	9,484	321,576
Soc. Operadora de la Cámara de Compensación de Pagos de Alto Valor S.A. (***)	Banco de Chile	15.00	15.00	4,529,196	4,337,252	679,389	650,602	62,127	111,529
Centro de Compensación Automatizado S.A.	Banco de Chile	33.33	33.33	1,982,119	1,608,894	660,650	536,258	125,411	115,286
Sociedad Interbancaria de Depósitos de Valores S.A.	Banco de Chile	26.81	26.81	1,978,312	1,711,129	530,344	458,723	102,323	79,161
Sub total associates				46,466,532	30,560,340	10,146,978	7,731,936	1,462,297	280,803
Joint ventures									
Servipag Ltda.	Banco de Chile	50.00	50.00	7,179,731	6,755,707	3,589,876	3,377,869	212,014	(320,852)
Artikos Chile S.A.	Banco de Chile	50.00	50.00	1,340,912	1,128,628	670,467	564,328	106,144	(427,856)
Sub total joint ventures				8,520,643	7,884,335	4,260,343	3,942,197	318,158	(748,708)
Sub total				54,987,175	38,444,675	14,407,321	11,674,133	1,780,455	(467,905)
Investments values at cost: (1)									
Bolsa de Comercio de Santiago S.A.						1,645,820	1,645,820	291,315	238,500
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)						43,081	39,210	-	-
Sub total						2,262,778	2,258,907	291,315	238,500
Total						16,670,099	13,933,040	2,071,770	(229,405)

(1) Income relating to investments recognized at cost corresponds to revenue recognized on a received basis (dividends).

(*) On July 9, 2013 the Official Gazette published Joint Resolution 285 of the Ministry of Transport and Telecommunications and Ministry of Finance, which approved a new agreement related to "the termination of complementary services of financial management", whereby under the new agreement, AFT only provides services related with financial management of the resources of Transantiago system, all the latter in the terms and conditions established in the new contract.

(**) On June 21, 2013, together with other banks in the Chilean financial system, the banking support company called Servicios de Infraestructura de Mercado OTC S.A. (IMERC-OTC S.A.) was formed, whose objective is to operate a centralized register of derivatives operations (registration, confirmation, storage, consolidation and conciliation services). This new subsidiary was created with a capital of Ch$12,957,463,890 divided in 10,000 shares of no par value, of which Banco de Chile subscribed and paid 1,111 shares, equivalent to ThCh$1,440 million paid upon the constitution of the company. Of the 10,000 shares, 8,895 shares of the company are subscribed and paid as of the date of these financial statements.

(***) Banco de Chile has significant influence in Sociedad Operadora de la Cámara de Compensación de Pagos de Alto Valor S.A. y Sociedad Imerc OTC S.A., due to its right to appoint a member of the Board in each of the entities.

Note 39 – Additional notes (continued)

39.12. Investments in Other Companies, continued:

(b) Associates

	2013 ThCh$	2012 ThCh$
Current assets	537,514,547	383,154,795
Non-current assets	64,904,054	53,946,467
Total Assets	602,418,601	437,101,262
Current liabilities	550,022,580	397,540,206
Non-current liabilities	5,919,477	9,000,716
Total liabilities	555,942,057	406,540,922
Equity	46,466,532	30,560,340
Non-controlling interest	10,012	-
Total Liabilities and Equity	602,418,601	437,101,262
Operating income	184,911,507	206,068,859
Operating expenses	(178,081,201)	(204,928,892)
Other income (expenses)	448,456	947,785
Earnings before taxes	**7,278,762**	**2,087,752**
Income tax	(981,871)	(589,508)
Earnings	6,296,891	1,498,244

(c) Joint Ventures

The Bank has a 50% interest in Servipag Ltda. and a 50% interest in Artikos S.A., two jointly controlled entities. The Bank's interests of both entities are recognized using the equity method in the consolidated financial statements.

The following is summarized financial information on the jointly-controlled companies:

	Artikos S.A.		Servipag Ltda.	
	2013 ThCh$	2012 ThCh$	2013 ThCh$	2012 ThCh$
Current assets	919,753	441,738	42,787,796	37,416,065
Non-current assets	734,655	925,683	16,256,005	16,707,936
Total Assets	1,654,408	1,367,421	59,043,801	54,124,001
Current liabilities	313,496	238,793	48,343,230	44,137,019
Non-current liabilities	-	-	3,520,840	3,231,275
Total liabilities	313,496	238,793	51,864,070	47,368,294
Equity	1,340,912	1,128,628	7,179,731	6,755,707
Total Liabilities and Equity	1,654,408	1,367,421	59,043,801	54,124,001
Operating income	2,486,553	2,451,128	35,371,151	36,645,338
Operating expenses	(2,269,746)	(3,026,684)	(34,042,638)	(36,403,935)
Other income (expenses)	3,525	(8,495)	(807,963)	(729,377)
Earnings (loss) before taxes	**220,332**	**(584,051)**	**520,550**	**(487,974)**
Income tax	(8,047)	(271,667)	(96,526)	(153,735)
Earnings (loss)	212,285	(855,718)	424,024	(641,709)

Note 39 – Additional notes (continued)

39.12. Investments in Other Companies, continued:

(d) The movement of permanent investments in companies that are not consolidated in 2013 and 2012 is as follows:

	2013 ThCh$	2012 ThCh$
Initial book value	13,933,040	15,417,686
Sale of investments	-	-
Acquisition of investments	1,439,574	71,131
Interest in income with significant influence	1,780,455	(467,905)
Dividends receivable	(186,622)	(653,070)
Dividends received	(956,376)	(942,717)
Payment of minimum dividends	660,028	507,915
Total	16,670,099	13,933,040

(e) There was no impairment of these investments in 2013 and 2012.

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Note 39 – Additional notes (continued)

Note 39.13 – Intangible assets

a) The composition as of December 31, 2013 and 2012 of intangible assets is as follows:

	Year									
	Useful life		Average remaining amortization		Gross balance		Accumulated amortization & impairment		Net balance	
	2013	2012	2013	2012	2013 ThCh$	2012 ThCh$	2013 ThCh$	2012 ThCh$	2013 ThCh$	2012 ThCh$
Type of intangible asset:										
Goodwill:										
Goodwill	-	7	-	2	4,138,287	4,138,287	(4,138,287)	(3,000,172)	-	1,138,115
Other intangible assets:										
Software or computer programs	6	6	2	3	87,011,188	82,733,759	(57,792,582)	(50,639,150)	29,218,606	32,094,609
Intangible assets from combinations of business	-	7	-	2	1,740,476	1,740,476	(1,740,476)	(1,261,845)	-	478,631
Other intangible assets	-	-	-	-	502,888	612,737	(50,586)	(35,126)	452,302	577,611
Total					93,392,839	89,225,259	(63,721,931)	(54,936,293)	29,670,908	34,288,966

Note 39 – Additional notes (continued)

Note 39.13 – Intangible assets (continued)

b) The movement in intangible assets during 2013 and 2012 was 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, 2012	4,138,287	74,522,751	1,740,476	102,347	80,503,861
Acquisitions	-	8,544,076	-	571,938	9,116,014
Derecognitions	-	(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
Acquisitions	-	5,136,814	-	373,800	5,510,614
Derecognitions	-	(859,385)	-	(483,649)	(1,343,034)
Balance at December 31, 2013	4,138,287	87,011,188	1,740,476	502,888	93,392,839
Accumulated amortization & impairment					
Balance as of January 1, 2012	(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 (*)	-	-	-	-	-
Derecognitions	-	333,068	-	61,549	394,617
Balance at December 31, 2012	(3,000,172)	(50,639,150)	(1,261,845)	(35,126)	(54,936,293)
Amortization for year (*)	(1,138,115)	(7,984,474)	(478,631)	(27,414)	(9,628,634)
(Loss) for impairment (*)	-	(28,342)	-	-	(28,342)
Derecognitions	-	859,384	-	11,954	871,338
Balance at December 31, 2013	(4,138,287)	(57,792,582)	(1,740,476)	(50,586)	(63,721,931)
Net balance at December 31, 2013	-	29,218,606	-	452,302	29,670,908

(*) See Note 39.32 on depreciation, amortization and impairment,

c) As of December 31, 2013 and 2012, the following commitments have been made by the Bank for the acquisition of intangible assets which have not been capitalized:

Detail	**Amount of commitment**	
	2013 ThCh$	**2012 ThCh$**
Software & licenses	9,299,106	6,681,133

Note 39 – Additional notes (continued)

Note 39.14 – Property, plant & equipment

(a) The composition of property, plant and equipment as of December 31, 2013 and 2012 is as follows:

	Land & buildings ThCh$	Equipment ThCh$	Other ThCh$	Total ThCh$
Gross balance				
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
Disposals/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
Balance at January 1, 2013	176,151,689	132,026,846	144,636,042	452,814,577
Additions	61,957	7,510,207	4,679,226	12,251,390
Disposals/write-offs	(364,390)	(1,408,199)	(1,709,895)	(3,482,484)
Transfers	-	(218,022)	218,022	-
Reclassification	-	-	-	-
Total	175,849,256	137,910,832	147,823,395	461,583,483
Accumulated depreciation	(38,716,857)	(116,080,489)	(108,697,065)	(263,494,411)
Impairment (*)(***)	-	(83,524)	(426,404)	(509,928)
Balance at December 31, 2013	137,132,399	21,746,819	38,699,926	197,579,144
Accumulated depreciation				
Balance at January 1, 2012	(33,504,043)	(103,015,181)	(94,799,068)	(231,318,292)
Reclassification	-	-	(18,599)	(18,599)
Depreciation (**) (*)	(2,920,192)	(8,428,855)	(8,884,668)	(20,233,715)
Write-offs & sales	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)
Reclassification	-	(18,599)	18,599	-
Depreciation (**) (*)	(2,872,843)	(7,716,117)	(8,310,354)	(18,899,314)
Write-offs & sales	127,551	1,586,186	1,316,313	3,030,050
Balance at December 31, 2013	(38,716,857)	(116,080,489)	(108,697,065)	(263,494,411)

(*) See Note 39.32 on depreciation, amortization and impairment
(**) Excludes depreciation of investment properties that are included in Other assets for ThCh$380,704 (ThCh$380,704 in 2012).
(***) Excludes allowance for write-offs of property, plant and equipment of ThCh$247,337 (ThCh$152,599 in 2012).

Note 39 – Additional notes (continued)

Note 39.14 – Property, plant & equipment (continued)

(b) As of December 31, 2013 and 2012, there are operating lease contracts that cannot be rescinded unilaterally. Future rental payments are as follows:

	2013							
	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	28,876,338	2,320,422	4,633,074	19,832,904	37,496,694	26,517,236	48,815,074	139,615,404

	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

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, 2013 and 2012, 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 company and its subsidiaries have made a provision for income tax determined in accordance with current tax laws. This provision is shown as the net amount of recoverable or payable taxes as of December 31 each year, as per the following detail:

	2013 ThCh$	2012 ThCh$
Income tax	85,419,727	61,967,311
First Category Income tax	23,235	-
Tax on disallowed expenses (rate 35%)	1,885,201	3,859,632
Less:		
Monthly provisional payments	(73,783,600)	(42,032,163)
Training expense credits	(1,713,758)	(1,544,834)
Others	(4,705,064)	965,103
Total	7,125,741	23,215,049

Income tax rate	20%	20%

	2013 ThCh$	2012 ThCh$
Current tax assets	3,201,909	2,683,809
Current tax liabilities	(10,327,650)	(25,898,858)
Total tax (payable)	(7,125,741)	(23,215,049)

b) Tax Income:

The tax charge for the years ended December 31, 2013 and 2012 is detailed as follows:

	2013 ThCh$	2012 ThCh$
Charges for income tax:		
Tax current year	88,798,142	61,967,311
Tax previous years	(432,179)	(1,147,252)
Sub total	88,365,963	60,820,059
Credit (charge) for deferred taxes:		
Origination & reversal of timing differences	(12,380,761)	2,672,492
Tax-rate change effect on deferred taxes	-	(14,205,486)
Sub total	(12,380,761)	(11,532,994)
Taxes on disallowed expenses Art 21 of the tax law	1,885,201	3,859,632
Others	2,149,851	893,091
Net charge to income for income tax	80,020,254	54,039,788

Note 39 – Additional notes (continued)

Note 39.15 – Current taxes and deferred taxes (continued)

c) Reconciliation of effective tax rate:

The reconciliation between the income tax rate and the effective rate applied in the determination of the charge as of December 31, 2013 and 2012 is detailed as follows:

	2013		2012	
	Tax rate %	ThCh$	Tax rate %	ThCh$
Tax on financial income	20.00	118,850,358	20.00	104,093,921
Additions or deductions	(6.85)	(40,711,279)	(7.13)	(37,100,027)
First Category Income tax (disallowed expenses)	0.32	1,885,201	0.74	3,859,632
Previous years' taxes	(0.07)	(432,179)	(0.22)	(1,147,251)
Deferred tax rate change effects (*)	-	-	(2.73)	(14,205,486)
Adjustment deferred tax leasing	-	-	0.57	2,941,677
Others	0.07	428,153	(0.85)	(4,402,678)
Effective rate & charge for income tax	13.47	80,020,254	10.38	54,039,788

The effective rate for income tax 2013 is 13.47% (10.38% in 2012).

* 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 2013, the Bank and its subsidiaries have recognized 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:

	Balances as of 12-31-2012 ThCh$$	Reclassification ThCh$$	Recognized in Income ThCh$$	Recognized in Equity ThCh$$	Balances as of 12-31-2013 ThCh$$
Debtor Differences:					
Allowance for credit risk	99,113,468	-	8,988,753	-	108,102,221
Obligations under repurchase agreements	114,278	(125,302)	216,045	-	205,021
Materials leasing	(3,717,670)	3,717,670			-
Provision related to personnel	6,091,507	-	(344,597)	-	5,746,910
Provision for vacation	4,057,717	-	321,356	-	4,379,073
Accrued interest & indexation impaired loans	2,123,249	-	290,246	-	2,413,495
Severance payments	2,126,615	(1,166,538)	(22,318)	33,236	970,995
Provision credit card expenses	4,693,945	-	1,798,821	-	6,492,766
Provision accrued expenses	7,381,677	-	349,203	-	7,730,880
Other adjustments	5,158,680	-	4,703,622	-	9,862,302
Total Net Assets	**127,143,466**	**2,425,830**	**16,301,131**	**33,236**	**145,903,663**
Creditor Differences:					
Investments under repurchase agreements	125,302	(125,302)			-
Depreciation & monetary correction property, plant and equipment	12,927,002	2,495,665	(986,683)	-	14,435,984
Adjustment valuation of investments available for sale	4,757,313	-	-	2,585,489	7,342,802
Materials leasing	-	4,812,315	3,688,089	-	8,500,404
Transitory assets	2,448,732	-	289,791	-	2,738,523
Adjustment derivative instruments	378,154	-	(239,752)	-	138,402
Other adjustments	6,993,077	(4,756,848)	1,168,925	7,862	3,413,016
Total Net Liabilities	**27,629,580**	**2,425,830**	**3,920,370**	**2,593,351**	**36,569,131**
Total net assets (liabilities)	**99,513,886**	**-**	**12,380,761**	**(2,560,115)**	**109,334,532**

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 table provides details on 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 12-31-2013			**Assets at tax value**		
	Assets at value of financial statements (*) ThCh$	**Assets at tax value ThCh$**	**Past-due portfolio with collateral ThCh$**	**Past-due portfolio without collateral ThCh$**	**Total past-due portfolio ThCh$**
Due by banks	1,062,055,732	1,063,348,197	-	-	-
Commercial loans	10,975,797,013	11,509,434,357	18,863,482	49,184,194	68,047,676
Consumer loans	2,886,418,637	3,244,148,976	560,908	17,418,407	17,979,315
Housing mortgage loans	4,713,805,799	4,729,084,954	3,381,238	111,156	3,492,394
Total	19,638,077,181	20,546,016,484	22,805,628	66,713,757	89,519,385

(*) According to the circular mentioned and the SII instructions, the value of the assets in the financial statements is shown on individual bases (just Banco de Chile) net of allowances for credit risk and exclude leasing and factoring operations.

(e.2) Allowances for past-due portfolio	**Balance at 01-01-2013 ThCh$**	**Write-offs against allowances ThCh$**	**Allowances made ThCh$**	**Allowances released ThCh$**	**Balance at 12-31-2013 ThCh$**
Commercial loans	33,162,511	(21,573,714)	69,021,013	(31,425,616)	49,184,194
Consumer loans	17,130,812	(148,560,072)	171,990,940	(23,143,273)	17,418,407
Housing mortgage loans	151,181	(952,306)	1,194,910	(282,629)	111,156
Total	50,444,504	(171,086,092)	242,206,863	(54,851,518)	66,713,757

(e.3) Direct write-offs and recoveries	**2013 ThCh$**
Direct write-offs Art. 31 No.4, 2nd paragraph	10,508,970
Condonations originating release of allowances	1,123,007
Recoveries or re-negotiation of written-off loans	41,801,987

(e.4) Application of Art. 31 No.4 1st & 3rd paragraphs of the IncomeTax Law	**2013 ThCh$**
Write-offs according to the 1st paragraph	-
Condonations per the 3rd paragraph	1,116,754

Note 39 – Additional notes (continued)

Note 39.16 – Other Assets

a) Composition

The composition of these as of December 31, 2013 and 2012 is:

	2013 ThCh$	2012 ThCh$
Assets for leasing (*)	74,722,774	74,987,645
Assets received or adjudicated in lieu of payment (**)		
Assets adjudicated in judicial auction	2,639,873	2,475,172
Assets received in payment	372,091	80,540
Allowances for assets received in payment or adjudicated	(46,175)	(40,306)
Sub total	2,965,789	2,515,406
Other assets		
Trading of documents (***)	74,366,476	89,799,904
Deposits for derivative margins	60,308,714	25,984,244
Available funds Servipag	19,199,641	15,534,252
Investment properties (Note 2 ap)	16,317,429	16,698,133
VAT fiscal credit	9,958,134	9,291,572
Other accounts & notes receivable	8,682,139	20,000,550
Commissions receivable	7,783,574	6,391,655
Prepaid expenses	6,589,299	3,476,454
Recoverable tax	6,047,553	7,695,268
Leased assets recovered for sale	5,463,167	776,533
Pending operations	1,803,359	8,675,908
Rental guarantees	1,455,746	1,386,174
Accounts receivable for past-due assets received in payment sold	1,286,387	422,685
Materials & implements	528,081	609,614
Others	20,551,339	12,633,269
Sub total	240,341,038	219,376,215
Total	318,029,601	296,879,266

(*) 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 effective equity. These assets currently represent 0.0124% (0.0032% in 2012) of the Bank's effective 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 or adjudicated is recognized as indicated in the Compendium of Accounting Standards, which implies the recognition 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 2013 and 2012 is as follows:

Amortization	**Allowances for assets ThCh$**
Balance at January 1, 2012	1,117,517
Application of allowances	(1,177,393)
Allowances made	100,182
Allowances released	-
Balance at December 31, 2012	40,306
Application of allowances	(45,057)
Allowances made	50,926
Allowances released	-
Balance at December 31, 2013	46,175

Note 39.17 – Deposits and other demand deposits

As of December 31 each year, deposits and other demand deposits are as follows:

	2013 ThCh$	**2012 ThCh$**
Current accounts	5,009,667,913	4,489,484,065
Other demand obligations	593,451,161	599,320,344
Other demand deposits and accounts	284,858,743	311,043,993
Total	5,887,977,817	5,399,848,402

Note 39.18 - Deposits and term obligations

As of December 31 each year, deposits and term obligations are as follows:

	2013 ThCh$	**2012 ThCh$**
Time deposits	10,148,840,780	9,367,799,897
Time savings accounts	178,011,477	179,464,471
Other term creditor balances	73,101,761	63,422,509
Total	10,399,954,018	9,610,686,877

Note 39 – Additional notes (continued)

Note 39.19 – Obligations with Banks

(a) As of December 31, 2013 and 2012, obligations with banks are as follows:

	2013 ThCh$	2012 ThCh$
Banks in Chile	-	-
Banks abroad		
Foreign trade financing		
Citibank N.A.	137,914,333	107,248,647
HSBC Bank	134,813,632	-
Standard Chartered Bank	103,161,522	117,217,580
Deutsche Bank AG	94,326,800	12,003,424
Bank of America	78,642,040	189,500,521
Commerzbank A.G.	61,957,714	182,925,734
Bank of Montreal	52,684,383	-
The Bank of New York Mellon	37,373,392	57,160,896
ING Bank	26,308,653	-
Wells Fargo Bank	26,298,488	131,763,322
Toronto Dominion Bank	23,675,748	38,402,181
Mercantil Commercebank	15,887,690	19,183,892
Zuercher Kantonalbank	5,281,910	14,401,314
JP Morgan Chase Bank	-	24,002,732
Sumitomo Banking	-	16,828,109
Bank of China	-	828,384
Banco de Sabadell	-	337,268
Others	4,039,512	21,844
Loans & other obligations		
Wells Fargo Bank	105,340,358	96,370,414
Citibank N.A.	54,767,693	27,571,162
China Development Bank	26,308,395	35,995,729
Standard Chartered Bank	-	36,083,723
Other	672,530	815,573
Sub total	989,454,793	1,108,662,449
Banco Central de Chile	10,332	17,780
Total	989,465,125	1,108,680,229

Note 39 – Additional notes (continued)

Note 39.19 – Obligations with banks (continued)

(b) Obligations abroad

The following table details the maturities of these obligations:

	2013 ThCh$	2012 ThCh$
Up to 1 month	99,542,303	181,954,232
1 to 3 months	359,752,433	153,701,631
3 to 12 months	262,574,085	631,051,043
1 to 3 years	267,585,972	141,955,543
3 to 5 years	-	-
More than 5 years	-	-
Total	989,454,793	1,108,662,449

(c) Obligations with Banco Central de Chile:

The debts with Banco Central de Chile include lines of credit for the renegotiation of loans and other debts with Banco Central de Chile.

The following table details the total amounts due to the Banco Central de Chile:

	2013 ThCh$	2012 ThCh$
Loans & other obligations	-	-
Line of credit for renegotiation of obligations with Banco Central	10,332	17,780
Total	10,332	17,780

Note 39 – Additional notes (continued)

Note 39.20 – Debt Instruments Issued

The debt instruments issued as of December 31, 2013 and 2012 are detailed as follows:

	2013 ThCh$	2012 ThCh$
Mortgage-funding notes	86,490,425	115,195,795
Bonds	3,533,155,321	2,412,232,783
Subordinated bonds	747,006,698	746,503,303
Total	4,366,652,444	3,273,931,881

During 2013, Banco de Chile placed bonds amounting to ThCh$1,607,265,955, corresponding to unsubordinated and subordinated bonds amounting ThCh$1,603,669,638 and ThCh$3,596,317 respectively, as follows:

Bonds

Series	Amount ThCh$	Term	Issue rate %	Currency	Issue date	Maturity date
BCHIUR1011	22,114,250	12	3.40	UF	01/08/2013	01/08/2025
BCHIUR1011	8,521,364	12	3.40	UF	01/09/2013	01/09/2025
BCHIUJ0811	1,572,019	8	3.20	UF	01/29/2013	01/29/2021
BCHIUZ1011	89,312,809	7	3.20	UF	01/31/2013	01/31/2020
BCHIAC1011	45,455,867	15	3.50	UF	02/28/2013	02/28/2028
BCHIAC1011	34,184,814	15	3.50	UF	03/26/2013	03/26/2028
BCHIUN1011	72,021,900	7	3.20	UF	04/08/2013	04/08/2020
BCHIUU0212	68,379,487	12	3.40	UF	08/29/2013	08/29/2025
BCHIAU0213	69,745,600	12	3.60	UF	09/11/2013	09/11/2025
BCHIAG0213	46,585,157	5	3.40	UF	09/13/2013	09/13/2018
BCHIAV0613	47,282,722	12	3.60	UF	10/16/2013	09/13/2025
BONO HKD	43,066,450	10	3.23	HKD	04/22/2013	04/24/2023
BONO HKD	45,132,558	15	4.25	HKD	10/08/2013	10/16/2028
BONO CHF	100,371,400	5	1.13	CHF	04/26/2013	05/23/2018
BONO CHF	25,018,655	5	1.13	CHF	05/07/2013	05/23/2018
BONO CHF	122,380,313	3	0.60	CHF	06/11/2013	07/18/2016
BONO CHF	66,164,163	4	1.13	CHF	06/28/2013	05/23/2017
BONO CHF	98,555,135	6	1.50	CHF	11/07/2013	12/03/2019
BONO JPY	57,715,560	3	0.74	JPY	11/25/2013	11/25/2016
BONO JPY	30,169,280	6	1.03	JPY	12/05/2013	03/18/2019
Sub total 2013	1,093,749,503					
Short-term bonds	509,920,135					
Total 2013	1,603,669,638					

Subordinated Bonds

Series	Amount ThCh$	Term	Issue rate %	Currency	Issue date	Maturity date
UCHI-G1111	3,596,317	25 years	3.75	UF	01/25/2013	01/25/2038
Total	3,596,317					

Note 39 – Additional notes (continued)

Note 39.20 – Debt Instruments Issued (continued)

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:

Bonds

Series	Amount ThCh$	Term	Issue rate %	Currency	Issue date	Maturity date
BCHIUO0911	89,896,198	10	3.40	UF	02/15/2012	02/15/2022
BCHIUD0510	14,108,867	6	2.20	UF	02/16/2012	02/16/2018
BCHIUI0611	1,338,293	7	3.20	UF	03/05/2012	03/05/2019
BCHIUI0611	3,351,978	7	3.20	UF	03/07/2012	03/07/2019
BCHIUI0611	1,115,623	7	3.20	UF	03/23/2012	03/23/2019
BCHIUP1211	88,344,787	10	3.40	UF	04/04/2012	04/04/2022
BCHIUI0611	2,235,532	7	3.20	UF	04/17/2012	04/17/2019
BCHIUQ1011	27,342,834	11	3.40	UF	05/08/2012	05/08/2023
BCHIUQ1011	48,568,374	11	3.40	UF	05/11/2012	05/11/2023
BCHIUQ1011	12,448,702	11	3.40	UF	06/04/2012	06/04/2023
BCHIUS0212	46,428,452	11	3.40	UF	06/04/2012	06/04/2023
BCHIUS0212	20,551,714	11	3.40	UF	06/07/2012	06/07/2023
BCHIUT0112	66,849,550	12	3.40	UF	06/12/2012	06/12/2024
BCHIUR1011	33,294,714	12	3.40	UF	06/20/2012	06/20/2024
BCHIUR1011	4,449,944	12	3.40	UF	07/30/2012	07/30/2024
BCHIUR1011	13,468,623	12	3.40	UF	09/14/2012	09/14/2024
BCHIUR1011	1,798,634	12	3.40	UF	09/24/2012	09/24/2024
BCHIUR1011	5,284,323	12	3.40	UF	09/25/2012	09/25/2024
BCHIUJ0811	1,334,493	8	3.20	UF	10/05/2012	10/05/2020
BCHIUJ0811	33,455,597	8	3.20	UF	10/10/2012	10/10/2020
BCHIUV1211	67,842,308	13	3.50	UF	10/10/2012	10/10/2025
BCHIUJ0811	1,566,252	8	3.20	UF	10/19/2012	10/19/2020
BCHIUJ0811	2,241,179	8	3.20	UF	10/22/2012	10/22/2020
BCHIAC1011	11,118,285	15	3.50	UF	10/22/2012	10/22/2027
BONO HKD	24,487,360	15	4.00	HKD	09/05/2012	09/05/2027
BONO HKD	54,373,813	15	4.00	HKD	11/07/2012	09/09/2027
BONO PEN	14,082,728	5	4.04	PEN	10/30/2012	10/30/2017
Sub total 2012	691,379,157					
Short-term bonds	516,427,548					
Total 2012	1,207,806,705					

Note 39 – Additional notes (continued)

Note 39.20 – Debt Instruments Issued (continued)

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					

The Bank has not defaulted on the payment of principal or interest with respect to its debt instruments issued during 2013 and 2012. Neither has there been any non-compliance with covenants or other commitments associated with debt instruments issued.

Note 39.21 – Other Financial Obligations

As of December 31, 2013 and 2012, Other Financial Obligations are as follows:

	2013 ThCh$	2012 ThCh$
Other obligations in Chile	160,611,753	103,445,093
Obligations with the public sector	50,314,631	55,586,725
Other foreign obligations	-	-
Total	210,926,384	159,031,818

Note 39.22 - Provisions

(a) As of December 31, 2013 and 2012, provisions are detailed as follows:

	2013 ThCh$	2012 ThCh$
Provisions for minimum dividends shareholders SM-Chile	24,280,923	23,811,703
Provisions for minimum dividends other shareholders	76,413,615	64,890,747
Provisions for employee benefits & remuneration	67,943,679	64,545,449
Allowances for contingent loans risk	49,277,289	36,585,455
Provisions for contingencies:		
Additional loan allowances (*)	107,756,672	97,756,672
Allowances for country risk	1,770,241	3,106,518
Other provisions for contingencies	569,329	2,083,103
Total	328,011,748	292,779,647

(*) An additional allowance was made amounting to ThCh$10,000,000 (ThCh$2,270,8323 in 2012)

Note 39 – Additional notes (continued)

Note 39.22 - Provisions (continued)

(b) The movement in provisions during 2013 and 2012 are as follows:

	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, 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
Balance at January 1, 2013	88,702,450	64,545,449	36,585,455	97,756,672	5,189,621	292,779,647
Provisions made	100,694,538	52,904,592	12,691,834	10,000,000	230,329	176,521,293
Application of provisions	(88,702,450)	(44,240,295)	-	-	(368,390)	(133,311,135)
Release of provisions	-	(5,266,067)	-	-	(2,711,990)	(7,978,057)
Balance at December 31, 2013	100,694,538	67,943,679	49,277,289	107,756,672	2,339,570	328,011,748

(c) Provisions for employee benefits and remuneration:

	2013 ThCh$	2012 ThCh$
Provisions for performance bonuses	31,999,996	29,648,607
Provisions for vacations	21,895,364	20,841,541
Provisions for severance payments	10,696,348	10,633,078
Provisions for other employee benefits	3,351,971	3,422,223
Total	67,943,679	64,545,449

(d) Severance payments:

(i) Movement in severance payments:

	2013 ThCh$	2012 ThCh$
Present value of obligations at start of year	10,633,078	8,511,135
Increase in provision	792,644	807,756
Payments made	(895,552)	(864,062)
Payments advanced	-	(21,569)
Effect of change in actuarial factors	166,178	2,199,818
Total	10,696,348	10,633,078

(ii) Benefit expenses, net:

	2013 ThCh$	2012 ThCh$
Increase in provision	287,500	339,644
Interest cost of benefit obligations	505,144	468,112
Effect of change in actuarial factors	166,178	2,199,818
Net cost of benefits	958,822	3,007,574

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 2013 %	December 31 2012 %
Discount rate	5.19	5.50
Wage increase rate	5.19	5.08
Probability of payment	99.99	99.99

The most recent actuarial valuation of the provision for severance payments was made at the close of the year ended December 31, 2013.

(e) Movement in provision for performance bonuses:

	2013 ThCh$	2012 ThCh$
Balance at January 1	29,648,607	28,827,164
Provisions established	32,455,665	28,405,791
Provisions used	(27,068,244)	(27,584,348)
Provisions released	(3,036,032)	-
Total	31,999,996	29,648,607

(f) Movement in provisions for vacation:

	2013 M$	2012 M$
Balance at January 1	20,841,541	20,361,301
Provisions established	5,409,661	5,655,118
Provisions used	(4,179,819)	(4,364,091)
Provisions released	(176,019)	(810,787)
Total	21,895,364	20,841,541

(g) Provision for employee benefits in shares:

As of December 31, 2013 and 2012, the Bank and its subsidiaries have no share compensation plan.

(h) Allowances for contingent credits:

As of December 31, the Bank and its subsidiaries maintain allowances for contingent credits of ThCh$49,277,289 in 2013 (ThCh$36,585,455 in 2012), as shown in Note 39.24 (d).

Note 39 – Additional notes (continued)

Note 39.23 – Other liabilities

As of December 31, 2013 and 2012, the Other Liabilities are as follows:

	2013 ThCh$	2012 ThCh$
Accounts & notes payable (*)	100,081,161	111,358,402
Advance payments received	4,592,114	5,357,042
Agreed dividends payable	1,145,463	882,704
Other liabilities		
Document trading operations (**)	108,379,613	132,650,950
Co-branding	32,084,828	23,065,867
VAT fiscal debit	13,158,404	11,689,161
Deferred leasing earnings	4,206,594	5,900,294
Operations pending	1,144,493	5,079,724
Insurance payments	475,976	135,117
Others	4,240,193	6,063,048
Total	269,508,839	302,182,309

(*) Includes 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 recognized in memorandum accounts:

In order to meet its customers' needs, the Bank has 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 recognize in memorandum accounts the following balances related to such commitments and business-related liabilities:

	2013 ThCh$	2012 ThCh$
Contingent liabilities		
Guarantees	491,464,925	323,924,455
Confirmed foreign letters of credit	68,631,484	85,271,890
Documentary letters of credit opened	166,848,960	138,713,631
Performance bonds	1,402,398,889	1,437,311,918
Immediately available credit lines	5,436,937,976	5,481,235,282
Other credit commitments	-	122,997,447
Operations on behalf of third parties		
Documents for collection	357,672,406	386,005,974
Third-party funds managed by the Bank:		
Financial assets managed on behalf of third parties	1,310,904	12,144,226
Other assets managed on behalf of third parties	-	-
Financial assets acquired in own name	44,838,932	22,801,684
Other assets acquired in own name	-	-
Custody of securities		
Valuables held in custody with the Bank	7,342,425,397	6,237,859,142
Valuables in custody deposited in other entity	4,501,555,352	4,483,567,222
Total	19,814,085,225	18,731,832,871

The above only includes the most significant 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 and its subsidiaries 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, 2013, provisions have been established amounting to ThCh$339,000 (ThCh$474,000 in 2012), 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					
	2014 ThCh$	2015 ThCh$	2016 ThCh$	2017 ThCh$	2018 ThCh$	Total ThCh$
Judicial contingencies	30,000	5,000	72,000	149,000	83,000	339,000

b.2) Contingencies for significant claims in the courts:

As of December 31, 2013 and 2012, there are no significant claims in the courts that affect or could affect these consolidated financial statements.

c) Guarantees granted for operations:

c.1) In the 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 designated Banco de Chile as the representative of the beneficiaries of the guarantees it has established and in that character the Bank has issued bank guarantees totaling UF 2,515,500, maturing January 9, 2014 (UF 2,442,000 maturing January 4, 2013 in December 2012).

For mutual funds that have not begun operations as of December 31, 2013, it has given performance bonds, corresponding to Mutual Fund Booster Brasil 2014 for UF10,000 and Mutual Fund Deposito Plus V – Guaranteed for UF10,000.

In addition there are other performance bonds for guaranteed returns on certain mutual funds, totaling ThCh$75,474,613 as of December 31, 2013 (ThCh$118,734,299 in 2012).

Note 39 – Additional notes (continued)

Note 39.24 - Contingencies and commitments (continued)

c) Guarantees granted for operations (continued)

c.1) In the subsidiary Banchile Administradora General de Fondos S.A. (continued)

The performance bonds are detailed as follows:

Fund	2013 ThCh$	Bond	2012 ThCh$	Bond
Fondo Mutuo Depósito Plus IV Garantizado	16,324,912	006392-7	-	-
Fondo Mutuo Depósito Plus Garantizado	14,240,818	330681-1	14,957,720	004713-3
Fondo Mutuo Depósito Plus III Garantizado	12,936,706	006033-5	-	-
Fondo Mutuo Depósito Plus II Garantizado	9,308,392	006037-7	12,552,216	005272-2
Fondo Mutuo Small Cap USA Garantizado	5,197,488	008212-5	-	-
Fondo Mutuo Chile Bursátil Garantizado	5,050,270	006034-3	-	-
Fondo Mutuo Twin Win Europa 103 Garantizado	3,537,029	006035-1	3,541,145	004712-5
Fondo Mutuo Global Stocks Garantizado	2,963,852	007385-9	-	-
Fondo Mutuo Second Best Chile EEUU Garantizado	2,206,872	006032-7	2,206,872	004820-2
Fondo Mutuo Europa Accionario Garantizado	2,059,206	006036-9	2,069,224	004716-7
Fondo Mutuo Second Best Europa China Garantizado	1,649,068	007082-7	-	-
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
Total	75,474,613		118,734,299	

In compliance with letter f) of SVS Circular 1,894 of September 24, 2008, the company has given a guarantee in favor of investors in portfolio management. This guarantee corresponds is a performance bond for UF100,000 with maturity on January 9, 2014.

c.2) In the 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.

	2013 ThCh$	2012 ThCh$
Securities in guarantee:		
Shares in guarantee of simultaneous transactions on:		
Santiago Stock Exchange	16,946,362	68,785
Chilean Electronic Exchange	10,643,837	33,693,159
Fixed-income securities to guarantee CCLV system, Santiago Stock Exchange	2,995,208	3,067,596
Fixed-income securities to guarantee loans of shares, Chilean Electronic Exchange	68,294	47,401
Total	30,653,701	36,876,941

Note 39 – Additional notes (continued)

Note 39.24 - Contingencies and Commitments (continued)

c) Guarantees granted for operations (continued)

c.2) In the subsidiary Banchile Corredores de Bolsa S.A. (continued):

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 in 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.

Banchile Corredores de Bolsa S.A. has an integral insurance policy with AIG Chile - Compañía de Seguros Generales S.A., expiring on January 2, 2014, 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, 2014 with expiration of January 2, 2015 for the same amount, with Compañía de Seguros AIG Chile Compañía de Seguros Generales S.A.

According to instructions of Banco Central de Chile, a performance bond for UF10,500 has been given to comply with the contract SOMA (Contract for Open Market Operations System Service) of Banco Central de Chile. This performance bond is in UF for a fixed term and not endorsable, with expiry on July 17, 2014.

A performance bond No. 373148-0 for UF272,000 was given for the benefit of investors with portfolio management contracts. This performance bond is in UF for a fixed term and not endorsable, with expiry on January 9, 2014.

A cash guarantee was granted for US$122,494.32 to cover obligations contracted with Pershing, for operations made through this broker.

c.3) In the subsidiary Banchile Corredores de Seguros Ltda

In accordance with article 58, letter D, of D.F.L. 251, as of December 31, 2013, the entity has two insurance policies covering possible damages that could affect it due to breaches of the law, regulations and complementary rules that regulate insurance brokers, and especially when non-compliance results from acts, mistakes or omissions of the brokers, its representatives, agents or dependents that participate in the broking.

The policies contracted are the following:

Matter insured	**Amount Insured (UF)**
Responsibility for errors and omissions policy	60,000
Civil responsibility policy	500

Note 39 – Additional notes (continued)

Note 39.24 - Contingencies and Commitments (continued)

d) Allowances for contingent credits:

The following are the allowances made for the credit risk of contingent operations:

	2013 **ThCh$**	**2012** **ThCh$**
Credit lines	31,663,746	22,661,385
Performance bonds	13,914,822	11,406,943
Guarantees	3,135,063	2,064,433
Letters of credit	563,658	433,769
Other credit commitments	-	18,925
Total	49,277,289	36,585,455

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:

	2013				2012			
	Interest ThCh$	Indexation ThCh$	Prepaid commissions ThCh$	Total ThCh$	Interest ThCh$	Indexation ThCh$	Prepaid commissions ThCh$	Total ThCh$
Commercial loans	735,513,899	93,758,781	2,631,087	831,903,767	691,745,848	95,690,136	1,966,863	789,402,847
Consumer loans	558,364,698	1,282,870	8,339,072	567,986,640	514,597,592	1,063,406	7,245,441	522,906,439
Housing loans	193,134,776	92,037,055	3,719,226	288,891,057	168,936,864	93,774,510	3,912,491	266,623,865
Investment instruments	66,135,002	18,697,747	-	84,832,749	60,790,505	15,546,196	-	76,336,701
Repurchase agreements	1,645,194	564	-	1,645,758	2,786,471	-	-	2,786,471
Loans granted to banks	15,728,040	-	-	15,728,040	12,993,836	-	-	12,993,836
Other interest & indexation income	265,417	1,385,878	-	1,651,295	142,959	1,569,268	-	1,712,227
Total	1,570,787,026	207,162,895	14,689,385	1,792,639,306	1,451,994,075	207,643,516	13,124,795	1,672,762,386

The amount of interest and indexation income recognized as received on the impaired portfolio during 2013 amounted to ThCh$8,733,870 (ThCh$9,037,593 in 2012).

b) The detail of interest and indexation income at the year-end not recognized in income is the following:

	2013			2012		
	Interest ThCh$	Indexation ThCh$	Total ThCh$	Interest ThCh$	Indexation ThCh$	Total ThCh$
Commercial loans	8,899,439	751,003	9,650,442	6,185,302	1,960,636	8,145,938
Housing loans	1,341,945	744,131	2,086,076	1,380,023	772,320	2,152,343
Consumer loans	274,715	121	274,836	268,613	-	268,613
Total	10,516,099	1,495,255	12,011,354	7,833,938	2,732,956	10,566,894

Note 39 – Additional notes (continued)

Note 39.25 – Income and expenses for interest and indexation (continued)

c) Interest and indexation expenses at the year-end, excluding hedge results, are as follows:

	2013			2012		
	Interest ThCh$	Indexation ThCh$	Total ThCh$	Interest ThCh$	Indexation ThCh$	Total ThCh$
Time deposits & loans	437,402,997	43,047,346	480,450,343	440,344,095	55,728,257	496,072,352
Debt instruments issued	134,585,919	64,744,442	199,330,361	109,743,004	60,479,488	170,222,492
Other financial obligations	1,976,512	837,216	2,813,728	2,116,469	960,609	3,077,078
Repurchase agreements	13,148,590	-	13,148,590	14,975,887	10,016	14,985,903
Obligations with banks	13,791,290	55	13,791,345	22,308,023	-	22,308,023
Demand deposits	168,217	2,985,328	3,153,545	75,618	3,869,877	3,945,495
Other interest & indexation expenses	-	98,751	98,751	14,546	91,878	106,424
Total	601,073,525	111,713,138	712,786,663	589,577,642	121,140,125	710,717,767

d) As of December 31, 2013 and 2012, the Bank uses interest-rate swaps to hedge through a micro-hedge its position in the fair value of corporate bonds and commercial loans.

	2013			2012		
	Revenue ThCh$	Expense ThCh$	Total ThCh$	Revenue ThCh$	Expense ThCh$	Total ThCh$
Accounting hedge gain	20,803,928	14,014,715	34,818,643	3,631,134	3,003,053	6,634,187
Accounting hedge loss	(42,248,881)	(3,449,982)	(45,698,863)	(12,637,025)	-	(12,637,025)
Result adjustment hedged element	(7,651,943)	-	(7,651,943)	(2,291,074)	-	(2,291,074)
Total	(29,096,896)	10,564,733	(18,532,163)	(11,296,965)	3,003,053	(8,293,912)

e) The summary of interest and indexation at the end of the years is as follows:

	2013 ThCh$	2012 ThCh$
Interest & indexation income	1,792,639,306	1,672,762,386
Interest & indexation expense	(712,786,663)	(710,717,767)
Sub total interest & indexation income	1,079,852,643	962,044,619
Result of accounting hedges, net	(18,532,163)	(8,293,912)
Total net interest & indexation	1,061,320,480	953,750,707

Note 39 – Additional notes (continued)

Note 39.26 – Fee Income and Expense

The fee income and expense shown in the consolidated comprehensive income statement refers to the following concepts:

	2013 ThCh$	2012 Thch$
Fee income		
Card services (*)	108,850,554	104,007,121
Collections & payments	64,134,061	60,340,622
Investments in mutual funds or others	54,832,706	56,042,882
Accounts management (**)	35,920,664	31,446,245
Credit lines & overdrafts	22,206,505	22,891,782
Remuneration from insurance brokerage	18,839,989	17,403,862
Guarantees & letters of credit	17,611,310	14,451,994
Securities trading & handling	17,526,243	16,890,787
Use of distribution channel & internet	14,704,973	15,942,205
Use of Banchile name	12,550,832	12,356,270
Financial advisory	4,054,381	3,954,579
Other fees earned (**)	15,500,032	17,033,359
Total fee income	386,732,250	372,761,708
Fee expenses		
Card operation remuneration (***)	(75,082,797)	(42,035,368)
Sales force	(11,815,334)	(10,097,795)
Collection & payment commissions	(6,658,053)	(6,533,957)
Securities trading commissions	(3,102,965)	(2,993,287)
Sale of mutual fund quotas	(2,318,305)	(2,488,207)
Other commissions	(661,409)	(1,360,884)
Total fee expenses	(99,638,863)	(65,509,498)

(*) During 2013, fee income related to card services was reclassified from Other fees earned to Card services. The amount reclassified in 2012 was ThCh$1,600,286.

(**) During 2013, fee income related to the administration of checking accounts was reclassified from Other fees earned to Account administration. The amount reclassified in 2012 was ThCh$4,129,175.

(***) See Note 2 (ii) re Reclassifications.

Note 39 – Additional notes (continued)

Note 39.27 – Income from financial operations

The net gain (loss) on financial operations is detailed as follows:

	2013 ThCh$	2012 ThCh$
Financial instruments for trading	25,433,580	18,798,002
Sale of instruments available for sale	14,880,431	8,086,852
Income from sale of loans	314,394	145,749
Net income of other operations	(1,088,453)	2,567,152
Trading derivatives	(28,455,581)	(4,852,796)
Total	11,084,371	24,744,959

Note 39.28 – Net exchange gain (loss)

The detail of exchange income is as follows:

	2013 ThCh$	2012 ThCh$
Income from accounting hedges	65,802,419	(195,204)
Exchange difference, net	7,451,365	(9,404,373)
Foreign currency indexation	(1,796,499)	44,735,497
Total	71,457,285	35,135,920

Notes to the Consolidated Financial Statements
As of December 31, 2013 and 2012
(Translation of financial statements originally issued in Spanish – See Note 2)

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Note 39 – Additional notes (continued)

Note 39.29 – Allowances for credit risk

The movement during 2013 and 2012 in allowances was as follows:

	Due by banks		Loans & Accounts Receivable from Customers						Sub-total		Contingent credits		Total	
			Commercial loans		Housing loans		Consumer loans							
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	ThCh$$	ThCh$	ThCh$$	ThCh$	ThCh$$	ThCh$	ThCh$$	ThCh$	ThCh$$	ThCh$	ThCh$$	ThCh$	ThCh$$	ThCh$
Constitution of allowances:														
- Individual	(333,354)	-	(39,167,298)	(13,667,689)	-	-	-	-	(39,167,298)	(13,667,689)	(3,954,477)	(1,030,085)	(43,455,129)	(14,697,774)
- Group	-	-	(49,808,112)	(46,806,309)	(5,664,897)	(4,428,023)	(167,495,993)	(160,775,333)	(222,969,002)	(212,009,665)	(8,737,357)	(222,455)	(231,706,359)	(212,232,120)
Income from constitution of allowances	(333,354)	-	(88,975,410)	(60,473,998)	(5,664,897)	(4,428,023)	(167,495,993)	(160,775,333)	(262,136,300)	(225,677,354)	(12,691,834)	(1,252,540)	(275,161,488)	(226,929,894)
Release of allowances:														
- Individual	-	47,296	-	-	-	-	-	-	-	-	-	-	-	47,296
- Group	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Income from release of allowances	-	47,296	-	-	-	-	-	-	-	-	-	-	-	47,296
Net income from allowances	(333,354)	47,296	(88,975,410)	(60,473,998)	(5,664,897)	(4,428,023)	(167,495,993)	(160,775,333)	(262,136,300)	(225,677,354)	(12,691,834)	(1,252,540)	(275,161,488)	(226,882,598)
Additional allowances	-	-	(10,000,000)	(2,270,823)	-	-	-	-	(10,000,000)	(2,270,823)	-	-	(10,000,000)	(2,270,823)
Recovery of assets written off	-	-	13,922,427	14,894,203	1,927,102	1,971,137	27,698,149	24,099,437	43,547,678	40,964,777	-	-	43,547,678	40,964,777
Net income allowances for credit risk	(333,354)	47,296	(85,052,983)	(47,850,618)	(3,737,795)	(2,456,886)	(139,797,844)	(136,675,896)	(228,588,622)	(186,983,400)	(12,691,834)	(1,252,540)	(241,613,810)	(188,188,644)

In the opinion of the management, the allowances constituted for credit risk cover all 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

Staff remuneration and expenses for the years 2013 and 2012 was as follows:

	2013 ThCh$	2012 ThCh$
Staff remuneration	192,359,342	185,653,598
Bonuses	76,285,123	71,674,285
Meals & health benefits	22,631,443	21,954,326
Severance payments	10,522,976	12,607,696
Training expenses	2,876,660	1,671,047
Other staff expenses	18,737,844	18,678,208
Total	323,413,388	312,239,160

Note 39.31 – Administrative Expenses

Administration as of December 31, 2012 and 2011 is as follows:

	2013 ThCh$	2012 ThCh$
General administrative expenses		
Data processing & communications	50,464,762	48,670,421
Maintenance & repair of property, plant and equipment	28,066,637	29,331,885
Office rentals	20,176,303	19,588,953
Guard & valuables transport services	9,740,532	9,217,036
Office materials	8,374,916	6,345,823
Rental of automated teller machine spaces	7,496,131	7,283,213
External consultancy	6,843,007	7,600,634
Lighting, heating & other utilities	4,394,440	4,732,802
Staff representation & travel expenses	4,359,351	3,611,109
Legal & notary costs	3,780,755	3,290,727
Insurance premiums	3,120,797	2,896,842
Postage & stamping expenses	2,891,611	2,738,760
Donations	1,929,286	2,028,979
Home product deliveries	1,430,314	1,648,003
Rental of equipment	1,203,904	1,163,910
External collection service	1,011,576	880,468
Fees for professional services	591,982	775,580
SBIF fines	-	40,000
Other administrative expenses	8,351,726	8,870,650
Sub total	164,228,030	160,715,795
Sub-contracted services		
Credit evaluation	23,471,397	21,315,978
Data processing	7,159,081	7,646,176
External technological development expenses	6,430,357	6,196,070
Technology certification & testing	4,313,976	4,342,419
Others	2,742,908	2,514,663
Sub total	44,117,719	42,015,306
Directors' expenses		
Directors' remuneration	2,110,491	2,041,589
Other board expenses	478,576	613,526
Sub total	2,589,067	2,655,115
Marketing expenses		
Publicity & advertising	29,052,678	30,572,326
Sub total	29,052,678	30,572,326
Taxes, contributions		
Contribution to the SBIF	6,948,913	6,433,648
Property taxes	3,100,605	2,671,620
Municipal taxes	1,675,163	1,378,543
Other taxes	789,466	1,014,254
Sub total	12,514,147	11,498,065
Total	252,501,641	247,456,607

Note 39 – Additional notes (continued)

Note 39.32 – Depreciation, Amortization and Impairment

(a) The charges to income for depreciation and amortization during 2013 and 2012 were:

	2013 ThCh$	2012 ThCh$
Depreciation & amortization		
Depreciation of property, plant and equipment (Note 39.14 a)	19,280,018	20,614,419
Amortization of intangible assets (Note 39.13 b)	9,628,634	10,343,345
Total	28,908,652	30,957,764

(b) The composition of the charge for impairment for 2013 and 2012 was as follows:

	2013 ThCh$	2012 ThCh$
Impairment		
Impairment of investment instruments	-	550,506
Impairment of property, plant and equipment (Note 39.14 a)	757,265	347,667
Impairment of intangible assets (*)	1,490,138	-
Total	2,247,403	898,173

(*) As of December 31, 2013, impairments of ThCh$1,461,796 were recognized but have not been applied.

Note 39 – Additional notes (continued)

Note 39.33 – Other Operating Income

Other operating income of the Bank and its subsidiaries during 2013 and 2012 was as follows:

	2013 ThCh$	2012 ThCh$
Income from assets received in payment		
Gain on sale of assets received in payment	6,126,151	5,673,977
Other income	113,211	7,545
Sub total	6,239,362	5,681,522
Releases of provisions for contingencies		
Allowances for country risk	1,336,277	1,174,302
Special allowances for foreign loans	-	-
Other provisions for contingencies	1,375,713	624,143
Sub total	2,711,990	1,798,445
Other revenue		
Rentals received	7,440,180	6,007,330
Correspondent bank rebates	2,264,097	2,378,879
Expense reimbursements	2,043,714	2,782,580
Sale of recovered leased assets written off	1,625,883	112,500
Monthly tax prepayments adjustment	933,680	315,124
Indemnities received	901,243	-
Income from difference in sale of leasing assets	614,418	135,326
Gain on sale of plant, property and equipment	224,134	325,134
Custody & trust services	200,804	465,879
Insurance claims	39,519	17,476
Foreign trade income	27,479	50,695
Taxation management	17,016	275,234
Others	1,938,638	1,715,444
Sub total	18,270,805	14,581,601
Total	27,222,157	22,061,568

Note 39 – Additional notes (continued)

Note 39.34 – Other Operating Expenses

The following were other operating expenses of the Bank and its subsidiaries incurred in 2013 and 2012:

	2013 ThCh$	2012 ThCh$
Allowances and expenses for assets received in lieu of payment		
Write-offs of assets received in lieu of payment	1,891,001	2,599,579
Maintenance expenses of assets received in lieu of payment	502,145	621,521
Allowances for assets received in lieu of payment	50,926	100,182
Sub total	2,444,072	3,321,282
Allowances for contingencies		
Allowances for country risk	-	-
Special allowances for foreign loans	-	-
Other provisions for contingencies	581,985	1,108,663
Sub total	581,985	1,108,663
Other expenses		
Co-branding	-	18,935,245
Write-offs & provision for fraud	-	1,195,151
Leasing operating expenses & write-offs	-	779,724
Allowances & write-offs other assets	4,745,664	3,764,673
Operational risk write-offs	4,144,559	9,526,016
Others	1,390,673	721,289
Card administration	1,106,340	2,162,633
Allowance leased assets recovered	851,530	226,668
Mortgage-protection insurance	432,241	308,671
Contribution other organisms	218,454	224,984
Civil lawsuits	209,063	223,991
Loss on sale of property, plant and equipment	4,787	7,018
Sub total	13,103,311	38,076,063
Total	16,129,368	42,506,008

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 objective 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.

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Note 39 – Additional notes (continued)

Note 39.35 – Operations with Related Parties (continued)

a) Loans with related parties

The following table details loans and accounts receivable, contingent liabilities and assets related to trading and investment securities, corresponding to related parties.

	Productive companies (*)		Investment companies (**)		Individuals (***)		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Loans & accounts receivable:								
Commercial loans	287,500,095	250,982,785	70,004,050	63,576,171	1,199,258	703,811	358,703,403	315,262,767
Housing loans	-	-	-	-	16,911,196	14,974,333	16,911,196	14,974,333
Consumer loans	-	-	-	-	3,789,586	3,920,126	3,789,586	3,920,126
Gross loans	287,500,095	250,982,785	70,004,050	63,576,171	21,900,040	19,598,270	379,404,185	334,157,226
Allowances for loans	(929,324)	(761,333)	(151,594)	(135,616)	(52,325)	(68,344)	(1,133,243)	(965,293)
Net Loans	**286,570,771**	**250,221,452**	**69,852,456**	**63,440,555**	**21,847,715**	**19,529,926**	**378,270,942**	**333,191,933**
Contingent credits:								
Guarantees	1,108,966	1,863,530	-	-	-	-	1,108,966	1,863,530
Letters of credit	3,389,848	279,883	-	-	-	-	3,389,848	279,883
Performance bonds	23,171,872	24,361,028	1,599,295	2,373,823	-	-	24,771,167	26,734,851
Immediately available credit lines	58,022,978	46,179,328	9,518,988	4,532,093	10,165,198	9,319,814	77,707,164	60,031,235
Total contingent credits	85,693,664	72,683,769	11,118,283	6,905,916	10,165,198	9,319,814	106,977,145	88,909,499
Allowances for contingent liabilities	(33,644)	(44,479)	(832)	(1,238)	-	-	(34,476)	(45,717)
Net contingent credits	**85,660,020**	**72,639,290**	**11,117,451**	**6,904,678**	**10,165,198**	**9,319,814**	**106,942,669**	**88,863,782**
Amounts covered by collateral								
Mortgages	27,122,392	31,034,305	54,778	54,778	14,475,870	15,324,951	41,653,040	46,414,034
Warrants	-	-	-	-	-	-	-	-
Pledges	12,500	12,500	-	-	6,500	6,500	19,000	19,000
Others (****)	2,849,023	2,841,594	17,299,900	17,299,900	9,505	9,505	20,158,428	20,150,999
Total collateral	**29,983,915**	**33,888,399**	**17,354,678**	**17,354,678**	**14,491,875**	**15,340,956**	**61,830,468**	**66,584,033**
Instruments acquired								
For trading	1,077,745	-	-	-	-	-	1,077,745	-
For investment	-	-	-	-	-	-	-	-
Total instruments acquired	**1,077,745**	-	-	-	-	-	**1,077,745**	-

(*) 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 guarantees.

Note 39 – Additional notes (continued)

Note 39.35 – Operations with Related Parties (continued)

b) Other assets and liabilities with related parties:

	2013 ThCh$	2012 ThCh$
Assets		
Cash & bank deposits	12,691,836	11,173,723
Financial derivative contracts	76,532,190	107,486,996
Others	2,846,625	2,931,468
Total	92,070,651	121,592,187
Liabilities		
Demand deposits	123,150,968	87,480,406
Time deposits & other loans	142,911,012	378,965,033
Financial derivative contracts	85,693,905	83,582,458
Due to Banks	192,682,026	134,819,809
Others	23,491,695	9,043,834
Total	567,929,606	693,891,540

c) Income and expenses on operations with related parties (*):

	2013		2012	
Type of income or expense recognized	**Income ThCh$**	**Expense ThCh$**	**Income ThCh$**	**Expense ThCh$**
Interest & indexation income & expense	21,280,416	13,824,326	18,759,132	21,501,184
Fees & services income & expense	61,559,913	35,897,450	56,716,692	33,336,921
Results of financial operations	130,344,034	177,691,805	188,989,636	152,818,828
Release or constitution of credit-risk allowances	81,055	-	-	677,029
Operational support costs	98	66,312,657	-	64,212,910
Other income & expense	553,450	27,319	743,900	40,199
Total	213,818,966	293,753,557	265,209,360	272,587,071

(*) This does not constitute a comprehensive income statement of related party transactions since assets with these parties are not necessarily equal to liabilities and each item reflects the total income and expense and is not related to matched transactions.

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Note 39 – Additional notes (continued)

Note 39.35 – Operations with Related Parties (continued)

d) Contracts with related parties:

These are no contracts signed during 2013 and 2012 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 2013 and 2012, key personnel have been paid a total remuneration of ThCh$38,285 (Th$37,719 in 2012).

f) Directors' expenses and remuneration

	Remuneration		Per diem for board meetings		Committee Advisor		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
Director	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Andrónico Luksic Craig	110,387	108,566	-	-	-	-	110,387	108,566
Jorge Awad Mehech	-	-	2,469	2,428	-	-	2,469	2,428
Rodrigo Manubens Moltedo	-	-	1,235	1,214	-	-	1,235	1,214
Thomas Fürst Freiwirth	-	-	824	1,214	-	-	824	1,214
Total	110,387	108,566	4,528	4,856	-	-	114,915	113,422

As of December 31, 2013, SM-Chile made payments for concepts related to directors' remuneration of ThCh$ 114,915 (ThCh$113,422 in 2012). Banco de Chile and its subsidiaries have paid and accrued as a charge to income concepts related to directors' remuneration of ThCh$2,589,067 (ThCh$2,655,115 in 2012), in accordance with that approved by the shareholders' meeting.

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 controls 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 results 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 such as Santiago Stock Exchange and 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, they seek 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 to 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 management information.

In special cases where there are no market quotes 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.

<u>(a) Hierarchy of instruments valued at fair value</u>

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 quotes 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 quotes (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 issues 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 or 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.

The instruments classified in Level 3 are mainly debt issues 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.

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Note 39 – Additional notes (continued)

Note 39.36 – Fair Value of Financial Assets and Liabilities (continued)

(b) Levels table

The following table shows the classification by levels of the financial instruments recognized at fair value.

	Level 1		Level 2		Level 3		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
Financial Assets	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Instruments for trading								
State & Banco Central de Chile	31,325,350	65,548,369	33,611,091	6,830,945	-	-	64,936,441	72,379,314
Other instruments issued in Chile	1,035,215	187,998	255,596,602	87,114,432	5,352,976	-	261,984,793	87,302,430
Instruments issued abroad	-	-	-	-	-	-	-	-
Investments in mutual funds	66,212,460	33,041,511	-	-	-	-	66,212,460	33,041,511
Sub total	98,573,025	98,777,878	289,207,693	93,945,377	5,352,976	-	393,133,694	192,723,255
Derivative contracts for trading								
Forwards	-	-	41,673,145	70,166,274	-	-	41,673,145	70,166,274
Swaps	-	-	291,428,903	258,496,078	-	-	291,428,903	258,496,078
Call options	-	-	2,300,567	472,266	-	-	2,300,567	472,266
Put options	-	-	599,695	341,172	-	-	599,695	341,172
Futures	-	-	-	-	-	-	-	-
Sub total	-	-	336,002,310	329,475,790	-	-	336,002,310	329,475,790
Accounting hedge derivative contracts								
Swaps	-	-	38,685,173	22,414	-	-	38,685,173	22,414
Sub total	-	-	38,685,173	22,414	-	-	38,685,173	22,414
Investment instruments available for sale (1)								
State & Banco Central de Chile	163,874,711	136,553,944	422,532,501	115,230,214	-	-	586,407,212	251,784,158
Other instruments issued in Chile	-	-	714,749,286	646,078,417	296,327,061	278,073,020	1,011,076,347	924,151,437
Instruments issued abroad	42,236,710	30,538,080	-	-	33,985,781	57,966,247	76,222,491	88,504,327
Sub total	206,111,421	167,092,024	1,137,281,787	761,308,631	330,312,842	336,039,267	1,673,706,050	1,264,439,922
Total	304,684,446	265,869,902	1,801,176,963	1,184,752,212	335,665,818	336,039,267	2,441,527,227	1,786,661,381
Financial liabilities								
Derivative contracts for trading								
Forwards	-	-	65,395,911	81,789,974	-	-	65,395,911	81,789,974
Swaps	-	-	343,467,531	264,051,950	-	-	343,467,531	264,051,950
Call options	-	-	3,559,485	394,874	-	-	3,559,485	394,874
Put options	-	-	705,269	387,326	-	-	705,269	387,326
Futures	-	-	-	-	-	-	-	-
Sub total	-	-	413,128,196	346,624,124	-	-	413,128,196	346,624,124
Accounting hedge derivative contracts								
Swaps	-	-	32,005,369	33,698,047	-	-	32,005,369	33,698,047
Sub total	-	-	32,005,369	33,698,047	-	-	32,005,369	33,698,047
Total	-	-	445,133,565	380,322,171	-	-	445,133,565	380,322,171

(1) As of December 31, 2013, 92% of the instruments grouped in Level 3 are investment grade, i.e. assets rated as BBB- or higher. Also, 90% of the total of these financial instruments are local issuers.

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Note 39 – Additional notes (continued)

Note 39.36 – Fair Value of Financial Assets and Liabilities (continued)

(c) Reconciliation Level 3 (continued)

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, 2013					
Financial assets	**Balance at 01-01-13 ThCh$**	**Gain (Loss) Recognized in income ThCh$**	**Gain (Loss) Recognized in Equity ThCh$**	**Net of Puchases, sales & agreements ThCh$**	**Transfers To Level 1 & 2 ThCh$**	**Balance at 12-31-13 ThCh$**
Instruments for trading						
State & Banco Central de Chile	-	-	-	-	-	-
Other instruments issued in Chile	-	(1,526,133)	-	6,879,109	-	5,352,976
Instruments issued abroad	-	-	-	-	-	-
Investments in mutual funds	-	-	-	-	-	-
Subtotal	-	(1,526,133)	-	6,879,109	-	5,352,976
Investment instruments available for sale:						
State & Banco Central de Chile	-	-	-	-	-	-
Other instruments issued in Chile	278,073,020	(5,440,964)	4,902,972	18,792,033	-	296,327,061
Instruments issued abroad	57,966,247	(4,320,574)	411,769	(20,071,661)	-	33,985,781
Sub total	336,039,267	(9,761,538)	5,314,741	(1,279,628)	-	330,312,842
Total	336,039,267	(11,287,671)	5,314,741	5,599,481	-	335,665,818

	As of December 31, 2012					
Financial assets	**Balance at 01-01-12 ThCh$**	**Gain (Loss) Recognized in income ThCh$**	**Gain (Loss) Recognized in Equity ThCh$**	**Net of Puchases, sales & agreements ThCh$**	**Transfers To Level 1 & 2 ThCh$**	**Balance at 12-31-12 ThCh$**
Instruments for trading						
State & 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:						
State & 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
Sub total	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

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, 2013		As of December 31, 2012	
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	5,352,976	(319,819)	-	-
Total	5,352,976	(319,819)	-	-
Investment instruments available for sale				
Other instruments issued in Chile	296,327,061	(3,970,641)	278,073,020	(801,675)
Instruments issued abroad	33,985,781	(226,734)	57,966,247	(762,423)
Total	330,312,842	(4,197,375)	336,039,267	(1,564,098)

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 which are not directly observable. In the case of financial assets presented in the above table, which correspond to bank and corporate bonds, considering that these instruments do not have current observable prices, the prices based on broker quotes or runs were used as input prices. Prices are generally calculated as a base rate plus a spread. For domestic bonds, this was determined by applying a 10% impact on the price, while for offshore bonds this was determined by applying a 10% impact on the spread because the base rate is hedged with interest-rate swap instruments in so-called hedge accounting. The impact of 10% is considered as a reasonable movement considering the market performance of these instruments and comparing it against the bid/offer adjustment that is provided for these instruments. The methodology described above begins from 2013. Before that date, the methodology consisted of comparing the valuation of these instruments using market rates provided by the Bank's money desk and then making the same calculation, but using rates from independent sources. If this methodology had been applied to balances as of December 31, 2012, the effect would have been a lower valuation of ThCh$5,276,151.

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	
	2013 ThCh$	2012 ThCh$	2013 ThCh$	2012 ThCh$
Assets				
Cash & bank deposits	873,307,879	684,924,459	873,307,879	684,924,459
Operations pending settlement	374,471,540	396,610,650	374,471,540	396,610,650
Repurchase agreements & loans of securities	82,421,970	35,099,676	82,421,970	35,099,676
Sub total	1,330,201,389	1,116,634,785	1,330,201,389	1,116,634,785
Due by banks				
Banks in Chile	99,976,495	14,304,251	99,976,495	14,304,251
Banco Central de Chile	600,580,600	1,100,696,096	600,580,600	1,100,696,096
Banks abroad	361,498,637	228,321,647	361,498,637	228,321,647
Sub total	1,062,055,732	1,343,321,994	1,062,055,732	1,343,321,994
Loans & accounts receivable from customers				
Commercial loans	12,784,249,803	11,484,277,430	12,691,161,670	11,473,251,427
Housing loans	4,713,805,798	4,182,586,685	4,760,592,933	4,201,091,116
Consumer loans	2,886,418,638	2,667,467,738	2,914,188,357	2,683,593,472
Sub total	20,384,474,239	18,334,331,853	20,365,942,960	18,357,936,015
Total	22,776,731,360	20,794,288,632	22,758,200,081	20,817,892,794
Liabilities				
Demand deposits & other obligations	5,887,977,817	5,470,841,944	5,887,977,817	5,470,841,944
Operations pending settlement	126,343,779	159,218,473	126,343,779	159,218,473
Repurchase agreements & loans of securities	256,765,754	226,396,014	256,765,754	226,396,014
Time deposits & other loans	10,399,954,018	9,610,686,877	10,419,323,349	9,589,642,980
Obligations with Banks	989,465,125	1,108,680,229	984,998,956	1,103,251,962
Other financial obligations	210,926,384	162,124,452	210,926,384	162,124,452
Sub total	17,871,432,877	16,737,947,989	17,886,336,039	16,711,475,825
Debt instruments issued				
Mortgage-funding notes	67,513,625	85,967,252	70,351,299	87,087,918
General-funding notes	18,976,800	29,228,543	19,774,515	29,610,115
Bonds	3,533,155,321	2,412,232,783	3,446,263,689	2,282,013,936
Subordinated bonds	747,006,698	746,503,303	739,183,616	726,368,791
Sub total	4,366,652,444	3,273,931,881	4,275,573,119	3,125,080,760
Total	22,238,085,321	20,011,879,870	22,161,909,158	19,836,556,585

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 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, 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 quote 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.

(f) Offsetting of financial assets and liabilities

The Bank trades financial derivatives with foreign counterparties using ISDA Master Agreement (International Swaps and Derivatives Association, Inc.), under legal jurisdiction of the city of New York, USA, or London, United Kingdom. The legal framework in these jurisdictions, along with the documentation mentioned, grants Banco de Chile the right to anticipate the maturity of transactions and then offset the net value of those transactions in case of default of the respective counterparty. The Bank has also negotiated with counterparties an additional appendix (CSA credit support annex) which includes other credit mitigants such as providing margins over a certain threshold of net value of transactions, early termination (optional or mandatory) of transactions on certain future dates, coupon adjustment of transactions in exchange for payment of the debtor counterparty over a certain threshold amount, etc.

The following table details contracts susceptible to offset:

	Fair value in statement of financial position	Negative fair value contracts with right to offset	Positive fair value contracts with right to offset	Financial guarantees	Net fair value
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Financial derivative contract assets as of December 31, 2013	374,687,483	(42,314,571)	(116,094,800)	(31,650,703)	184,627,409
Financial derivative contract assets as of December 31, 2012	329,498,204	(104,142,182)	(43,098,873)	(42,635,314)	139,621,835

Note 39 – Additional notes (continued)

Note 39.37 – Maturities of Assets and Liabilities

The following shows the principal financial assets and liabilities grouped according to their remaining term, including accrued interest as of December 31, 2013 and 2012. Instruments for trading or available for sale are included at their fair value.

	2013						
	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	873,307,879	-	-	-	-	-	873,307,879
Operations pending settlement	374,471,540	-	-	-	-	-	374,471,540
Instruments for trading	393,133,694	-	-	-	-	-	393,133,694
Repurchase agreements & loans of securities	58,429,256	12,249,838	11,742,876	-	-	-	82,421,970
Financial derivative contracts	15,373,706	21,073,744	53,594,736	94,914,197	86,437,606	103,293,494	374,687,483
Due by banks (*)	791,112,986	116,967,542	155,267,668	-	-	-	1,063,348,196
Loans & accounts receivable from customers (*)	2,962,898,937	1,988,697,397	4,009,569,948	4,543,507,182	2,252,631,466	5,107,648,857	20,864,953,787
Investment instruments available for sale	116,321,969	63,918,533	184,939,590	442,170,321	466,246,576	400,109,061	1,673,706,050
Investment instruments held to maturity	-	-	-	-	-	-	-
Total financial assets	5,585,049,967	2,202,907,054	4,415,114,818	5,080,591,700	2,805,315,648	5,611,051,412	25,700,030,599

	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 (*)	2,676,443,498	1,863,498,755	3,512,461,323	4,110,399,044	1,945,583,865	4,653,378,910	18,761,765,395
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	5,403,210,989	2,075,969,675	4,144,837,940	4,356,207,006	2,118,766,256	4,910,350,799	23,009,342,665

(*) These are shown without deduction of the respective allowances which amount to ThCh$480,479,548 (ThCh$427,433,542 in 2012) for loans & accounts receivable from customers; and ThCh$1,292,464 (ThCh$959,110 en 2012) for sums due by banks.

Notes to the Consolidated Financial Statements
As of December 31, 2013 and 2012
(Translation of financial statements originally issued in Spanish – See Note 2)

Note 39 – Additional notes (continued)

Note 39.37 – Maturities of assets and liabilities (continued)

	2013						
	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	5,887,977,817	-	-	-	-	-	5,887,977,817
Operations pending settlement	126,343,779	-	-	-	-	-	126,343,779
Repurchase agreements & loans of securities	249,548,352	7,217,402	-	-	-	-	256,765,754
Time deposits & other obligations (**)	4,872,665,334	2,193,563,475	2,948,200,541	207,346,692	135,325	31,174	10,221,942,541
Financial derivative contracts	26,752,328	37,007,562	95,581,828	96,757,148	67,741,855	121,292,844	445,133,565
Obligations with Banks	99,552,635	359,752,433	262,574,085	267,585,972	-	-	989,465,125
Debt instruments issued:							
Funding notes	4,552,989	4,965,947	13,534,299	27,826,464	16,094,891	19,515,835	86,490,425
Bonds	287,732,444	117,008,046	47,270,711	471,230,334	797,584,709	1,812,329,077	3,533,155,321
Subordinated bonds	1,558,105	2,476,376	34,865,303	162,382,280	47,890,233	497,834,401	747,006,698
Provision for payment of subordinated obligation with Banco Central de Chile	-	-	145,122,601	-	-	-	145,122,601
Other financial obligations	161,053,717	900,734	4,948,169	8,736,250	13,502,898	21,784,616	210,926,384
Total financial liabilities	11,717,737,500	2,722,891,975	3,552,097,537	1,241,865,140	942,949,911	2,472,787,947	22,650,330,010

	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 (**)	3,830,276,003	2,356,385,891	2,846,608,848	397,643,065	278,867	29,732	9,431,222,406
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
Provision for payment of subordinated obligation with Banco Central de Chile	-	-	142,318,228	-	-	-	142,318,228
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	10,055,690,479	2,684,863,358	3,792,624,891	1,206,394,517	587,647,863	2,027,834,690	20,355,055,798

(**) Excludes term saving accounts, which amount to ThCh$178,011,477 (ThCh$179,464,471 as of December 31, 2012),

Note 39 – Additional notes (continued)

Note 39.38 –Risk Management

(1) Introduction

The Bank's risk management is based on specialization, knowledge of the business and the experience of its teams, with professionals specifically dedicated to each 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 all levels of 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 the 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 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's financial positions, and 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 financial 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 all operation exceeding UF 750,000 weekly.

The mission of each committee is to define the terms and conditions of approval 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 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 the retail risk division and the risk architecture area 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, prioritizing 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.

It is a monthly committee of the senior management, that is the rector organism for the operating and technological risk management. Risk management also involves the Bank's directors through quarterly presentations to the Directors' and Audit Committee on these matters.

The members of the operational risk committee are the chief executive officer, 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 the 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 officer 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 its 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 the financial information, credit rating, nature of the exposure, degree of documentation, collateral, market and sector conditions. 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 Bank loans operate under a differentiated approach because of the different nature of the various segments, characterized by different fundamentals in their variables of their financial structure and payment ability. The areas involved in each approval process are:

- Politics and procedures
- Specialization and experience levels of the participants in the process
- Types and depth of technological platforms required
- Type of model/ predictive indicators for each segment (scoring or rating)

There are three types of approval models based on the above dimensions:

Automated model: This methodology is used frequently in segments of individuals without commercial business of the commercial banking area and Banco Credichile. For the mass evaluation of requests for credit products, models are applied for qualifying the three important dimensions of the approval process:

- Minimum credit profile
- Credit limits
- Objective market.

The credit profile is qualified through statistical credit scoring models which are different for commercial banking and Banco Credichile, and are segmented and specific for the different kinds of customers of the commercial areas.

The predictive capacity of the models has been fundamental in being able to handle risk management successfully in different economic cycles which force constant reviewing of their compliance with current market conditions and when these change.

To ensure high standards in the quality of customer information, the retail risk management area concentrates an important part of data input to our customer system and also has a constant process of revision or audit to verify the correct application of the credit process.

Note 39 – Additional notes (continued)

Note 39.38 –Risk Management (continued)

(2) Credit Risk (continued)

(a) Approval Process (continued)

Credit limits are fixed according to the different risk profiles (scoring) and segment of each customer. These define the maximum exposure the Bank is prepared to accept for each customer in its different products, taking into account the debt also maintained with other financial institutions.

The definition of the objective market is an elemental dimension for directing the commercial efforts and business strategies. The most efficient offer of products permits maximizing individual exposure and expected returns.

Parametric model:
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, considering the attributes of the various customers forming the universe.

The model considers the evaluation of customers according to three fundamental pillars: payment behavior internally and externally, an analysis of financial information and an evaluation of the customer's business, including the experience of the owners and/or management. This parametric evaluation process produces a category that summarizes the customer's credit quality through a score or rating which is directly linked to the credit attributes required for each operation.

Casuistry of cases occurs in which, due to a lower level of information available and/or economic sector, there is no rating. These cases are managed directly by the risks area, which makes the credit assessment using its expert criteria. Internal audits are performed constantly to ensure the quality of the information used in the preparation of the ratings.

The Corporate Risk Division also provides a significant tool for the good commercial management through the continuous process of pre-approval of credits for customers, seeking to optimize the risk-return ratio of these segments. Both in the retail and the SME markets, there are specialized units that generate credit offers according to statistical models that calibrate based on the evolution of macroeconomics variables and the behavior of groups of customers over time. These offers of credits and the approval of operations are often supported by the granting of collateral, in which the present state guarantees for these segments play an important role.

Note 39 – Additional notes (continued)

Note 39.38 –Risk Management (continued)

(2) Credit Risk (continued)

(a) Approval Process (continued)

Case-by-case model: This is applied to the market of large companies, the wholesale market, real estate and corporations and consists of expert individual evaluation which considers the level of risk, the term involved, the amount or complexity and prospects of the business, among other variables. This 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, employing a medium and long-term view of the different industries and customers. In order for the approval process to be more effective, improving the quality of evaluation and optimizing customer response times, the complete process, from receipt of the customer's application, is supported by the risk area (gathering of information, analysis and discussion of the credit proposal).

(b) Control and Follow-up

(b.i) Corporate Market

In the corporate market, control and follow up are carried out through a combination of systematic processes which have shown positive results. The most important are the following:

- Delinquencies management, supported by information of predictive indicators of risk level, with follow up and action plans in the case of more important customers, plus the management of differentiated early collection strategies.
- Structured controls of customers with loan covenants.
- Quick review of the portfolio, identifying customers potentially affected by a price change in any macroeconomic variable in a specific sector or segment.
- Systematic follow up of variables of credit behavior and financial figures of the corporations, as well as the particular loan conditions and restrictions.
- Portfolio classification management, which determines risk and required rate of allowances, according to general rules established by the SBIF and the Bank's specific criteria, allowing the correct application to customers needing special monitoring.
- Management of portfolio in special follow up (vigilance), through periodic committees and permanent monitoring, allowing the setting of action plans for entities that presents risk warnings.

Note 39 – Additional notes (continued)

Note 39.38 –Risk Management (continued)

(2) Credit Risk (continued)

(b) Control and Follow-up (continued)

(b.ii) Retail Market:

In the retail market, control and follow up focus on the permanent monitoring of principal indicators of aggregate portfolio and by litter analysis, i.e. revision of portfolio evolution originating from a common date. The main indicators include:

- Follow up of the expected loss of the portfolio through general allowances model and back-test of losses for portfolio that have the maturity required.
- Litter analysis of new customers and respective decomposition of loss rate by products, champion/challenger campaigns, segments, among others.
- General delinquency of the portfolio with special follow up of products, segments, income brackets, branches, zones, campaigns, etc., oriented to the early detection of potential higher-than-expected risk sources in the portfolio, to regularization of cases and to integral management of credit policies and pre-approval campaigns.
- Rates of approval and rejection of requests presented in the first instance and through appeal, with details of information by different explicative attributes.
- Follow up of mortgage portfolio according to policy variables, tranches (loan to value), term, customers' repayments/income ratio, segments, income brackets, among others.

Risk segmentation strategies are the processes and collection policies which are compatible with a suitable service quality and maximization of recovery in customers' different delinquency stages. The collection models are structured in order to collect useful information for the better integration with the approval and monitoring processes, aligned to a same vision of customers' credit fundamentals.

(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, 2013 and 2012 does not exceed 10% of the Bank's effective equity.

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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, 2013:

	Chile MCh$	United States MCh$	Brazil MCh$	Other MCh$	Total MCh$
Financial assets					
Cash & bank deposits	582,022	268,217	-	23,069	873,308
Instruments for trading					
State & Banco Central de Chile	64,937	-	-	-	64,937
Other instruments issued in Chile	261,984	-	-	-	261,984
Instruments issued abroad	-	-	-	-	-
Investments in mutual funds	66,213	-	-	-	66,213
Sub total	393,134	-	-	-	393,134
Repurchase agreements & loans of securities	82,422	-	-	-	82,422
Derivative contracts for trading					
Forwards	28,701	1,833	-	11,139	41,673
Swaps	158,810	88,495	-	44,124	291,429
Call options	2,241	-	-	60	2,301
Put options	525	-	-	75	600
Futures	-	-	-	-	-
Sub total	190,277	90,328	-	55,398	336,003
Accounting hedge derivative contracts					
Forwards	-	-	-	-	-
Swaps	2,993	3,971	-	31,721	38,685
Call options	-	-	-	-	-
Put options	-	-	-	-	-
Futures	-	-	-	-	-
Sub total	2,993	3,971	-	31,721	38,685
Due by banks					
Banco Central de Chile	600,581	-	-	-	600,581
Banks in Chile	100,012	-	-	-	100,012
Banks abroad	-	-	254,977	107,778	362,755
Sub total	700,593	-	254,977	107,778	1,063,348
Loans & accounts receivable from customers					
Commercial loans	12,574,539	51,268	270,480	180,221	13,076,508
Housing loans	4,732,307	-	-	-	4,732,307
Consumer loans	3,060,696	-	-	-	3,060,696
Sub total	20,367,542	51,268	270,480	180,221	20,869,511
Investment instruments available for sale					
State & Banco Central de Chile	586,408	-	-	-	586,408
Other instruments issued in Chile	1,011,074	-	-	-	1,011,074
Instruments issued abroad	-	71,533	4,689	-	76,222
Sub total	1,597,482	71,533	4,689	-	1,673,704
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 assets	Financial services MCh$	Banco Central de Chile MCh$	Govern-ment MCh$	Individuals MCh$	Commerce MCh$	Manu-facturing MCh$	Mining MCh$	Electricity, gas & water MCh$	Agriculture & livestock MCh$	Forestry MCh$	Fishing MCh$	Transport & tele-communications MCh$	Construction MCh$	Services MCh$	Other MCh$	Total MCh$
Cash & bank deposits	801,521	71,787	-	-	-	-	-	-	-	-	-	-	-	-	-	873,308
Instruments for trading																
State & Banco Central de Chile	-	37,402	27,535	-	-	-	-	-	-	-	-	-	-	-	-	64,937
Other instruments issued in Chile	257,523	-	-	-	-	-	-	-	-	-	-	-	-	-	4,461	261,984
Instruments issued abroad	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments in mutual funds	66,213	-	-	-	-	-	-	-	-	-	-	-	-	-	-	66,213
Sub total	323,736	37,402	27,535	-	-	-	-	-	-	-	-	-	-	-	4,461	393,134
Repurchase agreements & loans of securities	82,422	-	-	-	-	-	-	-	-	-	-	-	-	-	-	82,422
Derivative contracts for trading																
Forwards	34,384	-	-	13	1,024	2,885	1,050	25	694	-	546	450	11	105	486	41,673
Swaps	233,083	-	-	-	7,470	6,613	249	11,660	26,420	-	182	2,353	2,050	1,224	125	291,429
Call options	446	-	-	-	647	1,017	-	-	48	-	-	60	8	75	-	2,301
Put options	322	-	-	-	231	42	-	-	-	-	-	-	4	-	1	600
Futures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sub total	268,235	-	-	13	9,372	10,557	1,299	11,685	27,162	-	728	2,863	2,073	1,404	612	336,003
Accounting hedge derivative contracts																
Forwards	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Swaps	38,685	-	-	-	-	-	-	-	-	-	-	-	-	-	-	38,685
Call options	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Put options	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Futures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sub total	38,685	-	-	-	-	-	-	-	-	-	-	-	-	-	-	38,685
Due by banks																
Banco Central de Chile	-	600,581	-	-	-	-	-	-	-	-	-	-	-	-	-	600,581
Banks in Chile	100,012	-	-	-	-	-	-	-	-	-	-	-	-	-	-	100,012
Banks abroad	362,755	-	-	-	-	-	-	-	-	-	-	-	-	-	-	362,755
Sub total	462,767	600,581	-	-	-	-	-	-	-	-	-	-	-	-	-	1,063,348
Loans & accounts receivable from customers																
Commercial loans (*)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing loans	9,393	-	-	3,976,564	90,981	18,879	3,221	-	28,928	-	1,777	26,801	19,539	148,419	407,805	4,732,307
Consumer loans	4,033	-	-	2,772,544	41,052	9,537	1,683	18	34,650	-	823	16,920	10,320	51,633	117,483	3,060,696
Investment instruments available for sale																
State & Banco Central de Chile	-	383,451	202,957	-	-	-	-	-	-	-	-	-	-	-	-	586,408
Other instruments issued in Chile	847,941	-	-	-	15,826	-	13,750	36,861	49	72,804	-	-	1,671	-	22,172	1,011,074
Instruments issued abroad	76,222	-	-	-	-	-	-	-	-	-	-	-	-	-	-	76,222
Sub total	924,163	383,451	202,957	-	15,826	-	13,750	36,861	49	72,804	-	-	1,671	-	22,172	1,673,704
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, 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					
State & 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
Sub total	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	-	-	-	-	-
Sub total	157,877	126,328	-	45,270	329,475
Accounting hedge derivative contracts					
Forwards	-	-	-	-	-
Swaps	22	-	-	-	22
Call options	-	-	-	-	-
Put options	-	-	-	-	-
Futures	-	-	-	-	-
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	-	-	109,505	119,771	229,276
Sub total	1,115,005	-	109,505	119,771	1,344,281
Loans & accounts receivable from customers					
Commercial loans	10,845,406	36,474	200,016	649,688	11,731,584
Housing loans	4,198,667	-	-	-	4,198,667
Consumer loans	2,831,514	-	-	-	2,831,514
Sub total	17,875,587	36,474	200,016	649,688	18,761,765
Investment instruments available for sale					
State & 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
Sub total	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 assets	Financial services MCh$	Banco Central de Chile MCh$	Govern-ment MCh$	Individuals MCh$	Commerce MCh$	Manu-facturing MCh$	Mining MCh$	Electricity, gas & water MCh$	Agriculture & livestock MCh$	Forestry MCh$	Fishing MCh$	Transport & tele-communications MCh$	Construction MCh$	Services MCh$	Others MCh$	Total MCh$
Cash & bank deposits	617,092	67,833	-	-	-	-	-	-	-	-	-	-	-	-	-	684,925
Instruments for trading																
State & Banco Central de Chile	-	28,653	43,726	-	-	-	-	-	-	-	-	-	-	-	-	72,379
Other instruments issued in Chile	87,115	-	-	-	-	-	-	-	-	-	-	-	-	-	188	87,303
Instruments issued abroad	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments in mutual funds	33,042	-	-	-	-	-	-	-	-	-	-	-	-	-	-	33,042
Sub total	120,157	28,653	43,726	-	-	-	-	-	-	-	-	-	-	-	188	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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sub total	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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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	-	111,538	140,246	-	-	-	-	-	-	-	-	-	-	-	-	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	111,538	140,246	-	18,262	-	5,024	41,309	-	44,303	-	7,640	-	2,164	4,291	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)

(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 inventory.
- For retail loans: mortgages over residential properties.

The Bank also obtains guarantees from parent companies for loans granted to their subsidiaries.

The management is concerned to have security acceptable according to external regulations and in accordance with internal policy guidelines and parameters. The Bank has around 192,200 separate security instruments constituted, with the greatest concentration in properties in terms of valuation.

The Bank also uses credit-risk mitigants for derivative transactions. The mitigants 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.

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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, 2013:

	Individual Portfolio			Group Portfolio		
	Normal MCh$	Sub-standard MCh$	Non-compliant MCh$	Normal MCh$	Non-compliant MCh$	Total MCh$
Financial Assets						
Due by banks						
Banco Central de Chile	600,581	-	-	-	-	600,581
Banks in Chile	100,012	-	-	-	-	100,012
Banks abroad	362,755	-	-	-	-	362,755
Sub total	1,063,348	-	-	-	-	1,063,348
Loans & Account Receivables from Customers (excluding allowance for credit risk)						
Commercial loans	10,482,866	224,446	152,871	2,011,162	205,163	13,076,508
Housing loans	-	-	-	4,662,977	69,330	4,732,307
Consumer loans	-	-	-	2,856,365	204,331	3,060,696
Sub total	10,482,866	224,446	152,871	9,530,504	478,824	20,869,511

As of December 31, 2012:

	Individual Portfolio			Group Portfolio		
	Normal MCh$	Sub-standard MCh$	Non-compliant MCh$	Normal MCh$	Non-compliant 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
Sub total	1,344,281	-	-	-	-	1,344,281
Loans & Account Receivables from Customers (excluding allowance for credit risk)						
Commercial loans	9,331,408	204,369	145,022	1,864,797	185,988	11,731,584
Housing loans	-	-	-	4,149,264	49,403	4,198,667
Consumer loans	-	-	-	2,651,351	180,163	2,831,514
Sub total	9,331,408	204,369	145,022	8,665,412	415,554	18,761,765

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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:

Term:
Overdue 1: 1 to 29 days
Overdue 2: 30 to 59 days
Overdue 3: 60 to 89 days

As of December 31, 2013:

	Overdue 1 MCh$	Overdue 2 MCh$	Overdue 3 MCh$	Total MCh$
Due by banks	1,515	-	-	1,515
Commercial loans	23,699	8,281	4,737	36,717
Foreign trade finance	34,906	230	368	35,504
Factoring operations	30,158	5,754	1,606	37,518
Commercial leasing operations	2,660	970	723	4,353
Other loans & accounts receivable	837	808	533	2,178
Housing loans	1,016	642	428	2,086
Consumer loans	19,539	8,148	7,564	35,251
Total	114,330	24,833	15,959	155,122

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

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, 2013 and 2012 is Ch$91,105 million and Ch$29,952 million respectively.

The value of the security held by the Bank relating to non-impaired overdue loans as of December 31, 2013 and 2012 is Ch$249,058 million and Ch$214,093 million respectively.

(g) Assets Received in lieu of Payment

The Bank has assets received in lieu of payment amounting to Ch$3,012 million and Ch$2,556 million as of December 31, 2013 and 2012 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 table shows the book value by class of financial asset whose terms have been renegotiated:

Financial Assets	2013 MCh$	2012 MCh$
Due by banks		
Banco Central de Chile	-	-
Banks in Chile	-	-
Banks abroad	-	-
Sub total	-	-
Loans & accounts receivable from customers, net		
Commercial loans	163,827	149,323
Housing loans	21,411	23,132
Consumer loans	311,363	220,451
Sub total	496,601	392,906
Total renegotiated financial assets	496,601	392,906

(*) The calculation method was modified for the commercial portfolio, incorporating debtors evaluated in group case by case, and those evaluated individually by maintaining the methodology.

The Bank approaches the evaluation of allowances through two areas: allowances individually evaluated and those evaluated in groups, which are fully described in Note 2 (xx).

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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, limits on exchange rate spot positions or shares positions, and limits for exchange-rate options positions. 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 of the instruments or at least for the medium term.

Funding liquidity is controlled and limited by the regulatory report C08 index.

The SBIF establishes the following C08 ratio limits:

- ✓ Foreign currency 1-30 days C08 ratio < 1 times basic capital
- ✓ All currencies 1-30 days C08 ratio < 1 times basic capital
- ✓ All currencies 1-90 days C08 ratio < 2 times basic capital

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, 2013, the Adjusted C08 Ratio up to 30 days for foreign currency assets and liabilities is -0.01 and the Adjusted C08 Ratio up to 30 days for total assets and liabilities including all currencies is 0.16. The Adjusted ratio up to 90 days for assets and liabilities including all currencies is slightly below 0.64 as of that date.

Note 39 – Additional notes (continued)

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, 2013							
Demand deposits & other obligations	5,984,237	-	-	-	-	-	5,984,237
Operations pending settlement	126,343	-	-	-	-	-	126,343
Repurchase agreements & loans of securities	259,688	-	-	-	-	-	259,688
Time deposits & other loans	5,009,358	2,351,121	3,005,112	213,203	145	31	10,578,970
Financial derivative contracts (E. Física)	301,981	159,374	293,688	236,384	244,998	377,838	1,614,263
Obligations with Banks	95,776	361,825	262,142	-	-	-	719,743
Other obligations	267,881	144,898	259,689	826,803	803,737	2,500,987	4,803,995
Debt instruments issued in currencies other than the US$	437	770	70,215	204,925	248,714	345,363	870,424
Total gross financial liabilities (excluding derivatives to be compensated)	12,045,701	3,017,988	3,890,846	1,481,315	1,297,594	3,224,219	24,957,663
Derivatives under compensation agreements	45,775	188,282	513,583	688,081	519,512	899,830	2,855,063

	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 (E. Física)	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	875,866	606,008	499,644	832,427	691,489	2,267,548	5,772,982
Debt instruments issued in currencies other than the US$	234	469	6,075	65,891	21,564	110,414	204,647
Total gross financial liabilities (excluding derivatives to be compensated)	11,370,371	3,426,361	4,271,667	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

The loans to deposits ratios for 2013 and 2012 are as follows:

	December 31, 2013	December 31, 2012
Maximum	2.47	2.35
Minimum	2.28	2.20
Average	2.38	2.31

Note 39 – Additional notes (continued)

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 other risk dimensions like the concentration of maturities, and diversification of sources of funds, etc. The Bank also monitors the evolution over time of financial ratios that can detect structural changes in the characteristics of the Bank's statement of financial position and the evolution of certain conditions in the financial markets in order to detect a tightness in systemic liquidity early.

(b) Pricing risk

Measurement and Limits of Pricing Risk

The measurement of pricing risk, for both the trading book and the banking book is carried out through various measures developed internally by the Bank. It also supplements these with the measures of the regulatory authorities according to their models.

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 BIS 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 for credit risk: this sum must not exceed the Bank's effective equity. In the future, the amount corresponding to operational risk will also be added to the above.

As mentioned above, the Bank has also established for the trading book various internal limits of different kinds for the financial positions, which depend on the nature of the position, like: limits on 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.

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 an escalation to a temporary horizon of 22 days. For this calculation, the volatilities are considered of the fluctuations in market factors and the correlations between these fluctuations observed during the previous twelve months.

Note 39 – Additional notes (continued)

Note 39.38 –Risk Management (continued)

(3) Market Risk (continued)

(b) Pricing Risk (continued)

The standardized regulatory report of the banking book (SBIF report C40) 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 based on the Basel guidelines. The SBIF requires that banks themselves set limits for the short-term banking book for the risk determined in accordance with the methodology described above, so that the short-term pricing risk of the banking book does not exceed the percentage of annual operating income (last revolving twelve months) and the long-term is not less than a percentage of the bank's effective equity. The Bank set these two limits as 25%. The percentage use of these limits during 2013 was as follows:

	Banking Risk Book Short Term	Banking Risk Book Long Term
Maximum use	11.4%	18.1%
Average use	9.6%	17.4%
Minimum use	8.1%	16.8%

The Bank also has measurements, limits, controls and reports of interest-rate positions and risks using methodologies developed internally based on differences of assets and liabilities considering the dates on interest rate adjustments. The positions are measured in accordance with the IRE (interest rate exposure) and the risks by the EaR (earnings-at-risk) method 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), permitting a more detailed and real analysis and study of the impact of fluctuations in interest rates, exchange rates and inflation than that required by the regulators for the banking book.

In addition to the above measurements and controls, the internal policies require daily stress tests for trading book positions and on a monthly basis for the accrual book. Potential losses resulting from these tests are compared with the alert levels defined by the Bank's management. Moreover, the evolution of the effective results during a calendar month is compared with the positions of the trading book with respect to the defined alert levels.

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Note 39 – Additional notes (continued)

Note 39.38 –Risk Management (continued)

(3) Market Risk (continued)

(b) Pricing Risk (continued)

The following table shows the exposure to interest-rate risks by maturity for the banking book of Banco de Chile on individual bases as of December 31, 2013 and 2012:

	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, 2013							
Cash & bank deposits	848,757	-	-	-	-	-	848,757
Operations pending settlement	360,806	-	-	-	-	-	360,806
Repurchase agreements & loans of securities	54,591	-	-	-	-	-	54,591
Hedge derivatives	361,734	86,268	176,636	80,287	258,915	374,745	1,338,585
Due by banks	791,728	117,220	156,297	-	-	-	1,065,245
Loans & accounts receivable from customers	3,457,101	2,743,019	5,681,608	4,582,528	2,293,838	5,890,051	24,648,145
Investment instruments available for sale	85,500	187,044	455,332	174,413	517,638	388,187	1,808,114
Investment instruments held to maturity	-	-	-	-	-	-	-
Total assets	5,960,217	3,133,551	6,469,873	4,837,228	3,070,391	6,652,983	30,124,243

	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$
Liabilities as of December 31, 2013							
Demand deposits & other obligations	6,012,841	-	-	-	-	-	6,012,841
Operations pending settlement	114,589	-	-	-	-	-	114,589
Repurchase agreements & loans of securities	16,964	-	-	-	-	-	16,964
Time deposits & other loans	5,141,774	2,211,623	3,005,229	213,224	135	31	10,572,016
Hedge derivatives	12,396	3,372	142,660	435,245	279,419	492,682	1,365,774
Obligations with banks	279,063	513,096	194,863	-	-	-	987,022
Debt instruments issued	300,614	143,669	259,129	881,605	1,033,552	2,819,652	5,438,221
Other financial obligations	161,134	1,258	7,013	13,604	17,438	23,840	224,287
Total liabilities	12,039,375	2,873,018	3,608,894	1,543,678	1,330,544	3,336,205	24,731,714

Note 39 – Additional notes (continued)

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, 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

Pricing Risks Sensitivity Analysis

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 financial crisis mentioned showed 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 indicated 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 daily a follow-up of the evolution of the potential losses or gains of the trading book, and their causes. These impacts are determined by modeling directional fluctuations in the values of market factors and estimating the changes in book and/or economic values of the financial positions. It is therefore necessary to maintain an updated data base that includes historic information on exchange rates, volatilities of exchange-rate options and of debt instrument and derivative interest rates that also permit maintaining up to date calculations of historic volatilities if changes in these market factors and also correlations between such changes or fluctuations.

Note 39 – Additional notes (continued)

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 book 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 exchange rates, interest rates or volatility respectively; the impacts of the balances of accruals are estimated by multiplying accumulative gaps by modeled forward interest-rate fluctuations. This methodology has certain limitations because the convex shape of the interest-rate curve is not captured for the trading book portfolios; in addition, neither the behavior of the convex shape nor of the prepayments is captured in the analysis of the accrual book. 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 pesos/US$ 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 trading.

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 to n Monthly (%)
3 m	-93	-75	533	601	-2	295	7.3%	-0.60%
6 m	-116	-88	245	267	-8	225	6.1%	-0.12%
9 m	-128	-95	108	128	-10	213	5.5%	-0.07%
1 year	-140	-99	27	55	-11	188	5.1%	-0.07%
2 years	-153	-95	-22	4	-18	104	5.1%	0.00%
4 years	-174	-127	-62	-46	-31	76	-	-0.02%
6 years	-162	-127	-76	-70	-38	70	-	0.00%
10 years	-139	-125	-91	-87	-42	78	-	-0.01%
16 years	-143	-127	-80	-76	-43	83	-	-0.06%
20 years	-151	-127	-79	-71	-44	86	-	-0.06%

bps = basis points

Note 39 – Additional notes (continued)

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, 2013 is as follows:

EXPECTATION OF GAIN OR LOSS IN TRADING BOOK	
	BCh (CLP M)
Rates in CLP	(3,383)
Derivatives	(3,578)
Investments	195
Rates in UF	(4,824)
Derivatives	(5,248)
Investments	424
USD, EUR, JPY offshore	(857)
USD, EUR, JPY on/off spread	4,232
Total interest rate	**(4,831)**
Total FX	**(100)**
Total Vega Options FX	**1,312**
Stress test result: Rates + FX + Vega	**(3,619)**
Banco de Chile Tier 1 Capital	2,284,314

The modeled scenario would generate losses in the trading book of around Ch$3,600 million or somewhat less than US$7 million. 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:

POTENTIAL INCREMENTAL ACCRUALS BOOK 12 months	
	(MCh$)
Higher/Lower Income	**(146,485)**
Impact of shock base rate	(121,170)
Impact of shock on spreads	(25,315)

Note 39 – Additional notes (continued)

Note 39.38 –Risk Management (continued)

(3) Market Risk (continued)

(b) Pricing Risk (continued)

The principal negative impact on the accrual book would occur as a result of severe fall in inflation and an increase in the financing spread. The lower potential revenue in the next 12 months would correspond to less than a third of the budgeted gain for 2014.

The next table shows the impact on equity accounts of the potential change in the 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 (M USD)	Impact for change in interest rates (MCh$)
CLP	(189,961)	(11.9)	(6,230)
CLF	(500,888)	(37.6)	(19,781)
USD	(146,947)	(16.1)	(8,442)
Total impact		**(65.6)**	**(34,453)**

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 2013, the Bank has comfortably 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 monitored monthly. None of the internal alerts defined in the capital management policy was triggered during 2013.

The Bank manages the capital by making adjustments in the 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's capital sufficiency is monitored by employing, among other things, the indicators and rules set by the SBIF.

Note 39 – Additional notes (continued)

Note 39.38 –Risk Management (continued)

(4) Capital Requirements and Management of Capital (continued)

Regulatory capital

According to the General Banking Law, the Bank should maintain a minimum of 8%, net of required allowances, as a result of dividing the effective equity (Tier 2 capital) by the sum of consolidated risk-weighted assets, and of 12.5 times the market risk equivalent. The Bank should also maintain a minimum basic capital (Tier 1) 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 companies not included in the consolidation is deducted, and (d) the balance of the non-controller interest is added.

Assets are weighted according to their risk categories which are assigned a percentage risk according to the amount of capital necessary for supporting each of them. 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 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.

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Note 39 – Additional notes (continued)

Note 39.38 –Risk Management (continued)

(4) Capital Requirements and Management of Capital (continued)

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.

The levels of basic capital and effective equity of the Bank and its subsidiaries at the end of 2013 and 2012 are as follows:

	Consolidated Assets		Risk-Weighted Assets	
	2013 MCh$	2012 MCh$	2013 MCh$	2012 MCh$
Statement of Financial Position assets (net of allowances)				
Cash & bank deposits	873,308	684,925	20,654	832
Operations pending settlement	374,471	396,611	39,728	53,978
Instruments for trading	393,134	192,724	124,932	55,025
Repurchase agreements & loans of securities	82,422	35,100	82,422	35,100
Financial derivative contracts	374,688	329,497	460,537	328,642
Due by banks	1,062,056	1,343,322	381,494	231,182
Loans & accounts receivable from customers	20,389,033	18,334,330	18,505,593	16,658,476
Investment instruments available for sale	1,673,704	1,264,440	432,995	416,938
Investment instruments held to maturity	-	-	-	-
Investments in companies	16,670	13,933	16,670	13,933
Intangible assets	29,671	34,290	29,671	33,151
Property, plant and equipment	197,578	205,189	197,578	205,189
Current taxes	3,202	2,684	320	268
Deferred taxes	145,904	127,143	14,590	12,714
Other assets	318,029	296,878	318,029	296,879
Sub total			20,625,213	18,342,307
Assets off the Statement of Financial Position				
Contingent credits	3,927,627	3,945,940	2,355,879	2,367,215
Total risk-weighted assets			22,981,092	20,709,522

	December 31, 2013		December 31, 2012	
	MCh$	%	MCh$	%
Basic Capital (*)	2,284,314	7.57	2,007,057	7.33
Effective Equity	2,999,061	13.05	2,738,311	13.22

(*) Basic capital refers to the equity of the owners of the Bank in the consolidated statement of financial position.

Note 39 – Additional notes (continued)

Note 39.39 – Events after the Reporting Period

(a) On January 9, 2014, LQ Inversiones Financieras S.A. ("LQIF") reported that the subsidiary Banco de Chile would offer for sale or disposal up to 6,900,000,000 shares of Banco de Chile (a secondary offering). In addition, LQIF has requested that the subsidiary Banco de Chile perform all the actions related to the execution of this kind of transaction in the local and international markets.

In the event that this disposal is carried out, LQIF's interest in the Bank would be reduced from 58.4% of the voting rights to 51%, so LQIF's position of control with respect to the subsidiary Banco de Chile would not be altered.

The Bank's board agreed to LQIF's request and the conditions under which it would participate in the appropriate filings with foreign regulators, the signing of contracts and other documents required by law and market practice in the United States of America and other international markets, and performing the other steps and actions necessary for completing this transaction on the local and international markets and which are related to the commercial and financial condition of Banco de Chile.

(b) On January 14, 2014, in relation to the report dated January 9, 2014, the subsidiary Banco de Chile has filed with the Securities and Exchange Commission of the United States of America (SEC), a preliminary supplemental prospectus containing financial and business information on the Bank.

The agreed text of the underwriting agreement was also registered, to be signed by LQIF, as a seller of the securities, Banco de Chile as issuer, and Citigroup Global Markets Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Deutsche Bank Securities Inc. and Banco BTG Pactual SA - Cayman Branch, as underwriters.

In addition, LQIF and the subsidiary Banco de Chile agreed the terms and general conditions under which the Bank will participate in this process.

(c) On January 29, 2014, LQ Inversiones Financieras S.A. reported that 6,700,000,000 shares of Banco de Chile had been placed on the local market and in the United States of America, under the American Depositary Receipts Program, at a price of $ 67 per share, thus declaring the sale offer successful. It also stated that the 6,700,000,000 shares of Banco de Chile offered for sale would be placed on the stock market at the price stated on January 29, 2014.

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Note 39 – Additional notes (continued)

Note 39.39 – Events after the Reporting Period (continued)

(d) On January 29, 2014, the subsidiary Banco de Chile reported that, in relation to the secondary offering of shares of Banco de Chile made by LQ Inversiones Financieras S.A., Banco de Chile as issuer, LQ Investments SA, as seller of the securities, and Citigroup Global Markets Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Deutsche Bank Securities Inc., and Banco BTG Pactual SA - Cayman Branch as underwriters, have signed an underwriting agreement.

No later than January 30, 2014, Banco de Chile would register with the Securities and Exchange Commission of the United States of America (SEC), the final supplementary prospectus containing the financial and commercial information on the Bank.

(e) On January 31, 2014, the board of Banco de Chile resolved to call an ordinary shareholders' meeting to be held on March 27, 2014 in order to propose, among other matters, the distribution of dividend number 202 of Ch$3.48356970828 for each of the 93,175,043,991 "Banco de Chile" shares, payable against the distributable earnings for the year ended December 31, 2013, corresponding to 70% of such earnings.

The board also resolved to call an extraordinary shareholders' meeting to be held on the same date in order to propose, among other things, the capitalization of 30% of the distributable earnings of the Bank for the year ended December 31, 2013, through the issuance of fully paid-in shares of no par value, with a value of Ch$64.56 per "Banco de Chile" share, to be distributed among shareholders in the proportion of 0.02312513083 shares for each "Banco de Chile" share held and to adopt the necessary agreements subject to the exercise of the options established in article 31 of Law 19,396.

(f) By Reserved Letter 064 dated January 30, 2014, the SVS brought charges against the subsidiary Banchile Corredores de Bolsa S.A. for alleged infringement of Article 53 second paragraph of Law 18,045, with respect to certain specified transactions carried out in the years 2009, 2010 and 2011.

In the opinion of the management, there are no other significant events after the reporting period that affect or may affect the company's consolidated financial statements between December 31, 2013 and the date of issuance of these consolidated financial statements.

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Note 40 – Material information

Division of Madeco S.A.
The Board of Madeco on January 7, 2013 submitted for approval by its shareholders the division of Madeco S.A. into two companies, whereby: i. the legal successor retains the investment in Nexans, a part of the existing financial debt and other obligations relating to the contract signed with Nexans at the time of the sale of the cable unit to the French company; and ii. the new company created from the division has the investments in the subsidiaries Alusa S.A., Madeco Mills S.A. and Indalum S.A. plus the balance of the existing financial debt.
On January 7, January 10, March 5 and March 28, 2013, the subsidiary Madeco S.A. complemented this information which can be consulted on the company's web site www.madeco.cl

On January 31, 2013, Quiñenco reported the following to the SVS as complementary material information:

1.- On September 2, 2011, Quiñenco informed the SVS about the signing of a contract by which it was committed to acquire Organización Terpel S.A. and Petrolera Nacional S.A. (together "Terpel"), and these to dispose of their interests in their Chilean subsidiaries Petróleos Trasandinos S.A. and Operaciones y Servicios Terpel Limitada (together "the Companies"), which involves the transfer of the fuel distribution business through service stations that the Companies operate throughout the country and other related businesses.

2.- At the same time, Quiñenco stated that the operation 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 divided vote) dated April 26, 2012, the Antitrust Court rejected the purchase of the companies. Quiñenco S.A., on May 10, 2012, appealed to the Supreme Court in order to annul the resolution of the tribunal in all its aspects. This was reported as a matter of interest on the company's web site.

4.- In its judgment of January 2, 2013, the Supreme Court accepted the appeal but subject to compliance with the following mitigation measures:

A.- The divestment of service stations in all districts where both Enex and Terpel operate and in which, as a result of the operation consulted, the variation in concentration indicators exceeds the limits established in the guide on concentration operations prepared by the National Economic Regulator. This divestment should be carried out through a public tender, without a reserve price, within six months from the operation consulted being completed.

B.- With respect to the lease and storage capacity contracts signed by Terpel Chile, these should be terminated in the same term as that set for the divestment so that any person or entity may require storage capacity in those installations for use in their operations.

As it was believed by the contracting parties that the interpretation was unclear about how to implement the first of such mitigation measures, as they allow readings that made the operation in the terms originally agreed unviable, resort was again made to the Supreme Court for a clarification, in order to overcome the inconvenience that arose, which gave sentence in the sense that: *"there being no dark or doubtful points to clarify, that requested is denied"*.

Note 40 – Material information (continued)

5.- As a result of the resolution of the Supreme Court, and having the Terpel purchase commitment unviable for Quiñenco S.A. on the terms originally foreseen, the latter has communicated to the sellers that, despite the above, it is prepared to negotiate alternative conditions that make possible the sale of Terpel that is in harmony with the demands of the resolution of the Supreme Court.

On March 15, 2013, Quiñenco reported the following to the SVS as complementary material information:

Complementing that reported on September 2, 2011 and January 31, 2013, relating to the contract by which Quiñenco, directly or through one or more subsidiaries, committed itself to acquire from Organización Terpel Chile S.A. and Petrolera Nacional S.A. (together "Terpel"), and these to dispose of all their interests 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").

In this respect:

1. Consequently with what is stated in point 5 of the complementary material information report of January 31, 2013, Quiñenco proceeded to present a proposal to make viable the formalization of the contract referred to, taking into account the costs of the mitigation measures imposed by the sentence of the Supreme Court.

2. The proposal considered the adjustment of the price offered for the Terpel assets in relation to the impact of the implementation by the buyer of the mitigation measures ordered by the Supreme Court, reported to the SVS on January 31, 2013.

3. As a result of the requirements of the judgment of the Supreme Court and the National Economic Authority (FNE) in this respect, the divestment of a service station in each of the 61 districts in Chile identified by the FNE means that Quiñenco and subsidiaries will have to sell around 30% of the service stations comprising the Terpel assets.

4. Consequently, the new adjusted price agreed by the parties amounts to UF5,567,069, to be formalized in the coming days by the respective commitment contract, so that the pertinent sale contract can be finally signed within the next 90 days, with which this transaction would be closed. This transaction was reported to the SVS on September 2, 2011.

As stated in the said material information report dated September 2, 2011, this will enable Quiñenco to increase its competitiveness in the fuel and lubricants distribution business, an industry in which it has a presence through the ownership of Enex.

Note 40 – Material information (continued)

The following material information was reported to the SVS on April 4, 2013:

Due to the vacancy produced in the Board of Quiñenco following the death of its chairman, Guillermo Luksic Craig, the Board appointed Nicolás Luksic Puga as his replacement, as a director, in accordance with article 32 of Law 18,046.

The same meeting elected Andrónico Luksic Craig as chairman of the Board and the Company and Jean-Paul Luksic Fontbona as vice-chairman.

The Board recorded its recognition of the important and outstanding leadership, together with great human qualities, business vision and decision of Guillermo Luksic, who so successfully directed the Company for 31 years.

The following complementary material information was reported to the SVS on April 16, 2013:

Complementing what was reported on September 2, 2011, January 31 and March 15, 2013, relating to the contract by which Quiñenco, directly or through one or more subsidiaries, committed itself to acquire from Organización Terpel Chile S.A. and Petrolera Nacional S.A. (together "Terpel"), and these to dispose of all their interests 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").

In compliance with the agreements reported in the complementary material information of March15, 2013, Quiñenco has signed a contract amendment by which a price was agreed for Terpel Chile of UF 5,567,069 payable at the close, which will be adjusted by the net debt.

The closing of this transaction is foreseen to be no later than June 28, 2013.

The following complementary material information was reported to the SVS on June 27, 2013:

Complementing what was reported on September 2, 2011, January 31, March 15 and April 16, 2013, relating to the contract by which Quiñenco, directly or through one or more subsidiaries, committed itself to acquire from Organización Terpel Chile S.A. and Petrolera Nacional S.A. (together "Terpel"), and these to dispose of all their interests 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").

In compliance with the agreements reported in the complementary material information of April 16, 2013, the transaction described in the previous paragraph was closed, by which the subsidiaries of Quiñenco, Empresa Nacional de Energía Enex S.A. and Inversiones Enex S.A. have acquired Terpel Chile. The transaction price is 5,291,345 Unidades de Fomento.
The term of 6 months set by the Supreme Court takes effect from this date, for carrying out the mitigation measures reported in the complementary material information dated January 31, 2013, consisting of the divestment of service stations and the termination of lease and storage capacity agreements signed by Terpel Chile.

Note 40 – Material information (continued)

The following material information was reported to the SVS on July 4, 2013:

The Board of Quiñenco S.A. on this date agreed to call an extraordinary shareholders' meeting to propose a capital increase of Ch$ 350,000,000,000 or the sum agreed by the meeting, through the issuance of shares for payment, which will be subscribed and paid as determined by the meeting.

It will be proposed to the meeting that the proceeds of this capital increase be used to finance new investments.

Management's Analysis of the Consolidated Financial Statements

as of December 31, 2013

I. SUMMARY

During 2013, Quiñenco obtained net income[4] of Ch$124,841 million, 10.6% less than the Ch$139,643 million reported the year before. This decrease is mainly attributed to a non-recurring gain in 2012 related to the investment in Nexans and the higher proportional loss in Nexans in 2013. Banchile Vida also reduced its contribution by 59.0% during the year, mainly due to a lower result from operating activities. Enex, for its part, reduced its contribution by 33.2%, mainly explained by a tax credit booked in 2012. However, it produced an excellent operating result in 2013, more than three times that of the previous year, reflecting the positive impact of the incorporation of Terpel Chile in the second half. CSAV improved its results by 46% despite the prolonged adversity in the shipping industry. The financial sector produced excellent results for the year following a solid operating performance by Banco de Chile and a gain from the extraordinary amortization of the subordinated debt with Banco Central de Chile due to the sale of share options in the capital increase of Banco de Chile at the level of LQIF. SM SAAM also contributed with positive results, reflecting the good performance of tug boats and port concessions. CCU, meanwhile, maintained its contribution stable as the increase in its results, particularly the good performance of non-alcoholic drinks, was partly offset by the dilution of IRSA in CCU. At the corporate level, higher operating income and exchange differences more than compensated reduced financial income in the year.

II. ANALYSIS OF COMPREHENSIVE RESULTS

For a better understanding of the results of Quiñenco, the analysis as well as the financial statements separates 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 income, 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.

4 Net income refers to net income attributable to owners of the controller.

1. Analysis of Industrial Sector Results

The following segments are included in the results of the industrial sector (non-banking businesses) :

a) Manufacturing
   - Invexans
   - Madeco
b) Financial
   - LQ Inversiones Financieras Holding (LQIF holding)
c) Energy
   - Enex
d) Other
   - Quiñenco and others (includes CCU, Compañía Sud Americana de Vapores (CSAV), SM SAAM, Banchile Seguros de Vida (Banchile Vida) and eliminations).

On March 27, 2013, the Extraordinary Shareholders' meeting of Madeco approved the division of this company into the successor company Invexans and the new company Madeco, with effect from January 1, 2013. The principal asset of Invexans is its 26.55% shareholding in Nexans, a French multinational leader in the cable industry. The principal assets of the new Madeco are Alusa, Madeco Mills and Indalum, which were transferred from the old Madeco. As of December 31, 2013 Quiñenco holds directly or through its direct subsidiary Inv. Río Grande and its indirect subsidiaries Inmobiliaria Norte Verde and Inv. Río Azul, 65.9% of the share capital of both companies.

Invexans has reclassified in its income statement for 2012 the companies Alusa, Madeco Mills and Indalum as discontinued operations, showing the net earnings of these companies in Earnings (loss) from discontinued operations. The revenue, costs and expenses of these companies (mainly the flexible packaging, brass mills and profiles units) are therefore shown as such in the financial statements of the new Madeco in 2013, and only in one line in 2012 in the financial statements of Invexans (Earnings (loss) from discontinued operations).

During December 2013 Madeco completed the closure of the brass mills unit in Chile and Argentina, so the subsidiary Madeco Mills has been classified as a discontinued activity in 2013.

On June 27, 2013, Enex and its subsidiary Inversiones Enex, acquired from the Colombian Terpel group the fuel distribution business and related businesses of that group in Chile, through the purchase of all the shares and corporate participation in the companies Petróleos Trasandinos S.A. (Petrans) and Operaciones y Servicios Terpel Ltda. (Opese). The consolidated financial statements as of December 31, 2013 therefore incorporates the assets and liabilities of Petrans and Opese (Terpel Chile), while Enex's consolidated income statement includes the results of these subsidiaries from July 1, 2013, thus the figures include only six months of that operation.

Industrial sector results	Figures in MCh$	
	12-31-2013	12-31-2012
Earnings from operating activities	78,351	51,335
Non-operating result	(75,108)	(34,011)
Income tax	(8,748)	9,579
Earnings (loss) from discontinued operations	(7,648)	4,361
Consolidated net income (loss) industrial sector	(13,154)	31,264

Revenues from ordinary activities

Ordinary revenue in 2013 increased by 41.9% to Ch$2,054,946 million, mainly due to the increase in the energy sector and the reclassification in 2012 of the revenues of the flexible packaging and brass mills units in the manufacturing sector, partially offset by a reduction in revenue of Banchile Vida, included in Quiñenco and others.

The composition of consolidated revenue from ordinary activities is shown in comparative terms as follows:

	Figures in MCh$	
	12-31-2013	12-31-2012
Manufacturing		
Invexans	410	179
Madeco	205,772	-
Sub total manufacturing	206,182	179
Financial		
LQIF holding	-	-
Energy		
Enex	1,757,693	1,340,623
Other		
Quiñenco & others	91,070	107,494
Ordinary revenue	2,054,946	1,448,296

The revenue of Enex in 2013 amounted to Ch$1,757,693 million, 31.1% higher than the previous year as a result of the larger volume of fuels following the incorporation of the operation of Terpel Chile from the third quarter of 2013. The total volume sold in 2013 was 3,023 million cubic meters, 34.3% more than in 2012, of which 95.8% corresponds to fuels.

Madeco's revenues in 2013 amounted to Ch$205,772 million, comprising flexible packaging (84.4%) and profiles (15.6%). Sales of flexible packaging are mainly to markets where it has operations, i.e. Chile, Argentina, Peru and Colombia, plus exports to the rest of Latin America. The profiles unit has its principal customers in Chile.

The variation in Quiñenco and others is mainly due to a 15.4% decrease in the revenue of Banchile Vida, mainly due to the termination in June 2012 of the disability and life insurance contract with the pension funds.

Cost of sales

The cost of sales in 2013 rose by 43.5% over the previous year, mainly explained by increased costs in the energy sector, the reclassification in 2012 of the costs of flexible packaging and profiles units in the manufacturing sector and, to a lesser extent, the cost of sales of Banchile Vida, included in Quiñenco and others, whose cost of sales rose by 20.5%.

The composition of consolidated cost of sales in comparative terms is shown below:

	Figures in MCh$	
	12-31-2013	12-31-2012
Manufacturing		
Invexans	(200)	(55)
Madeco	(163,166)	-
Sub total manufacturing	(163,366)	(55)
Financial		
LQIF holding	-	-
Energy		
Enex	(1,630,361)	(1,246,251)
Other		
Quiñenco & others	(24,490)	(20,318)
Cost of sales	(1,818,217)	(1,266,623)

The cost of sales of Enex in 2013 amounted to Ch$1,630,361 million, 30.8% more than in 2012, driven by the rise in the volumes traded of the products distributed, especially fuels, following the incorporation of the Terpel Chile operation in the second half. The cost of sales was equivalent to 92.8% of sales, slightly lower than 93.0% the year before.

Madeco reported a cost of sales of Ch$163,166 million, comprising flexible packaging (85.5%) and profiles (14.5%), in line with the composition of sales.

The variation in Quiñenco and others mainly relates to an increase of 20.5% in the costs of Banchile Vida, following a one-off adjustment in 2012 for release of reserves.

Gross margin

The composition of the gross margin in comparative terms is shown below:

	Figures in MCh$	
	12-31-2013	12-31-2012
Manufacturing		
Invexans	211	124
Madeco	42,606	-
Sub total manufacturing	42,817	124
Financial		
LQIF holding	-	-
Energy		
Enex	127,332	94,372
Other		
Quiñenco & others	66,580	87,177
Gross margin	236,729	181,673

The gross margin was Ch$236,729 million in 2013, 30.3% higher than that reported for 2012, mainly due to the incorporation of the new Madeco which contributed Ch$42,606 million and the reclassification in 2012 of the gross margin of the flexible packaging and profiles units, plus the increased gross margin of the energy sector. This segment contributed an increase of Ch$32,960 million due to larger volumes of fuels, reflecting the incorporation of the Terpel Chile operation in the second half of 2013 and, to a lesser extent, better unit margins in fuels and asphalts, partially compensated by slimmer margins in lubricants. The gross margin of Banchile Vida declined by Ch$20,560 million, or 23.8%.

Earnings from operating activities

The earnings from operating activities were Ch$78,351 million in 2013, 52.6% higher than the year before, reflecting the reclassification in 2012 of the results of the flexible packaging and profiles units as discontinued operations, followed by increased operating earnings from the energy sector and LQIF holding, partially compensated by a negative variation reported in Invexans and Banchile Vida.

The comparative composition of operating income is shown below:

	Figures in MCh$	
	12-31-2013	12-31-2012
Manufacturing		
Invexans	8,321	31,345
Madeco	34,310	-
Sub total manufacturing	42,631	31,345
Financial		
LQIF holding	1,713	(6,187)
Energy		
Enex	25,003	7,613
Other		
Quiñenco & others	9,004	18,564
Earnings from operating activities	78,351	51,335

Invexans reported operating income of Ch$8,321 million, a fall of 73.5% compared to the year before, mainly the product of negative goodwill on the investment in Nexans of Ch$41,156 million reported in 2012 following the accounting change of this investment from financial asset available for sale to the equity method, included in Other gains (losses), compared to Ch$11,336 million booked in 2013 as a result of the acquisitions made during the year. This was partially offset by reduced fees, expenses and provisions for lawsuits in Brazil in 2013, included in expenses by function.

The operating income of Madeco amounted to Ch$34,310 million, mainly due to the gross margin explained above plus the negative goodwill on the investment in Peruplast of Ch$14,691 million following the valuation at fair value of the investment, included in Other gains (losses) and the result of the sale of properties for Ch$12,956 million included in Other revenue by function relating to the sale of the old production facilities of Peruplast. This was partially compensated by administrative expenses, other losses and distribution costs.

LQIF holding recorded an operating income of Ch$1,713 million, comparing favorably with a loss of Ch$6,187 million in 2012, mainly the result of a gain of Ch$5,445 million generated by the extraordinary amortization of the subordinated debt due to the sale of options of SAOS in the capital increase of Banco de Chile in 2013 and, to a lesser extent, lower expenses by function due to a reduced amortization of intangible assets.

The operating income of Enex for 2013 was Ch$25,003 million, an increase of Ch$17,391 million, or 228.4%, over the year before, as a result of the increase in the gross margin of Ch$32,960 million, mainly reflecting the incorporation of Terpel Chile in the second half of 2013, partially compensated by an increase in administrative expenses, also mainly related to Terpel Chile.

The operating income of Quiñenco and others was Ch$9,004 million for 2013, 51.5% lower than in 2012, mainly due to Banchile Vida which reduced its operating income by 58.9% as a result of a 23.8% fall in its gross margin and, to a lesser extent, a reduction in other revenue by function, partially compensated by a 2.5% decline in administrative expenses.

Non-operating result

The comparative composition of the non-operating result is as follows:

	Figures in MCh$	
	12-31-2013	12-31-2012
Financial income	16,341	21,100
Financial costs	(39,519)	(26,461)
Participations in results of associates & joint ventures	(38,765)	(13,329)
Exchange differences	(2,422)	(3,455)
Indexation results	(10,743)	(11,866)
Non-operating result	(75,108)	(34,011)

The non-operating result for 2013 was a loss of Ch$75,108 million, 120.8% higher than the Ch$34,011 million reported for 2012. This change is mainly due to a negative change in the result of participations in associates which produced a loss of Ch$38,765 million for 2013, 190.8% higher than in 2012 mainly due to the proportional loss in Nexans which implied a loss in 2013 of Ch$52,389 million, partially offset by the participation in the results of CSAV which translated into a reduced loss of Ch$22,188 million in 2013 and, to a lesser extent, a higher contribution from SM SAAM.

A higher financial cost in 2013 also contributed to a reduced non-operating result, mainly explained by the financial costs of Madeco associated with the financial debt assigned to it in the division of Invexans, higher financial costs at LQIF holding, a higher level of debt at Quiñenco following its bond issue and, to a lesser degree, reduced financial income, mainly at Quiñenco, reflecting the lower level of cash.

Earnings (loss) of the industrial sector

	Figures in MCh$	
	12-31-2013	12-31-2012
Earnings from continued operations before taxes	3,243	17,324
Income tax	(8,748)	9,579
Earnings (loss) from discontinued operations	(7,648)	4,361
Net income (loss) of the industrial sector	(13,154)	31,264

The consolidated loss of the industrial sector was Ch$13,154 million in 2013, contrasting negatively with earnings of Ch$31,264 million in 2012, mainly due to the reduction in the contribution of the manufacturing sector, explained by the negative goodwill on the investment in Nexans reported in 2012 and the higher proportional loss of the associate Nexans in 2013, the reduced result of Enex due to the deferred tax credit originating from the inverse merger with its parent in 2012 and of Banchile Vida due to reduced operating income in 2013. All this was partially offset by the reduced proportional loss of the associate CSAV and, to a lesser extent, the improved contributions of LQIF holding and SM SAAM.

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 2013 and 2012.

	Figures in MCh$	
	12-31-2013	12-31-2012
Operating result	593,307	523,158
Non-operating result	(67,629)	(73,939)
Income tax	(80,020)	(54,040)
Consolidated net income banking sector	445,658	395,179

Operating revenue [5]

Operating revenue increased by 8.4% to Ch$1,458,121 million, mainly explained by loan growth and a slight improvement in spreads, a greater contribution from demand deposits, increased revenue from the Bank's net asset position in UF due to a greater exposure, and more convenient funding with lower nominal interest rates.

5 Ordinary revenue is the total net operating revenue less allowances for credit risk.

Provisions for credit risk

Banco de Chile's allowances for credit risk amounted to Ch$241,613 million, an increase of 28.4% over the Ch$188,190 million in 2012. This change is due to (i) the 11.2% growth in loans, mainly explained by the increase in the retail segment; (ii) additional allowances, based on signs of deceleration in the local economy and expectations of volatility for the coming years; (iii) a negative effect of the exchange rate on allowances for credit risk denominated in dollars, due to the fall in the Ch$/US$ exchange rate in 2012 compared to a rise in 2013; and (iv) the financial deterioration of certain customers in the wholesale segment and, to a lesser extent, a gradual deterioration in credit conditions in the SME business segment.

Operating expenses

Operating expenses were Ch$623,200 million in 2013, 1.7% lower than the $634,058 million in 2012.

Non-operating result [6]

A non-operating loss of Ch$67,629 million was generated in 2013, 8.5% lower than the non-operating loss of Ch$73,939 million for 2012, mainly explained by lower interest accrued on the subordinated debt with Banco Central de Chile in 2013 due to the effect of lower inflation during the period.

Banking sector earnings

Consolidated banking sector net income rose by 12.8% to Ch$445,658 million during 2013, mainly the result of higher operating income and reduced non-operating losses, partially compensated by the increase in allowances for credit risk and increased income tax for the year.

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		Other		Total	
	As of December 31									
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Industrial Sector										
Income from continued operations before taxes	(19,383)	30,595	(12,620)	(16,723)	20,867	5,066	14,378	(1,615)	3,243	17,324
Income tax	(8,266)	(7,088)	857	(3,766)	(1,897)	23,321	557	(2,888)	(8,748)	9,579
Earnings from discontinued operations	(7,648)	4,361	-	-	-	-	-	-	(7,648)	4,361
Consolidated net income (loss) industrial sector	(35,297)	27,868	(11,762)	(20,489)	18,971	28,387	14,935	(4,503)	(13,154)	31,264
Banking Sector										
Income before income tax	-	-	525,678	449,219	-	-	-	-	525,678	449,219
Income tax	-	-	(80,020)	(54,040)	-	-	-	-	(80,020)	(54,040)
Consolidated net income banking sector	-	-	445,658	395,179	-	-	-	-	445,658	395,179
Consolidated net income (loss)	(35,297)	27,868	433,896	374,690	18,971	28,387	14,935	(4,503)	432,504	426,443
Net income attributable to non-controller participationss	(4,307)	13,695	309,766	266,239	-	-	2,205	6,867	307,664	286,800
Net income (loss) attributable to owners of the controller*	(30,990)	14,174	124,130	108,451	18,971	28,387	12,730	(11,370)	124,841	139,643

* 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.

6 Non-operating result includes the result of investments in companies and interest on the subordinated debt with Banco Central de Chile.

Manufacturing Segment

	Figures in MCh$	
	12-31-2013	12-31-2012
Invexans [7]	(31,555)	14,174
Madeco [8]	565	-
Net income (loss) of the manufacturing segment	(30,990)	14,174

The manufacturing segment contributed a loss of Ch$30,990 million to the earnings of Quiñenco in 2013, contrasting negatively with earnings of Ch$14,174 million the previous year.

Invexans

	Figures in MCh$	
	12-31-2013	12-31-2012
Ordinary revenue	410	179
Earnings from operating activities	8,321	31,345
Earnings from discontinued operations	-	4,361
Net income (loss) attributable to owners of the controller	(47,884)	25,860

During 2013, Invexans had a loss of Ch$47,884 [9] million, which contrasts negatively with earnings of Ch$25,860 million the year before. This is explained by the greater non-operating loss in 2013, mainly the result of the recognition of the larger proportional loss in Nexans of Ch$52,389 million and lower operating income in 2013, reflecting the negative goodwill on the investment in Nexans in the previous year and, to a lesser extent, the absence in 2013 of the earnings from discontinued operations in 2012. These variations were partially offset by a reduced charge for income tax.

The revenue of Invexans in 2013 rose by 129.5% over 2012, mainly corresponding to rental income.

As of December 2013, Invexans recorded earnings from operating activities of Ch$8,321 million, 73.5% below the level of 2012, mainly the result of the negative goodwill on the investment in Nexans of Ch$41,156 million booked in 2012 following the accounting change of that investment from a financial asset available for sale to the equity method, included in Other gains (losses). Negative goodwill in 2013 was substantially lower reaching Ch$11,336 million, related to the shares in Nexans acquired in the first half. This was partially compensated by lower fees, expenses and provisions for lawsuits in Brazil in 2013, included in Other expenses by function.

The deterioration in the non-operating result, whose loss rose by Ch$54,480 million to Ch$55,230 million in 2013, is explained by the loss in the participation in associates booked using the equity method in 2013, corresponding to the recognition of the equity value Invexans registers for its investment in Nexans. This company reported a loss of €333 million for 2013, contrasting negatively with earnings of €27 million in 2012. This result was affected by higher restructuring costs (€180 million) incurred in the reorganization of plants and projects in Europe and Asia Pacific, and impairment of assets (€130 million), mainly of a subsidiary in Australia, plus assets available for sale in Egypt and Argentina. To a lesser degree, the result of Nexans also reflects a lower operating margin and higher income tax than in 2012. Invexans has adjusted its proportional result to reflect the effects of the fair value determined for Nexans which, added to the participation in the result, generated a net loss for Invexans for its investment in the French company of Ch$53,146 million in 2013, significantly higher than the loss of Ch$757 million in 2012.

Income tax was Ch$975 million, 86.2% lower than in 2012, mainly related to deferred taxes. The year 2012 includes earnings from discontinued operations of Ch$4,361 millions, corresponding to the earnings of Alusa, Madeco Mills and Indalum.

Madeco

	Figures in MCh$	
	12-31-2013	12-31-2012
Ordinary revenue	205,772	-
Earnings from operating activities	34,310	-
Loss from discontinued operations	(7,648)	-
Net income attributable to owners of the controller	1,118	-

During 2013, Madeco's net income reached Ch$1.118 [10] million, mainly due to its earnings from its operating activities, partially compensated by the loss of discontinued operations, income tax and the non-operating loss.

7 Relates to Quiñenco's participation in the net earnings of Invexans.

8 Relates to Quiñenco's participation in the net earnings of Madeco.

9 The analysis of Invexans is based on the financial statements prepared in the functional currency of Quiñenco. The functional currency of Invexans differs from that of Quiñenco, as well as some classifications of accounting items.

10 The analysis of Madeco is based on the 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 items.

Madeco's revenue in 2013 amounted to Ch$205,772 million, comprising flexible packaging (84.4%) and profiles (15.6%). Sales of flexible packaging relate mainly to the markets where it has operations, i.e. Chile, Argentina, Peru and Colombia, plus exports to the rest of Latin America. The principal customers of the profiles unit are in Chile.

Madeco reported a gross margin of Ch$42,606 million, based on the good performance of the packaging unit and, to a lesser degree, of the profiles unit.

Madeco's earnings from operating activities amounted to Ch$34,310 million, mainly the product of the gross margin explained above, and also to the negative goodwill on the investment in Peruplast of Ch$14,691 million due to the valuation at fair value of this investment at the level of Madeco, included in Other gains (losses), and the proceeds of the sale of part of the old production facilities of Peruplast included in Other revenue by function. This was partially offset by administrative expenses, other losses and distribution costs.

Madeco had a non-operating loss of Ch$6,784 million in 2013, mainly explained by the financial cost related to the financial debt assigned to the company in the division of Invexans and the financial obligations of Peruplast and Empaques Flexa and, to a lesser extent, the loss for exchange differences.

The year 2013 includes a loss of discontinued operations of Ch$7,648 million, mainly due to the closure of the operations of Decker (Argentina) and of Madeco Mills in Chile. Income tax for the year was Ch$7,291 million.

Financial segment

	Figures in MCh$	
	12-31-2013	12-31-2012
LQIF holding [11]	(5,874)	(10,232)
Banking sector [12]	130,004	118,684
Net income of the financial segment	124,130	108,451

The financial segment contributed Ch$124,130 million to the earnings of Quiñenco in 2013, a 14.5% 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.

11 Relates to Quiñenco's participation in the earnings of LQIF Holding.

12 Relates to Quiñenco's participation in the earnings of Banco de Chile and SM-Chile.

LQIF holding

	Figures in MCh$	
	12-31-2013	12-31-2012
Ordinary revenue	-	-
Earnings (loss) from operating activities	1,713	(6,187)
Net income (loss)	(11,762)	(20,489)

LQIF holding recorded a loss of Ch$11,762 million in 2013, 42.6% lower than the loss of Ch$20,489 million in 2012, mainly due to the positive variation in the operating result reflecting the gain of Ch$5,445 million generated by the extraordinary credit to the subordinated obligation with Banco Central de Chile on the sale of stock options in the capital increase of Banco de Chile, included in Other gains (losses) in 2013 and, to a lesser extent, reduced other expenses by function due the reduced amortization of intangible assets. Earnings benefited from a reduced charge for income tax. The improved operating result was partially offset by the larger non-operating loss, due to the increase in the net financial cost for the year, partially compensated by a lower loss from indexation adjustments due to the lower variation of the UF.

Banco de Chile

	Figures in MCh$	
	12-31-2013	12-31-2012
Ordinary revenue	1,456,025	1,342,039
Allowances for credit risk	(241,613)	(188,190)
Operating expenses	(622,944)	(633,819)
Net income attributable to owners of the controller	513,602	465,850

Banco de Chile reported earnings of Ch$513,602 million in 2013, a rise of 10.3% over the year before. This change is mainly explained by increased operating revenue partially compensated by a higher allowance for credit risk and increased income tax.

Operating revenue increased by 8.5% due to (i) an 11.2% increase in average loans, driven by an 11.6% increase in the wholesale segment and 10.9% in the retail segment and, to a lesser extent, a slight improvement in spreads; (ii) a 9.4% increase in average checking account and demand deposit balances, which more than compensated the slight fall in short-term nominal interest rates; (iii) a greater contribution from the net asset position in UF, based on an increased exposure and more attractive funding due to the decline in nominal interest rates, which compensated a smaller variation in the UF (2.1% in 2013 vs 2.5% in 2012); (iv) a positive exchange-rate effect on the coverage of allowances for credit risk indexed to dollars due to the rise of 9.6% in the exchange rate (Ch$/US$) in 2013, compared to a fall of 7.8% in 2012; and (v) increased revenue from the Bank's investment portfolio management, management of maturities mismatches and other effects, which were able to offset the impact of the adoption of valuation adjustments for credit risk of derivatives.

The allowance for credit risk of Banco de Chile amounted to Ch$241,613 million, an increase of 28.4% over the Ch$188,190 million in 2012. This is due to (i) the 11.2% growth in loans, mainly allowances related to the retail and SME segments; (ii) additional allowances based on signs of deceleration in the local economy and expectations of volatility for the coming years; (iii) a negative exchange-rate effect on credit-risk allowances denominated in dollars due to the fall in the Ch$/US$ exchange rate in 2012 and rise in 2013; and (iv) the financial deterioration of certain customers in the wholesale segment and, to a lesser degree, a gradual deterioration noted in the credit conditions of the SME business.

Based on the above, the portfolio expense indicator was 1.2% in 2013, compared to 1.0% in 2012. With respect to the overdue portfolio, the Bank records an indicator of 1.1% in 2013, above the 1.0% of 2012 but below the industry average (2.1%).

Operating expenses decreased by 1.7% to Ch$622,944 million in 2013, compared to Ch$633,819 million in 2012. This was primarily due to a 62.2% reduction in other operating expenses mainly due to lower operating write-offs and provisions for contingencies, which were partially offset by a 3.6% increase in personnel expenses, principally inflation adjustments, increased workforce, additional training expenses and general staff benefits, including a special bonus in celebration of the 120 years of the Bank and a 2.0% rise in administrative expenses, fundamentally due to the acquisition of password generator devices for customer electronic transfers and other IT expenses.

Subordinated Debt with Banco Central de Chile

The accrued interest on the subordinated debt with Banco Central de Chile in 2013 was 5.4% lower than the year before due to the effect of lower inflation during 2013.

Energy segment

	Figures in MCh$	
	12-31-2013	12-31-2012
Enex [13]	18,971	28,387
Net income of the energy segment	**18,971**	**28,387**

The energy segment contributed Ch$18,971 million to the earnings of Quiñenco in 2013, 33.2% lower than in the year before.

Enex

	Figures in MCh$	
	12-31-2013	12-31-2012
Ordinary revenue	1,757,693	1,340,623
Earnings from operating activities	25,003	7,613
Net income attributable to owners of the controller	18,971	28,387

Enex produced earnings of Ch$18,971 million during 2013, 33.2% less than the previous year. Revenue amounted to Ch$1,757,693 million, a rise of 31.1% as a result of greater sales volume, mainly of fuels, driven by the incorporation of the operation of Terpel Chile in the second half of 2013. Total volumes delivered in the year were 3,023 thousand cubic meters, 34.3% more than in 2012, of which 95.8% related to fuels. The gross margin amounted to Ch$127,332 million, 34.9% up from the previous year, mainly due to a higher sales volume and, to a lesser extent, improved margins in fuels and asphalts, partially offset by reduced margins for lubricants due to the negative impact of the sale of inventories at average historic cost in a context of low import prices for these products.

The earnings from operating activities of Enex amounted to Ch$25,003 million in the year, 228.4% higher than in 2012, as a result of the 34.9% increase in the gross margin, partially offset by administrative expenses, reflecting the net favorable effect of the incorporation of the operation of Terpel Chile in the second half of 2013.

The non-operating loss was Ch$4,136 million in 2013, 62.4% higher than in 2012, mainly the product of the negative variation in exchange differences and higher financial costs associated with a larger financial debt.

Income tax amounted to Ch$1,897 million for 2013, contrasting negatively with the credit for income tax of Ch$23,321 million in 2012, mainly due to the

13 Relates to Quiñenco's participation in the earnings of Enex.

tax recognition of the goodwill on the inverse merger between Enex and its parent Inv. Río Aurum in 2012.

Other segment

	Figures in MCh$	
	12-31-2013	12-31-2012
IRSA [14]	37,690	37,500
CSAV [15]	(37,163)	(59,351)
SM SAAM [16]	12,664	8,542
Quiñenco & others	(460)	1,940
Net income (loss) of other segment	12,730	(11,370)

The other segment contributed earnings of Ch$12,730 million to Quiñenco in 2012, contrasting positively with the loss of Ch$ 11,370 million the year before, mainly due to the lower proportional loss of CSAV and, to a lesser extent, the higher proportional earnings of SM SAAM, partially offset by the lower result of Quiñenco and others.

IRSA

The slight increase in the contribution of IRSA, parent of CCU, to Quiñenco of 0.5% reflects the increased earnings reported by CCU for the year, partially offset by the reduction in IRSA's participation in CCU from 66.1% to 60.0% in the last quarter of 2013.

CCU

	Figures in MCh$	
	12-31-2013	12-31-2012
Ordinary revenue	1,197,227	1,075,690
Earnings from operating activities	189,225	176,710
Net income attributable to owners of the controller	123,036	114,433

In 2013, CCU defined three business segments Chile, Río de la Plata and Wine. Chile includes beer, non-alcoholic drinks and spirits. The Río de la Plata segment includes CCU Argentina (beer, cider and spirits), Uruguay (mineral water and carbonated beverages) and, from December 2013, Paraguay (carbonated beverages, water, nectars and beer).

CCU's net income reached Ch$123,036 million in 2013, 7.5% more than in the year before, due to a larger operating result and a lower charge for income tax, partially compensated by an increased non-operating loss.

CCU's sales grew by 11.3% in 2013 over 2012 as a result of greater consolidated volumes sold and slightly higher average prices. The volume sold in the Chile business segment grew by 12.4%, with non-alcoholic drinks increasing by 19.8%, spirits by 3.8% and beers by 1.9%. The Río de la Plata segment contributed volume growth of 5.9%, mainly reflecting the incorporation of the business in Uruguay, while CCU Argentina recorded a slight fall in volumes sold of 2.6%, which was overcome by an 11.5% rise in average prices, achieving an increase in sales of 8.6%. The Wine segment declined by 0.1% in volumes sold.

Operating income rose by 7.1% as a result of a larger gross margin, mainly reflecting the increase in sales and, to a lesser extent, the positive variation in other gains (losses) due to gains relating to exchange-rate hedge effects on taxes for the year, compared to losses in 2012. These positive variations were partially compensated by higher distribution expenses in Chile and Argentina.

The non-operating loss increased by 38.6% mainly due to increased financing costs related to larger debt in Argentina and larger losses for exchange differences, partially compensated by a reduced loss from indexation adjustments mainly due to the smaller variation in the UF (2.1% in 2013 vs 2.5% in 2012).

Income taxes fell by 6.5% or Ch$2,428 million, due to the positive one-off effect of Ch$2,510 million caused by a reversal in the provision for income tax relating to the provision for bottles and containers.

CSAV

The proportional participation of Quiñenco in the results of CSAV was a loss of Ch$37,163 million, 37.4% less than the loss in 2012, reflecting the reduced loss reported by CSAV for 2013 and the adjustment for the effect of the valuation at fair value of the investment in CSAV at the level of

14 Relates to Quiñenco's participation in the earnings of IRSA.

15 Relates to Quiñenco's participation in the earnings of CSAV, adjusted according to the estimated fair value of the investment in CSAV.

16 Relates to Quiñenco's participation in the earnings of SM SAAM, adjusted according to the estimated fair value of the investment in SM SAAM.

Quiñenco. The adjustment for 2013 was Ch$1,271 million, compared to Ch$377 million in 2012 and the adjustment for the period July-December 2011 of Ch$957 million, was also included in 2012.

In September 2013 Quiñenco participated in the capital increase of CSAV and increased its participation to 46.0%, with a total investment of Ch$94,961 million.

	Figures in MUS$	
	12-31-2013	12-31-2012
Ordinary revenue	3,206	3,432
Loss from operating activities	(221)	(197)
Net income (loss) attributable to owners of the controller	(169)	(314)

CSAV [17] reported a loss of US$169 million for 2013, 46.1% lower than the loss for the year before, mainly due to the loss from discontinued operations in 2012, a larger credit for income tax and a smaller non-operating loss, partially offset by the larger operating loss.

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) are recoverable, in which case the company books revenue 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 revenue and costs being booked separately (onerous contract).

The effect of the above meant booking revenue and costs of US$49 million for the year 2013, and of US$8 million for 2012, which form part of the ordinary revenue and costs of sales indicated above.

In 2013 CSAV's revenue fell by 6.6% to US$3,206 million, mainly due to lower tariffs and, to a lesser extent, a reduction in the volume carried of 2.8%.

CSAV produced a gross loss of US$4 million in 2013, which contrasts negatively with the gross gain of US$43 million in the year before, mainly due to the fall in prices and the high cost of oil, one of the principal components of costs. The operating loss was US$221 million in 2013, 12.4% higher than the year before, reflecting the negative variation in the gross margin explained above and higher other expenses by function due to a provision of US$40 million to cover possible costs that might result from an investigation into a breach of anti-trust regulations in the vehicle-carrier business. These unfavorable effects were partially compensated by a gain of US$57 million deriving from a discount on the prepayment of a debt with AFLAC, included in other gains and losses, and a 7.1% reduction in administrative expenses due to reduced remuneration and communications and information expenses, partially offset by higher management consultancies. A positive result of US$12 million was also booked resulting from the merger of two subsidiaries in Brazil.

The non-operating result was a loss of US$28 million in 2013, 37.4% lower than the previous year, mainly explained by the positive variation in exchange differences by having less net liabilities exposed to currencies other than the dollar.

The restructuring process begun in mid 2011 was completed by December 31, 2012, so there is no result for discontinued operations in 2013. As of December 31, 2012, the loss from discontinued operations amounted to US$126 million.

The credit for income tax for 2013 was US$81 million, 41.2% more than in the year before and includes US$48 million for a deferred tax asset resulting from the merger of the two subsidiaries in Brazil.

SM SAAM

The contribution of SM SAAM to Quiñenco was earnings of Ch$12,664 million, 48.3% higher than the year before as a result of higher earnings booked by SM SAAM for the year, plus the higher percentage participation following the acquisition of an additional 5.0% made in September 2013 for Ch$24,352 million to reach a shareholding of 42.4% as of December 31, 2013. These increases were 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 2013 was Ch$2,048 million (Ch$2,264 million in 2012). 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.

17 CSAV reports in US$.

	Figures in MUS$	
	12-31-2013	12-31-2012
Ordinary revenue	479	448
Earnings from operating activities	66	59
Net income attributable to owners of the controller	74	60

SM SAAM [18] reported earnings of US$74 million in 2013, 23.6% more than in 2012, mainly due to higher operating income and, to a lesser extent, a lower charge for income tax and higher non-operating income.

The revenue of SM SAAM in 2013 was US$479 million, 6.9% up on 2012, mainly due to increased revenue from tug boats and port terminal services, partially offset by lower revenue from logistics. The revenue of SM SAAM corresponds to tug boats (42.6%), logistics (34.9%) and port terminal (22.5%) services.

SM SAAM produced a gross margin of US$112 million in 2013, an improvement of 1.6% over 2012, due to the higher margin on its tug boats and port terminal services, partially offset by a reduced logistics margin.

Operating income was US$66 million, 11.9% more than the year before, mainly due to a pre-tax gain of US$15 million on the sale of the 50% participation of SM SAAM in Cargo Park, included in other gains (losses) and, to a lesser extent, the higher gross margin explained above, partially compensated by higher administrative expenses, lower other income by function and higher other expenses by function.

The non-operating result was a gain of US$22 million in 2013, an 18.7% increase over 2012, mainly explained by the greater contribution of the participation in joint ventures and a gain from exchange differences compared to a loss in 2012, partially compensated by higher financial costs due to a higher level of debt, and lower financial income.

Income tax was US$12 million in 2013, 23.3% less than the year before.

Quiñenco and others

The variation in Quiñenco and others is mainly due to the reduced contribution by Banchile Vida, which fell by 59% in 2013, mainly due to its reduced operating income. This variation is attributed to reduced financial income at the corporate level, reflecting the lower level of cash and higher financial costs due to greater levels of debt, partially compensated by higher operating income and, to a lesser extent, a reduced loss from exchange differences.

III. ANALYSIS OF THE STATEMENT OF FINANCIAL POSITION

Assets

The consolidated assets of Quiñenco as of December 31, 2013 amount to Ch$29,471,930 million, a figure 13.0% higher than that at the end of 2012, due to increased assets in both the banking sector and, to a lesser extent, in the industrial sector.

The following shows in comparative terms the composition of the consolidated assets at the end of each year:

	Figures in MCh$	
	12-31-2013	12-31-2012
Manufacturing		
Invexans	318,915	424,548
Madeco	295,372	-
Sub total manufacturing	**614,288**	**424,548**
Financial		
LQIF holding	923,685	927,848
Energy		
Enex	732,278	522,561
Other		
Quiñenco & others	1,247,078	961,431
Assets held for sale	25,287	1,821
Sub total others	**1,272,365**	**963,252**
Total industrial sector assets	3,542,616	2,838,210
Assets banking sector	25,929,314	23,252,873
Total consolidated assets	29,471,930	26,091,082

	Figures in MCh$	
	12-31-2013	12-31-2012
Current assets industrial sector	900,417	594,889
Non-current assets industrial sector	2,642,199	2,243,320
Total assets industrial sector	3,542,616	2,838,210
Assets banking sector	25,929,314	23,252,873
Total consolidated assets	29,471,930	26,091,082

Current assets industrial sector

The current assets of the industrial sector amounted to Ch$900,417 million, which represents an increase of 51.4% compared to December 31, 2012. This

18 SM SAAM reports in US$.

is mainly explained by the proceeds of the capital increase of Quiñenco (Ch$350,015 million), the bond issues made by Quiñenco (UF4,000,000) and LQIF (UF2,450,000), bank loans at Invexans and Quiñenco and dividends received by LQIF from Banco de Chile. However, these funds were partially compensated by the use of funds in the acquisition of Terpel Chile by Enex for Ch$120,921 million, the investment in shares of CSAV for Ch$94,961 million and the investment in shares of Nexans for Ch$81,645 million by Invexans. Funds were also used to pay dividends, mainly by Quiñenco and by Madeco, LQIF and Banchile to third parties and the repayment of a short-term bank loan by LQIF.

There were also increases in trade debtors and other accounts receivable and in inventories, reflecting the incorporation of the assets of Terpel Chile into Enex and, to a lesser extent, higher balances in the manufacturing segment. The latter increased mainly to reflect the consolidation of all the assets of Peruplast and Empaques Flexa from 2013, which were booked at equity value in 2012. Assets held for sale also increased, mainly in the manufacturing segment, for the discontinued operations of the brass mills unit in Chile and Argentina and for properties, mainly of Madeco and to a lesser extent of Invexans, held for sale.

Non-current assets industrial sector

The non-current assets of the industrial sector amounted to Ch$2,642,199 million, which represents an increase of 17.8% over the end of 2012. This is mainly due to the investments booked using the equity method. The principal variations were the following: i) greater book value of CSAV following its capital increase and the increase in the participation of Quiñenco to 46.0%, partially compensated by the recognition of the loss for the year; ii) the increased book value of IRSA, reflecting the capital increase made by CCU and the earnings for the year, compensated by the reduction in IRSA's participation in CCU to 60.0% as of December 31, 2013; iii) the increased book value of Nexans due the capital increase made by Nexans and the increase in the participation of Invexans to 26.55%, partially compensated by the recognition of the increased loss for the year; and iv) the increase in the value of the investment in SM SAAM following Quiñenco's increased participation to 42.4% and the earnings for the year.

Non-current assets also increased due to 57.0% increase in property, plant and equipment, explained by the manufacturing segment following the consolidation of all the assets of Peruplast and Empaques Flexa from 2013 and the energy segment for the acquisition of Terpel Chile by Enex. This transaction also generated an increase in goodwill.

Banking sector assets

Banking assets as of December 31, 2013 are Ch$25,929,314 million, representing an increase of 11.5% over December 2012.

Liabilities

The following shows a comparison of the consolidated liabilities of Quiñenco at the end of each year.

	Figures in MCh$	
	12-31-2013	12-31-2012
Manufacturing		
Invexans	111,173	115,534
Madeco	184,953	-
Sub total manufacturing	**296,125**	**115,534**
Financial		
LQIF holding	203,459	303,565
Energy		
Enex	264,622	191,188
Other		
Quiñenco & others	543,997	442,522
Liabilities held for sale	7,981	-
Sub total others	**551,978**	**442,522**
Total liabilities industrial sector	1,316,184	1,052,809
Banking sector liabilities	23,728,953	21,449,801
Total consolidated liabilities	25,045,137	22,502,610

	Figures in MCh$	
	12-31-2013	12-31-2012
Current liabilities industrial sector	452.481	334.884
Non-current liabilities industrial sector	863.702	717.925
Total liabilities industrial sector	1.316.184	1.052.809
Liabilities banking sector	23.728.953	21.449.801
Total consolidated liabilities	25.045.137	22.502.610
Equity	4.426.793	3.588.473
Total equity & liabilities	29.471.930	26.091.082

The liabilities of the industrial sector as of December 31, 2013 amounted to Ch$1,316,184 million, 25.0% more than at December 31, 2012. This increase is mainly due to larger liabilities in the manufacturing segment due to the full consolidation of the liabilities of Peruplast and Empaques Flexa from 2013 and the drawing of bank loans. The increase is also attributed to the placement of bonds made by Quiñenco in July of UF4,000,000 and obtaining a bank loan (Ch$20,000 million), and to the energy segment following the consolidation of the liabilities of Terpel Chile and obtaining long-term bank loans. This increase was partially compensated by reduced liabilities in LQIF, mainly explained by the repayment of short-term bank debt, which was partially offset by the placement of bonds made in September of UF2,450,000.

Banking sector liabilities rose by 10.6% compared to December 31, 2012.

The industrial sector debt ratio[19] declined slightly from 0.56% as of December 31, 2012 to 0.54% in December 2013. This is mainly explained by the greater increase in the controller's equity (27.7%) than the 25.0% increase in liabilities. In comparative terms, the current liabilities of the industrial sector at December 31, 2013 were 34.4% of total liabilities, compared to 31.8% as of December 31, 2012.

Equity [20]

As of December 31, 2013 the equity of Quiñenco amounts to Ch$2,417,361 million, 27.7% higher than at December 31, 2012. This is mainly explained by the new share issue made by Quiñenco which concluded on November 22, 2013, the earnings for the year net of the provision for dividends and the positive variation in other reserves, mostly due to the partial non-concurrence of IRSA in the capital increase of CCU, the effect of the partial non-subscription of shares in the capital increase of Banco de Chile by LQIF, the purchase of shares in Madeco equivalent to an additional 10.5% shareholding for an amount of Ch$15,556 million by Quiñenco (reaching a 65.9% shareholding) and the translation difference from dollars to pesos of CSAV, Invexans and SM SAAM, partially compensated by cash-flow hedges of Invexans and LQIF.

19 Debt ratio: Total industrial sector liabilities /Equity attributable to owners of the controller

20 Equity relates to Equity attributable to owners of the controller.

IV. FINANCIAL INDICATORS

Financial Indicators		12-31-2013	12-31-2012
LIQUIDITY*			
Current ratio	times	2.0	1.8
(Current assets/Current liabilities)			
Acid test	times	0.9	0.8
(Cash & cash equivalents/Current liabilities)			
DEBT*			
Debt ratio	times	0.54	0.56
(Total liabilities/Equity attributable to owners of the controller)			
Current debt/Total debt	%	34.38%	31.81%
(Current liabilities/Total liabilities)			
Non-current debt/Total debt	%	65.62%	68.19%
(Non-current liabilities/Total liabilities)			
Financial expenses coverage	times	0.89	1.82
((Non-banking earnings + Income tax + Financial costs)/Financial costs)			
ACTIVITY*			
Inventory turnover	times	16.02	12.84
(Cost of sales/Average inventories)			
PROFITABILITY			
Return on equity	%	5.8%	8.1%
(Earnings of controller/Average equity attributable to owners of the controller)			
Return on assets of non-financial segments	%	0.0%	1.8%
(Earnings of controller non-financial segments / Average assets non-financial segments)			
Return on assets of financial segment	%	0.5%	0.5%
(Earnings of controller financial segment / Average assets financial segment)			
Earnings per share	Ch$	88.73	104.34
(Earnings of controller /Weighted average No. of shares)			
Dividend yield	%	3.9%	2.5%
(Dividend payments last 12 months per share/Closing share price)			

* Excludes banking sector assets and liabilities

V. SUMMARIZED STATEMENT OF CASH FLOWS

Industrial sector cash flows	Figures in MCh$	
	12-31-2013	12-31-2012
Net cash flow from (used in) operating activities	48,760	50,557
Net cash flow from (used in) financing activities	313,835	303,104
Net cash flow from (used in) investment activities	(298,060)	(283,464)
Total net cash flow for the year	64,536	70,197

As of December 31, 2013 Quiñenco reported for the industrial sector a positive net cash flow of Ch$64,536 million explained by the positive cash flow from financing activities of Ch$313,835 million and to a lesser extent the positive flow from operating activities of Ch$48,760 million, partially offset by the negative cash flow used in investment activities of Ch$298,060 million.

The positive operating cash flow is mainly composed of the proceeds of collections from customers of Ch$2,492,352 million, mainly by Enex and to a lesser extent by Banchile Vida and Madeco, mostly compensated by payments to suppliers of Ch$2,309,588 million by the same companies mentioned above and personnel payments of Ch$68,558 million, mainly by Madeco, Enex and to a lesser extent by Quiñenco, and other operating activity payments (net) of Ch$67,796 million, mainly made by Enex, Banchile Vida and to a lesser extent Madeco.

The positive financing cash flow mainly comprises the proceeds of the share issue of Quiñenco for Ch$349,761 million (net of placement expenses), and net obligations of Ch$100,289 million, mainly explained by the bond issue made by Quiñenco for UF4,000,000 and a bank loan for Ch$20,000 million, bank loans drawn by Invexans, by Enex following the consolidation of the liabilities of Terpel Chile and the drawing of long-term bank loans for Ch$30,000 million, and by LQIF due to the placement of bonds for UF2,450,000 in September. These were partially compensated by the repayment of short-term bank debt mainly by LQIF and Enex, the payment of dividends of Ch$97,591 million by Quiñenco, LQIF, Banchile Vida and the manufacturing segment to third parties, and interest paid of Ch$32,295 million mainly by Quiñenco, LQIF, Enex and Madeco.

The negative investment cash flow is mainly explained by the investment in Terpel made by Enex for Ch$120,921 million, the investment in CSAV of Ch$94,961 million, mainly through participation in the capital increase, and the investment in Nexans made by Invexans for Ch$81,645 million. On the other hand, there were purchases of property, plant and equipment for Ch$41,450 million, mainly by Enex and Madeco, partially compensated by inflows from dividends of associates, the sale proceeds of properties available for sale of Madeco and interest received.

Banking sector cash flows	Figures in MCh$	
	12-31-2013	12-31-2012
Net cash flow from (used in) operating activities	(208,224)	(1,142,700)
Net cash flow from (used in) financing activities	959,735	741,883
Net cash flow from (used in) investment activities	(419,006)	313,832
Total net cash flow for the year	332,505	(86,984)

As of December 31, 2013 Quiñenco reported for the banking sector a total positive net cash flow of Ch$332,505 million, explained by the positive flow from financing activities of Ch$959,735 million, partially offset by the negative flow used in investment activities of Ch$419,006 million and the negative flow used in operating activities of Ch$208,224 million.

VI. SUMMARIZED INCOME STATEMENT

	Figures in MCh$		
	12-31-2013	12-31-2012	Variation
Industrial Sector Results			
Revenue from ordinary activities	2,054,946	1,448,296	41.9%
Manufacturing	206,182	179	115198.5%
Financial	-	-	
Energy	1,757,693	1,340,623	31.1%
Other	91,070	107,494	-15.3%
Cost of sales	(1,818,217)	(1,266,623)	43.5%
Manufacturing	(163,366)	(55)	297980.3%
Financial	-	-	
Energy	(1,630,361)	(1,246,251)	30.8%
Other	(24,490)	(20,318)	20.5%
Earnings from operating activities	78,351	51,335	52.6%
Manufacturing	42,631	31,345	36.0%
Financial	1,713	(6,187)	n.a.
Energy	25,003	7,613	228.4%
Other	9,004	18,564	-51.5%
Non-operating result	(75,108)	(34,011)	120.8%
Financial income	16,341	21,100	-22.6%
Financial costs	(39,519)	(26,461)	49.3%
Participations in results of associates & joint ventures	(38,765)	(13,329)	190.8%
Exchange differences	(2,422)	(3,455)	-29.9%
Indexation adjustment results	(10,743)	(11,866)	-9.5%
Income tax	(8,748)	9,579	n.a.
Earnings from discontinued operations	(7,648)	4,361	n.a.
Consolidated net income (loss) industrial sector	(13,154)	31,264	-142.1%
Banking Sector Results			
Operating revenues	1,458,121	1,345,404	8.4%
Allowances for credit risk	(241,614)	(188,189)	28.4%
Operating expeses	(623,200)	(634,058)	-1.7%
Operating income	593,307	523,158	13.4%
Non-operating result	(67,629)	(73,939)	-8.5%
Income tax	(80,020)	(54,040)	48.1%
Consolidated net income banking sector	445,658	395,179	12.8%
Consolidated net income	432,504	426,443	1.4%
Net income attributable to non-controlling participations	307,664	286,800	7.3%
Net income attributable to owners of the controller	124,841	139,643	-10.6%

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 manufactured and commercialized.

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 4.1% in 2013, there is no assurance about whether it will continue to grow in the future. The factors that might have an adverse effect on the company's business and results include future decelerations of the Chilean economy, a return to high inflation and currency fluctuations. The Company's activities in Chile are diversified into six different economic sectors.

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 various 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. The gradual globalization of some of the Company's activities allows for a greater diversification of the risk associated to a sector or country.

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 the profit margins and operating results of Quiñenco's businesses which, as a result, might significantly and adversely affect the dividend flows that Quiñenco receives from its businesses. However, the Company's businesses are diversified among various sectors and countries.

Raw materials risk

In the subsidiary Madeco, oil derivatives (polyethylene resins, polypropylene, PVC, etc.) and aluminum are the principal raw materials. The financial result of Madeco is linked to its 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 risk related to aluminum, Madeco uses financial derivatives that are assigned according to the case, to cover cash flows or existing items (fair value).

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In the subsidiary Enex, 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. These contracts also 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 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 these 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 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 aluminum'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 payment in the event of possible compensations in its favor. As of December 31, 2013 Madeco had 235 tons of aluminum hedged by derivative contracts.

The risk with respect to financial liabilities or assets is managed by Invexans in accordance with defined policies. Cash surpluses are invested, in accordance with the criteria of the policy, in low-risk instruments (mainly time deposits) in institutions having high credit ratings and within the limits established for each institution (funds are placed in a diversified manner).

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, customer risk 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. 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 (e.g. repurchase agreements and time deposits) with financial entities evaluated at least once a year, with exposure limits assigned by entity according to credit-rating agency reports and opinions, in line with Enex's 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 from the companies in which it participates and with funds obtained from the sale of assets and/or the issuance of debt and equity.

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 resort to 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 Invexans estimates periodically the projected needs for liquidity for each period, between the amounts of cash to be received (rentals, dividends, etc.), the respective payments (commercial, financial, etc.) and available amounts of cash, in order not to have to resort to short-term external financing. Invexan'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 the company.

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 its financial obligations. 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 risk**

There is no exposure at the corporate level as of December 2013 as it has no significant foreign currency assets and liabilities. There are no hedge mechanisms contracted at the corporate level at December 2013 or 2012.

In the subsidiary Invexans, the exposure to exchange risk derives from the positions held in cash and cash equivalents, bank debt indexed to currencies other than its functional currency, i.e. US dollar, and the related appreciations/depreciations between both currencies. Both the board and management of Invexans 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 Invexans, financial derivatives may be contracted (mainly cross-currency swaps) in order to mitigate these possible risks.

As of December 31, 2013 Invexans's net exposure to exchange risk is an asset equivalent to Ch$9,343 million. If a 5% variation is assumed in currencies other than the functional currency on this exposure, an estimated effect of Ch$467 million would be generated in the statements of comprehensive results.

In the subsidiary Madeco, the exposure to exchange 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, 2013 Madeco's net exposure to exchange risk is an asset equivalent to Ch$4,138 million. If a 5% variation is assumed in currencies other than the functional currency on this exposure, an estimated effect of Ch$207 million would be generated in the statements of comprehensive results.

The subsidiary LQIF has no exposure to exchange risk as it has no foreign currency assets or liabilities as of December 31, 2013 and 2012.

In the subsidiary Enex the exposure to exchange 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. To mitigate this risk, Enex has a policy to minimize the net exposure (assets-liabilities) in foreign currency using as a mechanism the habitual purchase of currencies in the spot market. As of December 31, 2013 the net exposure to exchange risk of Enex is an asset equivalent to Ch$8,434 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$422 million in 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 they are booked to results.

- **Interest-rate risk**

As of December 31, 2013, Quiñenco at the corporate level has financial assets at fair value with changes to results of Ch$411,298 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$32 million.

At the corporate level, Quiñenco has 95.2% of its obligations at fixed rates and 4.8% at variable rates.

Invexans has 60.4% of its obligations at fixed rates and 39.6% at variable rates.

Madeco has 38.4% of its debt at fixed rates and 61.6% at variable rates.

LQIF has all its financial commitments at fixed rates, which implies a low exposure to rate risk.

Enex has 36.8% of its obligations at fixed rates and 63.2% at variable rates.

The following shows the interest-rate structure at the consolidated level. As can be seen, the interest-rate risk is reduced as 79.4% of the debt is structured at fixed rates

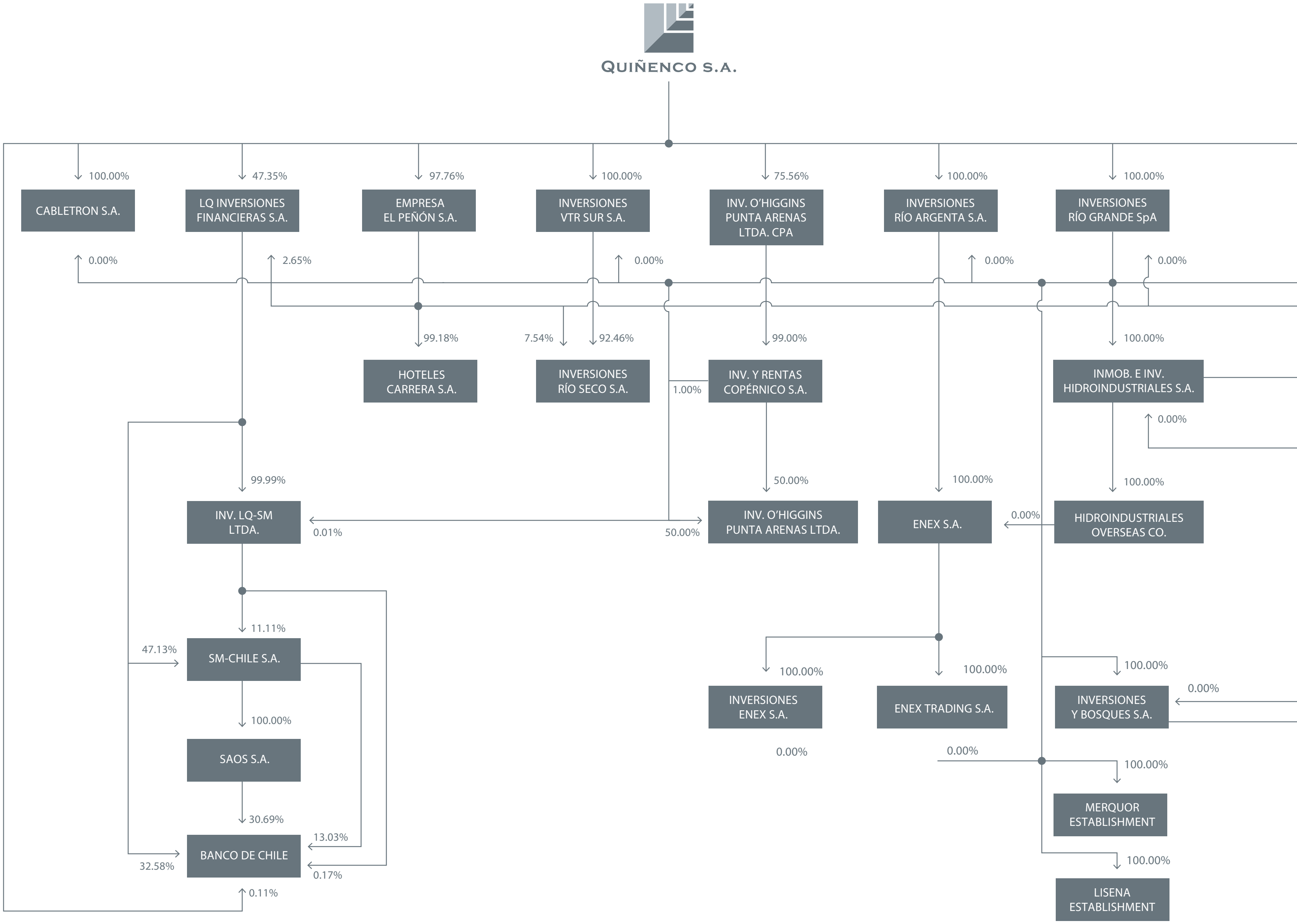
Net position	12-31-2013	12-31-2012
Fixed interest rate	79.4%	81.3%
Hedged interest rate	0.0%	0.0%
Variable interest rate	20.6%	18.7%
Total	100.0%	100.0%

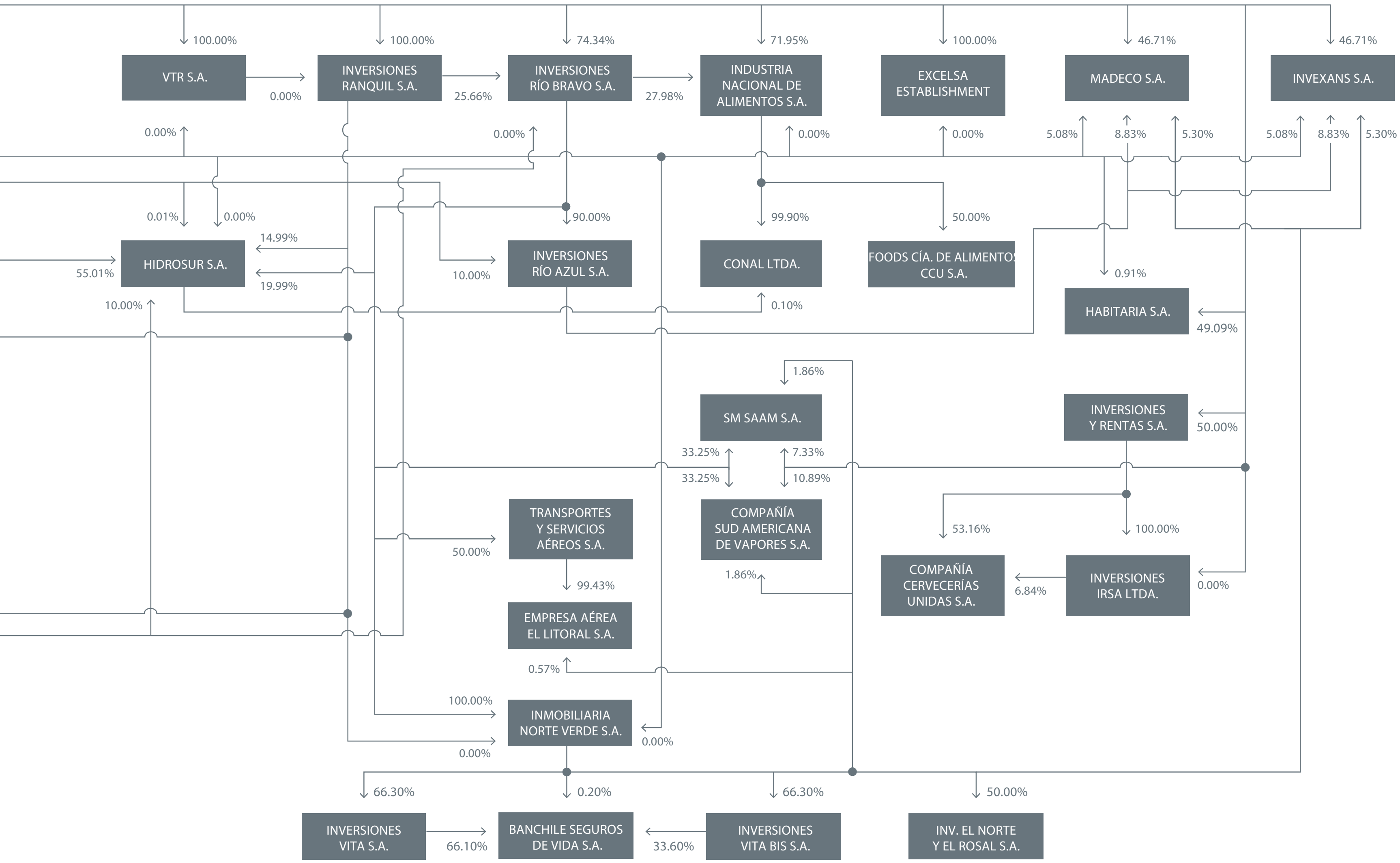
As of December 31, 2013, the consolidated exposure to variable interest rates amounts to Ch$160,914 million. A 100 basis point variation in the interest rate would generate an effect on financial costs for the period of Ch$1,609 million.

Corporate Structure

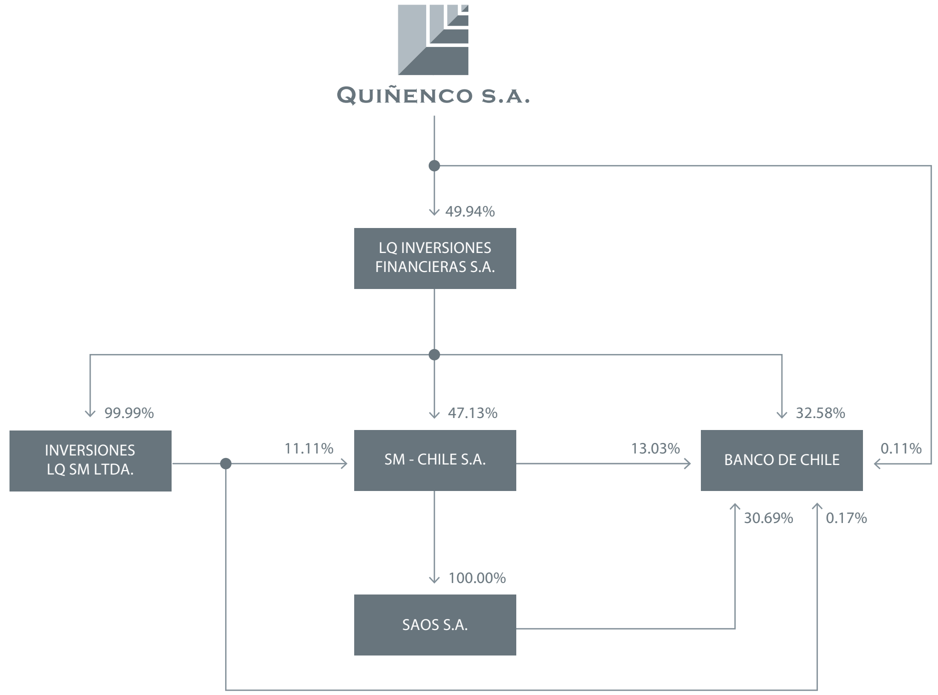
Subsidiaries and Affiliate Companies
As of December 31, 2013

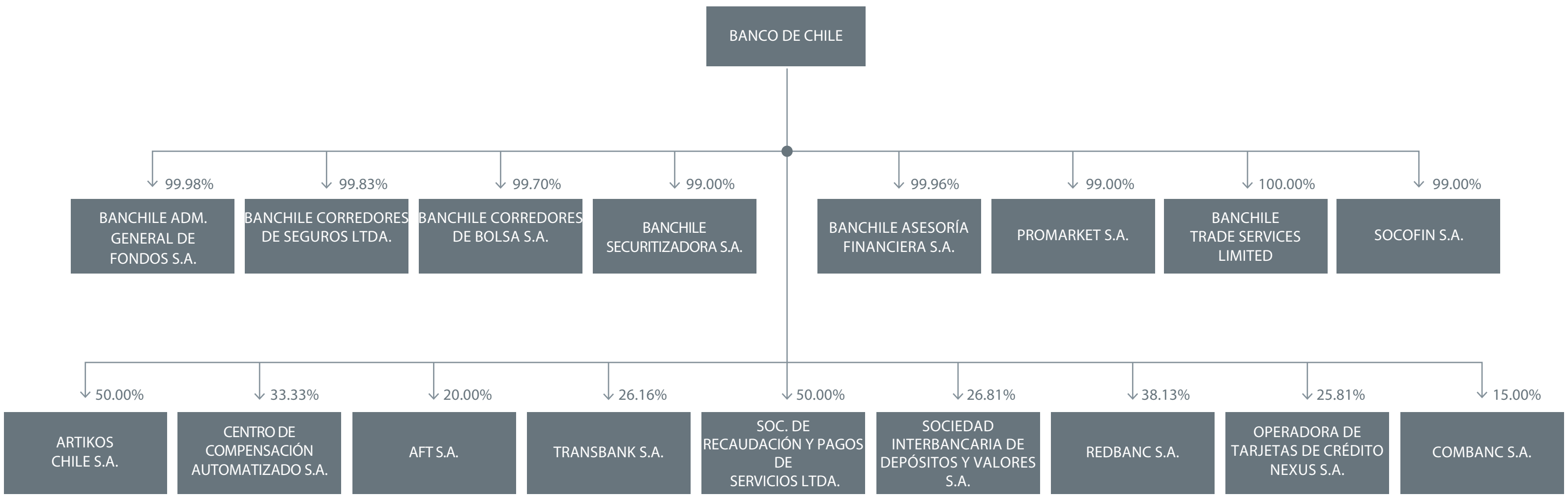
Quiñenco S.A.
Subsidiaries and Affiliates



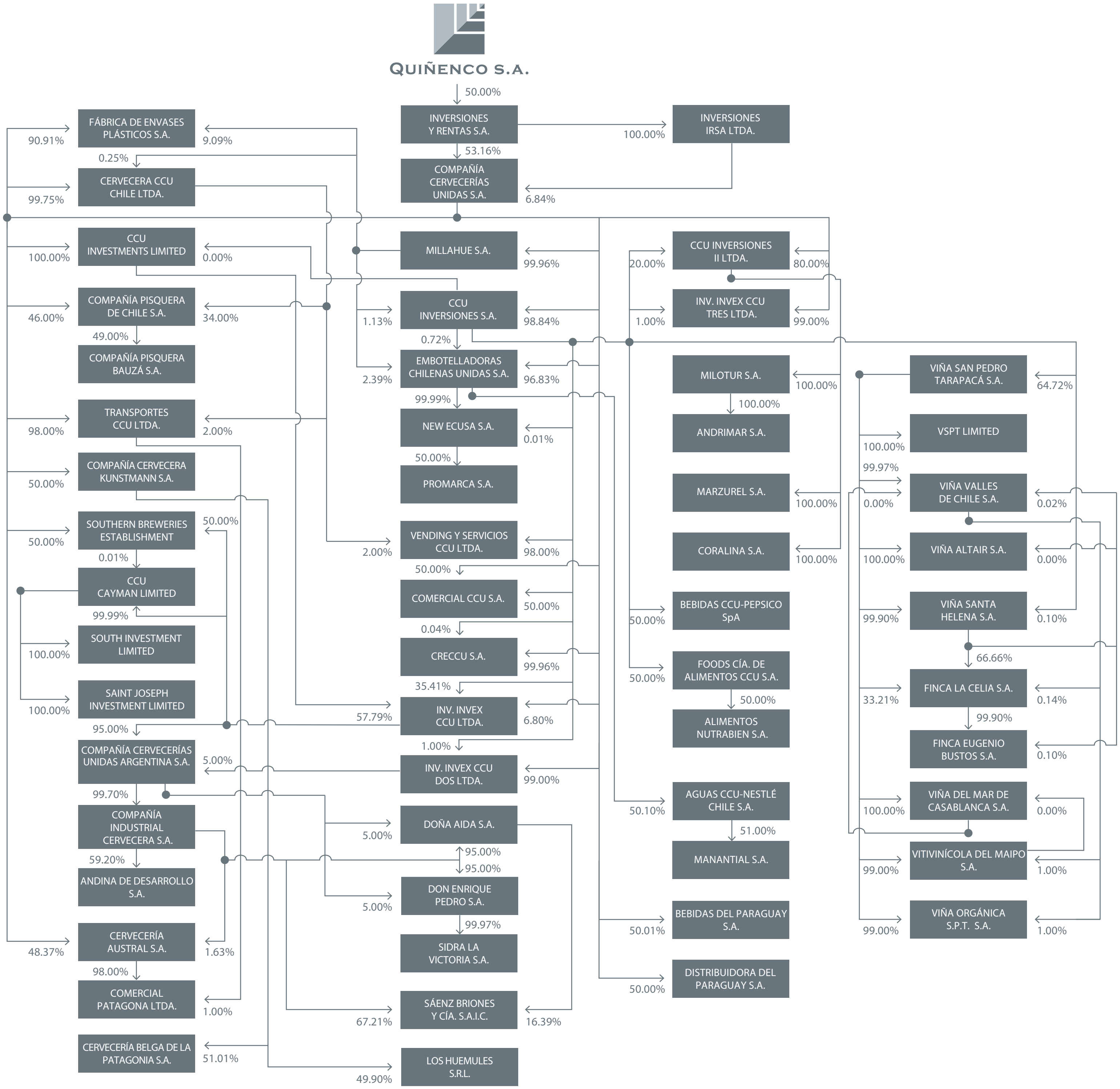

VTR S.A.
INVERSIONES RANQUIL S.A.
INVERSIONES RÍO BRAVO S.A.
INDUSTRIA NACIONAL DE ALIMENTOS S.A.
EXCELSA ESTABLISHMENT
MADECO S.A.
INVEXANS S.A.
HIDROSUR S.A.
INVERSIONES RÍO AZUL S.A.
CONAL LTDA.
FOODS CÍA. DE ALIMENTOS CCU S.A.
HABITARIA S.A.
SM SAAM S.A.
INVERSIONES Y RENTAS S.A.
TRANSPORTES Y SERVICIOS AÉREOS S.A.
COMPAÑÍA SUD AMERICANA DE VAPORES S.A.
COMPAÑÍA CERVECERÍAS UNIDAS S.A.
INVERSIONES IRSA LTDA.
EMPRESA AÉREA EL LITORAL S.A.
INMOBILIARIA NORTE VERDE S.A.
INVERSIONES VITA S.A.
BANCHILE SEGUROS DE VIDA S.A.
INVERSIONES VITA BIS S.A.
INV. EL NORTE Y EL ROSAL S.A.
100.00%
100.00%
74.34%
71.95%
100.00%
46.71%
46.71%
0.00%
25.66%
27.98%
0.00%
0.00%
0.00%
0.00%
5.08%
8.83%
5.30%
5.08%
8.83%
5.30%
0.01%
0.00%
90.00%
99.90%
50.00%
14.99%
55.01%
19.99%
10.00%
0.91%
10.00%
0.10%
49.09%
1.86%
50.00%
33.25%
7.33%
33.25%
10.89%
53.16%
100.00%
50.00%
1.86%
6.84%
0.00%
99.43%
0.57%
100.00%
0.00%
0.00%
66.30%
0.20%
66.30%
50.00%
66.10%
33.60%

LQ Inversiones Financieras S.A.
Subsidiaries and Affiliates

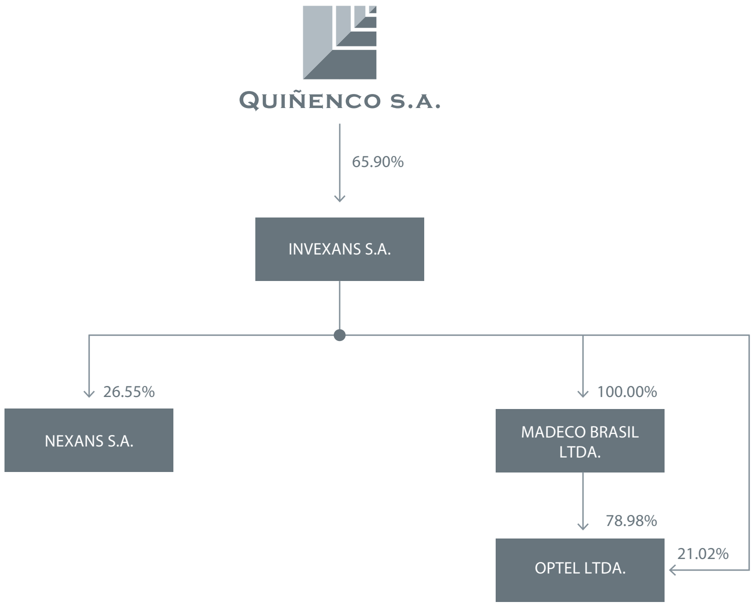




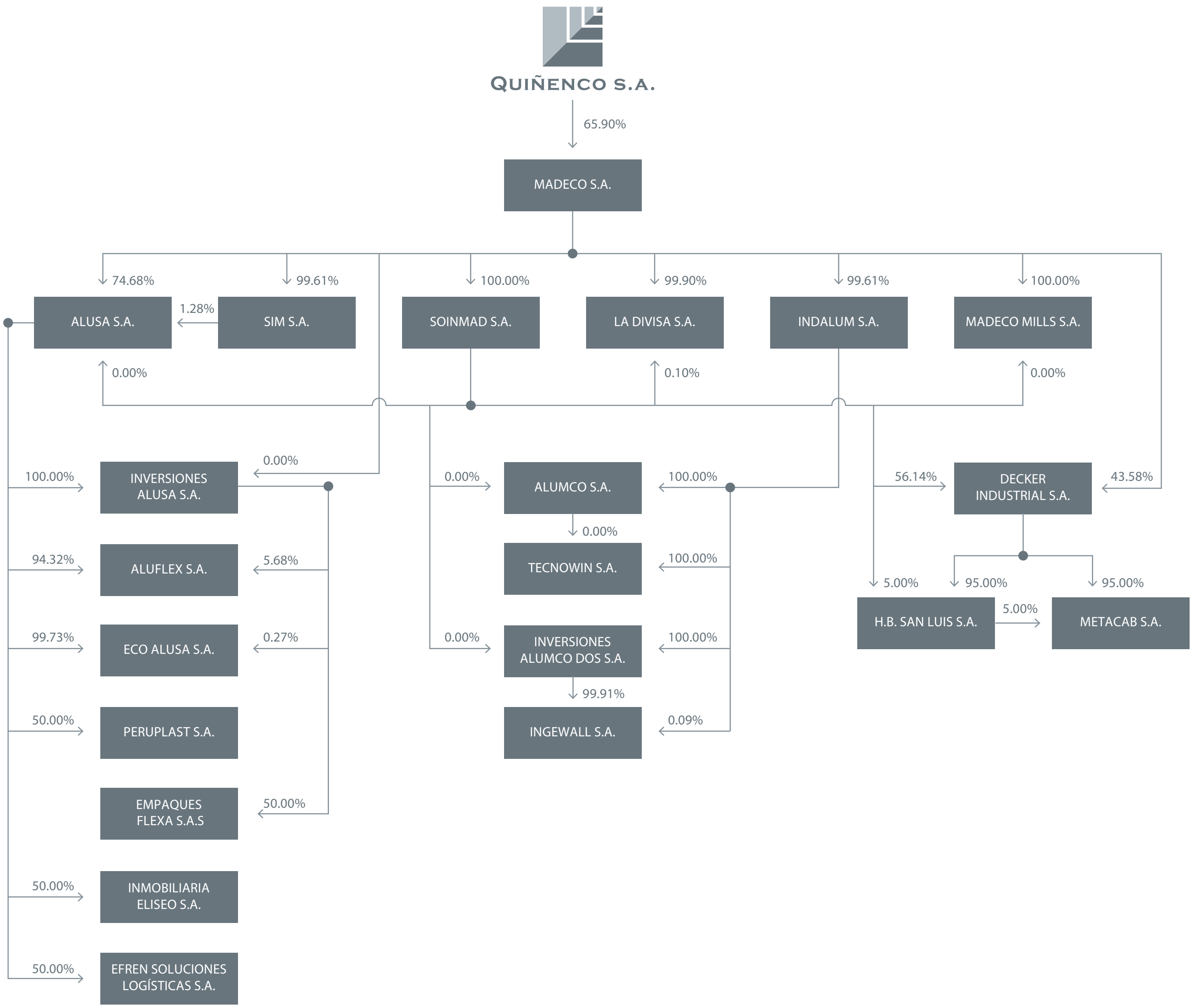
Compañía Cervecerías Unidas S.A.
Subsidiaries and Affiliates



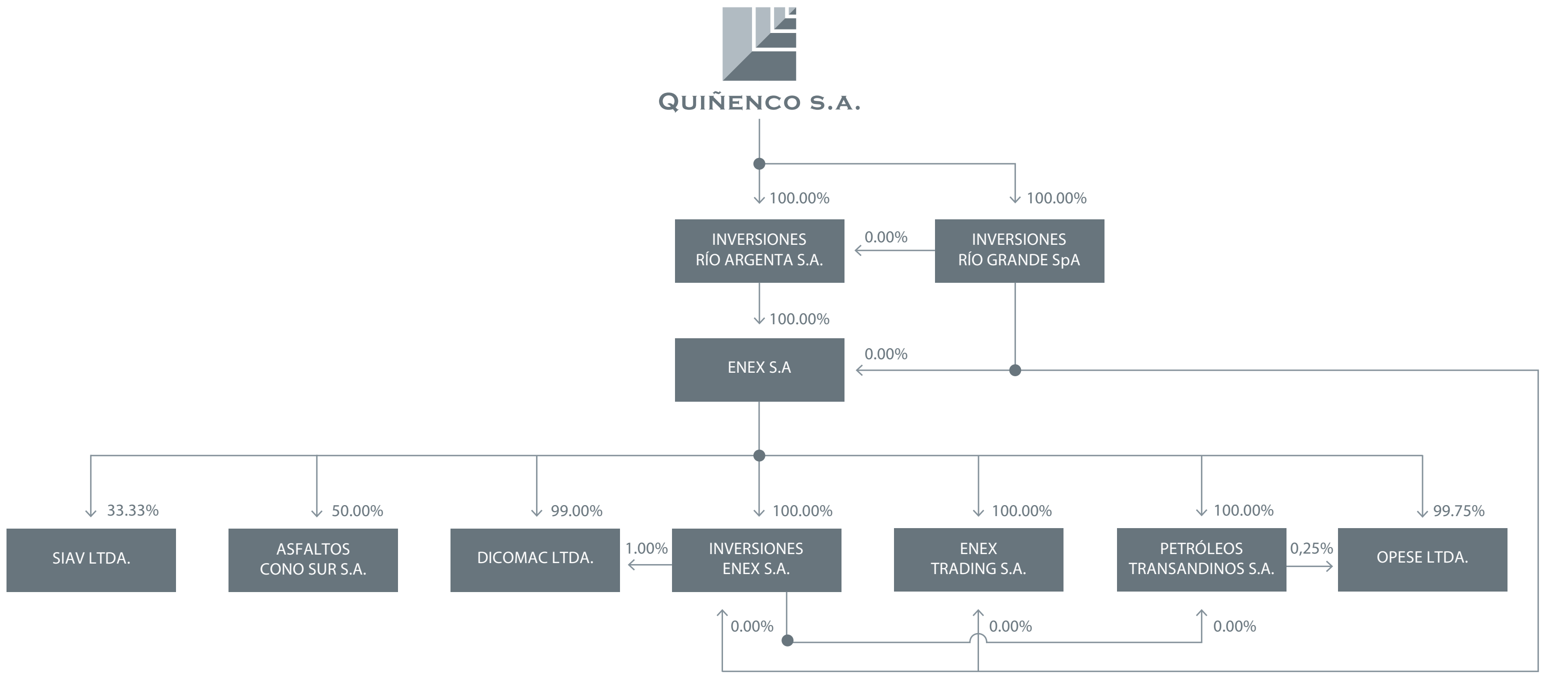
Invexans S.A.
Subsidiaries and Affiliates



Madeco S.A.
Subsidiaries and Affiliates



Empresa Nacional de Energía Enex S.A.
Subsidiaries and Affiliates



Quiñenco s.a.

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